

# INVESTMENT GRADE CORPORATE BOND



As of September 30, 2022

## Portfolio Managers

### Terence Reidt, CFA

31 Years Industry Experience

### Douglas Lopez, CFA

33 Years Industry Experience

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. Terry Reidt serves as the lead Portfolio Manager for Investment Grade.

### Objective & Philosophy

The Investment Grade Corporate Bond strategy seeks to outperform the total return of the benchmark while actively managing portfolio risk.

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 “A” and “BBB” tiers of the investment grade corporate market as we believe these credits generally possess more favorable risk-reward profiles compared to other credits in the sector.

We seek credits with strong fundamentals, ample cash flow, solid capital structures and stable or improving financial profiles.

#### 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           | IG Corp. | Benchmark <sup>1</sup> |
|--------------------------|----------|------------------------|
| Number of Issues         | 68       | 7,291                  |
| Effective Yield (%)      | 6.36     | 5.64                   |
| Effective Duration (Yrs) | 6.70     | 7.04                   |
| Maturity (Avg., Yrs)     | 11.61    | 10.96                  |
| Coupon (Avg., %)         | 4.13     | 3.70                   |
| Price (Avg., \$)         | 115.57   | 87.93                  |
| Average Credit Rating    | BBB      | A-                     |
| Turnover (1 Yr, %)       | 33.3     | --                     |

## Performance

| Trailing (%)                        | QTD   | YTD    | 1 Yr   | 3 Yrs | 5 Yrs | Since Inception (5/1/2014) |
|-------------------------------------|-------|--------|--------|-------|-------|----------------------------|
| IG Corporate Bond Composite (Gross) | -3.50 | -17.03 | -16.98 | -3.09 | 0.54  | 2.51                       |
| IG Corporate Bond Composite (Net)   | -3.56 | -17.19 | -17.22 | -3.35 | 0.25  | 2.21                       |
| Bloomberg U.S. Corporate Bond Index | -5.06 | -18.72 | -18.53 | -3.65 | -0.03 | 1.59                       |

| Calendar Year (%)                   | 2021  | 2020 | 2019  | 2018  | 2017 | 2016 | 2015  | 2014 <sup>2</sup> |
|-------------------------------------|-------|------|-------|-------|------|------|-------|-------------------|
| IG Corporate Bond Composite (Gross) | -0.81 | 8.64 | 16.34 | -2.41 | 6.93 | 8.69 | 0.58  | 3.87              |
| IG Corporate Bond Composite (Net)   | -1.10 | 8.41 | 15.94 | -2.76 | 6.56 | 8.46 | 0.08  | 3.84              |
| Bloomberg U.S. Corporate Bond Index | -1.04 | 9.89 | 14.54 | -2.51 | 6.42 | 6.11 | -0.68 | 3.16              |

<sup>1</sup>Benchmark represents the Bloomberg U.S. Corporate Bond Index.

<sup>2</sup>2014 is a partial-year period of eight months, representing data from May 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. Composite and benchmark returns reflect the reinvestment of income. Returns are presented gross and net of investment advisory fees and include the reinvestment of all income. Gross returns will be reduced by fees and other expenses that may be incurred in the management of the account. Net returns are presented net of actual investment advisory fees and after the deduction of all trading expenses. The Portfolio Data shown is 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 the document.



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## Allocation by Credit Rating (%)

| Rating       | IG Corp.     | Benchmark <sup>1</sup> |
|--------------|--------------|------------------------|
| AAA          | --           | 1.4                    |
| AA           | 1.8          | 6.1                    |
| A            | 22.1         | 43.3                   |
| BBB          | 66.6         | 49.2                   |
| BB           | 9.2          | --                     |
| B            | --           | --                     |
| CCC or Lower | --           | --                     |
| Not Rated    | --           | --                     |
| Cash         | 0.3          | --                     |
| <b>Total</b> | <b>100.0</b> | <b>100.0</b>           |

## Top 5 Overweights by Industry (%)

| Industry                     | IG Corp. | Benchmark <sup>1</sup> |
|------------------------------|----------|------------------------|
| Insurance                    | 10.4     | 3.1                    |
| Transportation               | 7.1      | 2.3                    |
| REITs & Real Estate Related  | 6.3      | 2.8                    |
| Brokerage & Asset Management | 4.4      | 1.4                    |
| Telecommunications           | 7.5      | 4.8                    |

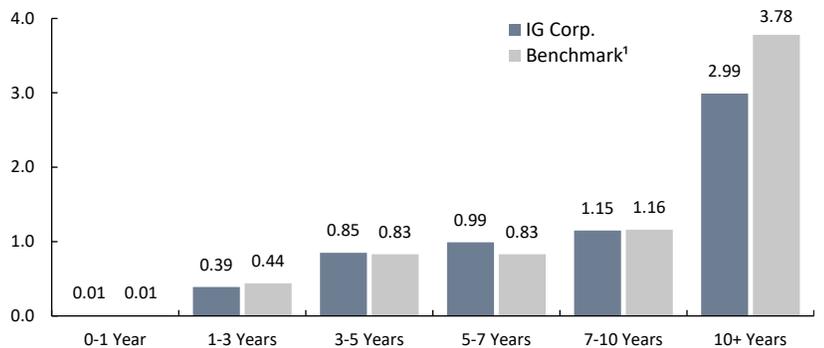
## Top 5 Underweights by Industry (%)

| Industry   | IG Corp. | Benchmark <sup>1</sup> |
|--|----------|------------------------|
| Banking  | 13.1     | 23.6                   |
| Retailers & Restaurants                            | 0.0      | 4.2                    |
| Pharmaceuticals                                    | 1.5      | 5.0                    |
| Healthcare   | 2.5      | 5.4                    |
| Diversified Manufacturing & Construction Machinery | 0.0      | 2.7                    |

## Top 10 Holdings (%)

| Security  | Coupon  | Maturity Date | Weight      |
|---|---------|---------------|-------------|
| United Airlines 2019-2 Class B Pass Through Trust | 3.500%  | 05/01/28      | 5.1         |
| MetLife Inc                                       | 10.750% | 08/01/39      | 3.9         |
| Morgan Stanley                                    | 3.700%  | 10/23/24      | 2.6         |
| T-Mobile USA Inc                                  | 3.375%  | 04/15/29      | 2.6         |
| Southern Co                                       | 5.113%  | 08/01/27      | 2.6         |
| Pacific Gas and Electric Co                       | 4.950%  | 07/01/50      | 2.5         |
| Wells Fargo & Co                                  | 7.500%  | --            | 2.4         |
| Discovery Communications LLC                      | 5.300%  | 05/15/49      | 2.3         |
| Baker Hughes Holdings LLC                         | 1.231%  | 12/15/23      | 2.2         |
| CDW LLC   | 3.276%  | 12/01/28      | 2.2         |
| <b>Total</b>                                      |         |               | <b>28.4</b> |

## Contribution to Duration (%)



<sup>1</sup>Benchmark represents the Bloomberg U.S. Corporate Bond Index.

All investments carry a certain degree of risk, including the possible loss of principal. Investments are also subject to political, market, currency and regulatory risks or economic developments. There are risks specifically associated with fixed income investments such as interest rate risk and credit risk. Bond values fluctuate in price in response to market conditions. Typically, when interest rates rise, there is a corresponding decline in bond values. This risk may be more pronounced for bonds with longer-term maturities. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. High yield securities are generally rated lower than investment grade securities and may be subject to greater market fluctuations, increased price volatility, risk of issuer default, less liquidity, or loss of income and principal compared to investment grade securities. The material is provided for informational and/or educational purposes only and is not intended to be and should not be construed as investment, legal or tax advice and/or a legal opinion. Investors should consult their financial and tax adviser before making investments. The opinions referenced are as of the date of publication, may be modified due to changes in the market or economic conditions, and may not necessarily come to pass. Information and data presented has been developed internally and/or obtained from sources believed to be reliable. Aristotle Credit does not guarantee the accuracy, adequacy or completeness of such information. The Aristotle Investment Grade Corporate Bond - Composite (the Composite) includes all discretionary accounts managed in this strategy. The objective of the Aristotle Investment Grade Corporate Bond strategy is to optimize long-term returns with a focus on mitigating market risk. The strategy is benchmarked to the Bloomberg U.S. Corporate Bond Index. The accounts in this composite consist of all separately managed fee-paying discretionary portfolios invested mainly in Investment Grade Credit securities, with a benchmark similar to the Bloomberg U.S. Corporate Bond Index in both asset class allocation and duration. The Composite will include only accounts that do not utilize leverage and do not have significant tax treatment or cash flow needs. It excludes Wrap accounts. 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 Partners, LLC (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 Bloomberg U.S. Corporate Bond Index measures the performance of investment grade corporate bonds that are U.S. dollar-denominated and have a remaining maturity of greater than one year. 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.

**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 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** is 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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FOR MORE INFORMATION, PLEASE CONTACT

Phone: (949) 681-2100 | Email: info@aristotlecap.com | Web: www.aristotlecap.com

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