



	Monthly Return (%)	Year-to- Date Return (%)	Yield (%)	Option-Adjusted Spread (BPS)			
	2/29/24	2/29/24	2/29/24	2/29/24	12/31/23	12/31/22	12/31/21
Investment-Grade Corporate Bonds	-1.44	-1.62	5.36 ¹	90	93	121	87
Single A Bonds	-1.53	-1.74	5.27	82	85	109	74
BBB Bonds	-1.46	-1.49	5.63	118	121	159	115
1-3 Year Credit	-0.23	0.22	5.28	54	58	61	35
7-10 Year Credit	-1.57	-1.77	5.40	111	112	152	93
Long Credit	-2.59	-3.49	5.57	114	117	157	130
Bank Loans ²	0.89	1.68	10.79	519	528	652	439
BB Loans ³	0.58	1.15	8.88	322	315	363	307
B Loans ³	0.85	1.66	12.10	497	496	691	444
Over \$90 ³	0.82	1.55	10.68	429	418	497	417
Up to and including \$90 ³	1.64	3.01	16.94	1558	1416	1419	1380
Issues over \$1 billion ³	1.02	1.67	11.62	467	476	596	395
Issues \$201 million to \$300 million ³	1.13	2.25	11.60	876	882	932	639
High Yield	0.29	0.29	7.86 ¹	312	323	469	283
BB Bonds	-0.18	-0.12	6.65	195	201	295	194
CCC Bonds	1.70	1.03	12.24	750	776	1008	549
Intermediate High-Yield Bonds	0.30	0.29	7.87	312	323	471	285
Long High-Yield Bonds	0.12	0.40	7.50	311	341	401	252

Source: Bloomberg, Credit Suisse and Morningstar as of 2/29/24.

Investment-grade corporate bonds represent the Bloomberg US Credit Index and index components. This index measures the performance of investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related debt with at least ten years to maturity. **Bank loans** represent the Credit Suisse Leveraged Loan Index and index components. This index is designed to mirror the investable universe of the U.S. dollar-denominated leveraged loan market. **High yield** represents the Bloomberg US Corporate High Yield Index and index components. This index covers performance for U.S. high-yield corporate bonds. An **option-adjusted spread (OAS)** is the measurement of the spread of a fixed-income security rate and the risk-free rate of return.

¹ Yield quoted is yield-to-worst. **Yield-to-worst** is a measure of the lowest possible yield from purchasing a bond apart from a company defaulting.

² Yields represent four-year effective yields. The **effective yield** is a financial metric that measures the interest rate (or coupon rate) return on a bond.

³ Yields represent three-year effective yields. The effective yield is a financial metric that measures the interest rate (or coupon rate) return on a bond.

Highlights

Investment Grade

- Investment-grade supply stands at \$385 billion. For comparison, the largest first quarter of all time was in 2020 where \$467 billion printed with \$258 billion in March alone. Bloomberg on expecting heavy supply to continue: "As long as there's no significant volatility in March, expect them to blow through \$500 billion as buyers stay hungry for historically elevated yields on bonds with slim risk of not paying." March expectations are coming in at \$135 billion from syndicate desks on average.¹
- Truist on fourth-quarter earnings comments: "Earnings across investment grade are winding down, and adjusted earnings per share for investment-grade index companies has beaten consensus expectations by 4% on average. Beats have been strongest in capital goods, energy, and REIT, while results have been weaker in autos, basic industry, and transportation."²

High Yield

- BAML Strategy on rising stars and fallen angel activity: "Heavy rising-star activity was one of the notable tailwinds for U.S. credit last year with \$112 billion in paper being upgraded to investment grade. Fallen-angel volumes, in contract, remained subdued with only \$22 billion in debt downgraded to high yield for the year. [We] see a more moderate pace of rising-star activity in 2024 (approximately \$45 billion) while fallen-angel volumes should remain benign (approximately \$30 billion)."³
- Goldman Sachs on net issuance in high yield: "Net issuance has reached \$28 billion year-to-date, which also sets this quarter to be the strongest since 2021. ... Given the stronger start to the year in the USD market, we are raising our full-year net issuance forecasts to \$500 billion and \$100 billion for investment grade and high-yield, respectively, up from \$290 billion and \$80 billion."⁴

Bank Loans

- Barclay's Strategy on bank-loan yield pickup vs high yield: "The high-yield index hovered in the mid-8% area for most of 2023, but currently sits near 7.9%. This has enhanced the yield pickup investors can obtain by swapping out of bonds and into loans, with the outright index-level yield to maturity basis near 200 basis points in favor of loans."⁵
- J.P. Morgan on bank-loan performance: "Leveraged loans are outperforming the balance of fixed income in 2024 amid a record pace of collateralized loan obligation (CLO) origination, retail inflows, and a historic surge in refinancing activity. Leveraged-loan yields and spreads decreased 12 basis points and 4 basis points over the past week to 8.90% and 485 basis points. And the Credit Suisse Leveraged Loan Index provided a 1.01% gain in February, which boosts 2024's gains to 1.72%. Year-to-date, CCCs (3.75%) and BBBs (2.08%) are outperforming."⁶

Sources

¹ Aristotle Pacific Capital analysis and Bloomberg, March 1, 2024

² Truist, March 4, 2024.

³ BAML Strategy, Feb. 29, 2024

⁴ Goldman Sachs Strategy, March 4, 2024

⁵ Barclay's Strategy, March 4, 2024.

⁶ J.P. Morgan Strategy, March 4, 2024.

Definitions

- **Bank loans** (also known as **floating-rate loans** or **leveraged loans**) invest in bonds and other fixed-income securities that have variable, as opposed to fixed, interest rates.
- **Basis** refers to the difference between the prices and the expenses involved in transactions when calculating taxes.
- A **basis point** is one hundredth of a percent, so 100 basis points is equivalent to 1%.
- **Bonds** are units of corporate debt issued by companies and securitized as tradeable assets.
- **Bond ratings** are grades given to bonds that indicate their credit quality as determined by private independent rating services. Ratings are expressed as letters ranging from "AAA," which is the highest grade, to "D." Investment grade refers to a bond whose credit rating is BBB- or higher.
- A **collateralized loan obligation (CLO)** is a single security backed by a pool of loans, collected into a marketable instrument via process known as securitization.
- The **Credit Suisse Leveraged Loan Index** is designed to mirror the investable universe of the U.S. senior secure-credit (leveraged-loan) market.
- **Earnings per share** are a company's profit divided by the number of outstanding shares of its common stock.
- **Fallen angels** refers to investment grade bonds that are given a reduced rating to "junk bond" due to a decline in the credit rating of the issuer.
- **High-yield bonds** (or **junk bonds**) are bonds that pay higher interest rates because they have lower credit ratings than investment-grade bonds.
- **Investment grade** refers to the quality of a company's credit. To be considered an investment grade issue, the company must be rated at 'BBB' or higher by Standard and Poor's or Moody's.
- **Maturity** is the date on which the life of a transaction or financial instrument ends, after which it must either be renewed or it will cease to exist.
- A **real estate investment trust (REIT)** is a company that owns, and in most cases operates, income-producing real estate.
- **Rising star** refers to a bond that is rated as a "junk bond" but could become investment grade because of improvements in the issuing company's credit quality.
- **Risk** is the chance that an outcome or investment's actual gains will differ from an expected outcome or return.
- **Spread** is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, represented by treasury bonds. Spread income refers to the additional income from this difference.
- A **syndicate desk** is a set of analysts or representatives engaged in researching, marketing, and pricing of financial securities or instruments. Syndicate desk helps in securities issues for a company by analyzing the appropriate price and buyers for them.
- **Yield** is the income returned on an investment, such as the interest received from holding a security.
- **Yield to maturity** is the total rate of return that will have been earned by a bond when it makes all interest payments and repays the original principal.
- **Volatility** is a statistical measure of the dispersion of returns for a given security or market index. In most cases, the higher the volatility, the riskier the security.

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