

HIGH YIELD BOND – SMA

As of March 31, 2021

Portfolio Managers



Douglas Lopez, CFA
Industry Experience
31 Yrs



Terence Reidt, CFA
Industry Experience
30 Yrs

Signatory of:



About Us

Aristotle Credit Partners, LLC specializes in ESG (environmental, social and governance)-integrated corporate credit investing. The team is led by Portfolio Managers Doug Lopez, CFA and Terry Reidt, CFA, who have been managing credit-focused strategies together since 1995, including while at their prior firm. The Portfolio Managers, who are also senior credit analysts, are supported by four analysts with an average industry experience of 18 years. Doug Lopez serves as the lead Portfolio Manager for High Yield.

Objective & Philosophy

The High Yield Bond strategy seeks strong risk-adjusted returns relative to the benchmark through a combination of high current income and capital appreciation.

We believe:

- The combination of [top-down](#) and [bottom-up](#) analysis leads to the most comprehensive perspective on the corporate credit market.
- The integration of [ESG factors](#) into our analysis enhances our credit selection process.
- [Disciplined risk management](#) is a critical component of investing in corporate credits and should be carried out at both the security and portfolio level.

Investment process includes the following tenets:

Focus on Quality

Investments are focused on the upper two tiers of the high yield market as we believe these credits generally possess more favorable risk-reward profiles compared to other high yield bonds.

We seek credits with strong fundamentals, ample cash flow, solid capital structures and low default risk.

In-Depth Research

Our process blends economic and market analysis with industry and credit research to formulate portfolio themes and identify investments with attractive relative value.

Qualitative research is supplemented by quantitative tools to enhance our process and help manage risk at the security and portfolio level.

ESG Considerations

We believe ESG analysis can highlight unique, non-traditional credit research factors that may be ignored by other corporate credit investors.

ESG factors are incorporated into our bottom-up, fundamentally driven research process, with a particular emphasis on corporate governance.

Portfolio Data	High Yield-SMA	Benchmark ¹
Number of Issues	73	1,747
Yield to Worst (%)	3.64	3.91
Effective Duration (Yrs)	3.27	4.15
Maturity (Avg., Yrs)	7.08	7.15
Coupon (Avg., %)	5.59	5.69
Price (Avg., \$)	106.52	105.37
Average Credit Rating	BB-	BB-
Turnover (1 Yr, %)	55.1	--

Performance

Trailing (%)	QTD	YTD	1 Yr	3 Yrs	5 Yrs	Since
						Inception (2/1/2014)
High Yield Bond – SMA Composite (Gross)	0.52	0.52	18.83	6.88	6.76	4.89
High Yield Bond – SMA Composite (Net)	0.38	0.38	18.06	6.33	6.24	4.39
ICE BofA BB-B U.S. Cash Pay HY Const. Index	0.28	0.28	20.97	6.72	7.42	5.56

Calendar Year (%)	2020	2019	2018	2017	2016	2015	2014 ³
High Yield Bond – SMA Composite (Gross)	6.96	13.89	-0.85	5.65	11.15	-2.58	1.37
High Yield Bond – SMA Composite (Net)	6.29	13.37	-1.31	5.16	10.65	-3.03	1.02
ICE BofA BB-B U.S. Cash Pay HY Const. Index	6.32	15.09	-2.04	6.98	14.76	-2.82	2.75

¹Benchmark represents the ICE BofA BB-B U.S. Cash Pay High Yield Constrained Index.

²2014 is a partial-year period of eleven months, representing data from February 1, 2014 to December 31, 2014.

Past performance is not indicative of future results. Performance results for periods greater than one year have been annualized. Returns are preliminary pending final account reconciliation. Returns are presented gross and net of investment advisory fees and include the reinvestment of all income. The Portfolio Characteristics shown are based on a representative account. This material is not financial advice or an offer to buy or sell any product. Please see important disclosures at the end of this document.



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Allocation by Credit Rating (%)

Rating	High Yield-SMA	Benchmark ¹
AAA	--	--
AA	--	--
A	--	--
BBB	10.6	1.0
BB	44.6	59.3
B	41.8	38.1
CCC or Lower	1.8	1.6
Not Rated	--	--
Cash	1.2	--
Total	100.0	100.0

Top 5 Overweights by Industry (%)

Industry	High Yield-SMA	Benchmark ¹
Media Entertainment	12.2	4.5
Retailers & Restaurants	12.0	4.5
Banking	5.5	2.0
Building Materials & Home Construction	6.2	2.8
Finance Companies	6.3	3.5

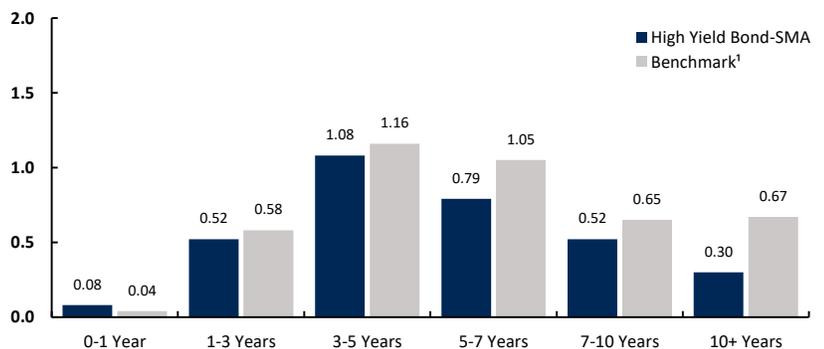
Top 5 Underweights by Industry (%)

Industry	High Yield-SMA	Benchmark ¹
Energy	2.5	8.1
Technology	1.5	6.0
Food, Beverage, Tobacco	0.0	3.9
Telecommunications	3.1	6.8
Utilities	0.0	3.2

Top 10 Holdings (%)

Security	Coupon	Maturity Date	Weight
Brinker International Inc	3.875%	05/15/23	2.2
RR Donnelley & Sons Co	6.500%	11/15/23	2.1
Cinemark USA Inc	4.875%	06/01/23	2.0
Allegheny Technologies Inc	7.875%	08/15/23	2.0
Morgan Stanley	3.851%	12/31/99	2.0
Murphy Oil USA Inc	4.750%	09/15/29	1.9
Great Lakes Dredge & Dock Corp	8.000%	05/15/22	1.9
Quad/Graphics Inc	7.000%	05/01/22	1.8
iHeartCommunications Inc	6.375%	05/01/26	1.8
Global Partners LP / GLP Finance Corp	7.000%	08/01/27	1.8
Total			19.5

Contribution to Duration (%)



¹Benchmark represents the ICE BofA BB-B U.S. Cash Pay High Yield Constrained Index.

The Aristotle High Yield Bond - SMA Composite (the Composite) includes all discretionary accounts managed in this strategy. The objective of the Aristotle High Yield Bond - SMA strategy is to optimize long-term returns with a focus on mitigating market risk. The strategy is benchmarked to the ICE BofA BB-B U.S. Cash Pay High Yield Constrained Index. The accounts in the Composite consist of all separately managed fee paying discretionary portfolios invested mainly in high yield bonds. The Composite will include only accounts that do not utilize leverage, do not have significant tax treatment or cash flow needs and may not invest in 144A bonds. The accounts will likely contain a limited number of positions (roughly 50 to 80 securities), with investments focused on the most liquid securities. A list of composite descriptions is available upon request. Past performance is not indicative of future results. The Portfolio Data, Allocation by Credit Rating, Top 5 Overweights and Underweights by Industry, Top 10 Holdings and Contribution to Duration figures shown are based on a representative account from the Composite. The representative account was chosen since, in our view, it is the account within the Composite that most closely reflects the portfolio management style of the strategy. Not every client's account will have these exact characteristics. The actual characteristics with respect to any particular client account will vary based on a number of factors, including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Aristotle Credit reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. This is not a recommendation to buy or sell a particular security. Recommendations made in the last 12 months are available upon request. The ICE BofA BB-B U.S. Cash Pay High Yield Constrained Index measures the performance of the U.S. dollar-denominated BB-rated and B-rated corporate debt issued in the U.S. domestic market, a fixed coupon schedule and a minimum amount outstanding of \$100 million, issued publicly. Allocations to an individual issuer in the Index will not exceed 2%. The volatility (beta) of the Composite may be greater or less than that of the benchmark. It is not possible to invest directly in this index. Composite and index returns reflect the reinvestment of income. Composite returns are presented gross and net of actual investment advisory fees. Returns are presented net of trading costs. Net returns reflect the additional deduction of management fees and are based on the actual account-level net returns. Performance is expressed in U.S. dollars.

Yield to Worst is the lowest potential yield expressed as a percent that can be received on a bond without the issuer actually defaulting. Effective Duration is an approximate measure of the strategy's sensitivity to interest rate changes taking into consideration any maturity shortening features. Maturity (Avg.) is a finite period of time at the end of which the financial instrument will cease to exist and the principal is repaid with interest. Coupon (Avg.) is the weighted average of the coupon of each bond in the strategy. Price (Avg.) is the weighted average of each bond price in the portfolio. Turnover is calculated by taking either the total amount of purchases or total sales of portfolio securities (whichever is less), over a particular period, and dividing it by the monthly average market value of the portfolio during that period. Credit Rating: sourced from Standard & Poor's (S&P), Moody's and Fitch. Ratings values are based on the middle of the three ratings if all three credit rating agencies rate the security; based on the higher rating if rated by two of three credit rating agencies; or based on the sole agency's rating if rated by only one of the three credit rating agencies. The ratings represent their (S&P, Moody's, Fitch) opinions as to the quality of the securities they rate. The ratings from AAA (S&P, Fitch) or Aaa (Moody's) (extremely strong capacity to meet its financial commitment) to D (S&P, Fitch) or C (Moody's) (in default). Ratings are relative and subjective and are not absolute standards of quality. The ratings provided relate to the underlying securities within the portfolio and not the portfolio itself. Unrated securities do not necessarily indicate low credit quality.

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