

# 2Q 2024

## Global Investment Grade Corporate Debt Strategy



### Strategy Description

- ▶ Dynamic global investment strategy that seeks to generate high total return from both current income and capital appreciation by investing in a wide range of globally issued investment grade corporate debt securities.
- ▶ Fundamental- and qualitative-focused approach that seeks to add excess returns through strategic allocation of sectors and industries, as well as through disciplined credit selection.
- ▶ Versatile strategy that can be constructed with either a U.S. dollar market focus or a broader developed market universe.

### About Newfleet Asset Management

Newfleet Asset Management is a fixed income specialist with a legacy of dynamic, multi-sector investing since 1992. We offer a range of mandates that vary in duration, credit quality, and return/risk profile.

### Strategy Facts

AUM: \$13.6 million  
 Inception: 7/1/2013  
 Index: Bloomberg Global Aggregate Corporate Bond Index (Hedged into USD)

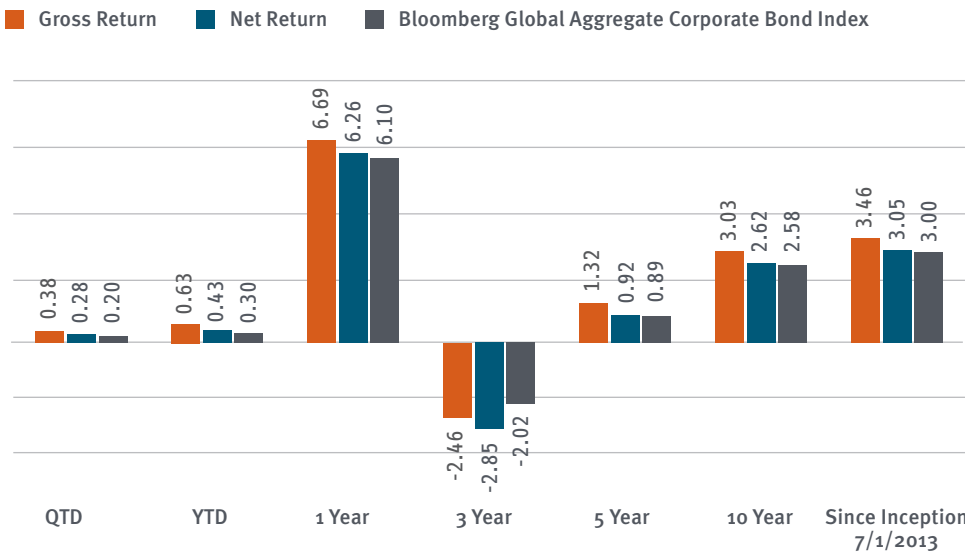
### Portfolio Management

**David Torchia**  
 Managing Director, Senior Portfolio Manager, and Investment Grade Corporate Sector Co-Head

**Gerald Culmone**  
 Portfolio Manager and Trader

**Ryan W. Jungk, CFA**  
 Senior Managing Director, Corporate Credit Analyst, and Investment Grade Corporate Sector Co-Head

### Performance (%)



Periods ended 6/30/2024. Time periods over one year are annualized. **Past performance is not indicative of future results.** Net return is shown net of maximum management fees.

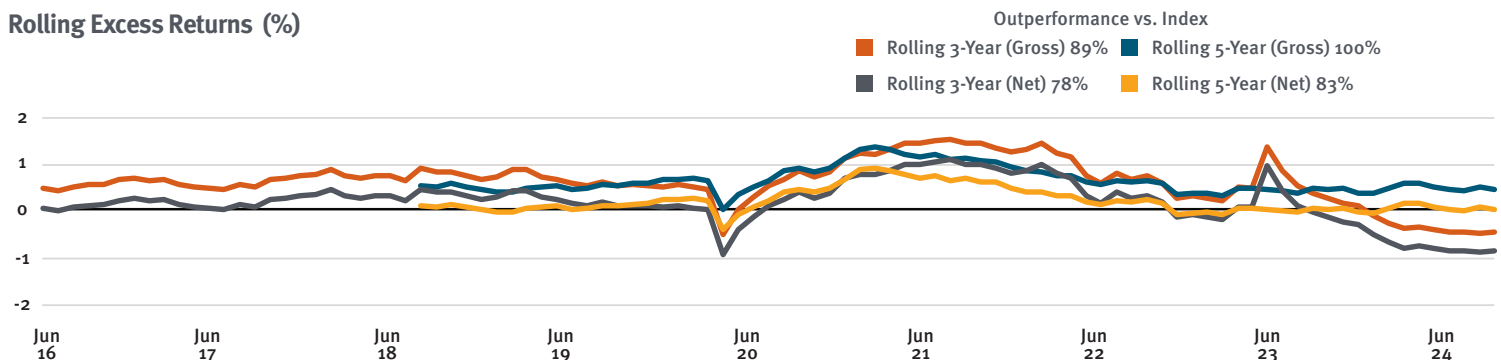
### Portfolio Characteristics\*

	Portfolio	Index
Option Adjusted Spread	121.87	103.85
Coupon	4.00	3.84
Yield-to-Maturity	5.68	5.04
Effective Duration	5.95	5.98
Weighted Average Life	8.67	8.60
Average Credit Quality	BAA1	A3
Number of Holdings	198	16,437
Average Price	93.53	93.67

### Risk Metrics

	Portfolio	Index
Volatility (5-years)	8.89	7.56
Volatility (10-years)	6.74	5.81
Sharpe Ratio (5-years)	-0.09	-0.17
Sharpe Ratio (10-years)	0.23	0.19

### Rolling Excess Returns (%)



**Past performance is not indicative of future results.**

\* Portfolio characteristics and allocations are based on a representative portfolio. All performance statistics, including risk metrics, are based on the strategy's composite.

## Calendar Year Returns

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Gross	9.74	-15.56	-0.82	10.86	14.24	-1.57	6.29	8.41	-0.70	7.94
Net	9.30	-15.90	-1.22	10.41	13.79	-1.96	5.87	7.98	-1.09	7.52
Index	9.10	-14.11	-0.79	8.26	12.51	-1.00	5.70	6.22	-0.23	7.60

Past performance is not indicative of future results.

Index: Bloomberg Global Aggregate Corporate Bond Index

### Maturity Distribution\*

	Portfolio
Under 3 Years	17.27
3-5 Years	24.27
5-7 Years	15.08
7-10 Years	27.03
Over 10 Years	16.35

### Duration Distribution\*

	Portfolio
Under 3 Years	21.42
3-5 Years	25.08
5-7 Years	29.47
7-10 Years	9.82
Over 10 Years	14.20

### Ratings Distribution\*

	Portfolio	Index
Aaa	0.00	0.94
Aa	0.75	8.01
A	26.27	43.02
Baa	68.58	47.38
Ba	0.00	0.01
CCC and Below	0.42	0.00
Not Rated	0.00	0.63
Cash & Equivalents	3.98	0.00

### Top 10 Industries\*

	Portfolio	Index
Financial Institutions	41.30	38.91
Energy	7.74	5.81
Consumer Non-Cyclical	7.35	13.41
Utility	7.19	8.97
Technology	6.93	6.24
Capital Goods	6.68	4.96
Consumer Cyclical	6.32	8.01
Communications	5.81	7.28
Basic Industry	4.23	2.88
Government Owned, No Guarantee	1.26	0.01

### Top 10 Issuers\*\*

	Portfolio
Banco Santander	1.60
Bank of America	1.48
Wells Fargo Company	1.30
Morgan Stanley	1.22
Citigroup Inc.	1.18
Ubs	1.07
Aercap Holdings Nv	1.05
Williams Cos Inc.	1.05
F&G Annuities & Life Inc.	1.03
Nomura Holdings Inc.	1.01

Sector and ratings distributions are subject to change.

\* Results presented are that of a representative portfolio. Please see the GIPS Report on page 4 for additional information.

\*\* Top issuers do not reflect any cash positions.

**Index:** The Bloomberg Global Aggregate Corporate Index is a flagship measure of global investment grade, fixed-rate corporate debt. This multi-currency benchmark includes bonds from developed and emerging markets issuers within the industrial, utility and financial sectors. It is a component of the Bloomberg Global Aggregate and Multiverse Indices. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

The ratings issued by Nationally Recognized Statistical Rating Organizations assess the credit worthiness of a corporation's or government's debt issues. The ratings apply to the fund's holdings and not the fund itself. Ratings are provided by Standard & Poor's, Moody's, and Fitch. For certain securities that are not rated by any of these three agencies, credit ratings from other agencies may be used. Where the rating agencies rate a security differently, Newfleet uses the higher rating. If a rating is not available, the bond is placed in the Not Rated category. Credit ratings are subject to change. Aaa, Aa, A, and Baa are investment grade ratings; Ba, B, Caa, Ca, C, and D are below-investment grade ratings.

### Risk Considerations

**Credit & Interest:** The values of debt instruments may rise or fall in response to changes in interest rates, and this risk may be enhanced for securities with longer maturities. **Currency Rate:** Fluctuations in the exchange rates between the U.S. dollar and foreign currencies may negatively affect the value of the portfolio's shares. **Credit Risk:** The issuers of securities or similar instruments that we buy may not be able to make payments, which could lead to an investment loss. This risk is greater for investments with a medium or low credit rating. **Counterparty:** There is risk that a party upon whom the portfolio relies to complete a transaction will default. **Derivatives Risk:** A small movement in the value of the underlying asset may cause a large movement in the value of the derivative which can result in a loss to the Fund. **Investment Risk:** Investing is subject to risk, including the risk of possible loss of principal.

## MARKET REVIEW & OUTLOOK

- ▶ U.S. investment grade corporates returned -0.09% in the second quarter of 2024 versus European corporates returns of 0.46%. With higher government rates in both the U.S. and Europe, the relative underperformance of the U.S. was driven by the market's longer duration.
- ▶ U.S. corporates recorded a small negative return of 4 basis points (bps) in the second quarter of 2024, while European corporates finished with small positive excess returns of 8 bps.
- ▶ European corporate credit returns have exceeded the U.S. by 70 bps year-to-date. U.S. corporates finished 4 bps wider for the quarter at 94 bps, while European corporates widened 6 bps to the 120 level.
- ▶ Corporate credit fundamentals remain healthy but have been slipping for several quarters. The ratio of upgrades to downgrades in 1H24 reached a record 5.2x.
- ▶ Overall yield levels for investment grade corporates have been a driving force for demand in 1H24. However, index yields are now 50 bps below recent peaks.

### Key Risks/Considerations

- ▶ Political activity accelerated in 2Q, with important elections in India, Mexico, South Africa, and the EU, with the UK and U.S. on deck. So far, the common theme has been one of surprise outcomes that has led to local market dislocations.
- ▶ Though interest rates may have peaked this cycle, we caution that monetary policy acts on the economy unpredictably, and with variable lags, so we will be paying close attention to the incoming data in the weeks and months ahead.

For more detail on the macroeconomic backdrop and specific sectors, see [Newfleet's 2Q24 Market Review & Outlook](#) on [Newfleet.com](#).

## STRATEGY PERFORMANCE

The Global Investment Grade Corporate Debt Strategy (gross of fees) returned 0.38% in the second quarter versus the Bloomberg Global Aggregate Corporate Bond Index return of 0.20%. For the last twelve months, the Strategy outperformed, returning 6.69% versus 6.10% for the Index. The following is a summary of the quarter's contributors and detractors of the representative account of the Strategy:

### Current Quarter Contributors

- ▶ Strong issue selection within BBB and A-rated bonds were contributors to performance.
- ▶ Issue selection within the banking, finance companies, and life insurance sectors had a positive impact.
- ▶ An overweight to BBB-rated bonds and underweights to A and AA-rated bonds also helped performance.

### Current Quarter Detractors

- ▶ A small exposure to a troubled office REIT detracted from performance.
- ▶ Issue selection within the property & casualty insurance sector had a negative impact.
- ▶ The Strategy's cash holdings also detracted from performance.

### Past performance is not indicative of future results.

The commentary is the opinion of the manager. This material has been prepared using sources of information generally believed to be reliable; however, its accuracy is not guaranteed. Opinions represented are subject to change and should not be considered investment advice or an offer of securities.

## CURRENT POSITIONING & STRATEGY

- ▶ The ratio of the utility sector spread to the Index dating back to 2010 is at a 99th percentile. The duration-adjusted ratio is at 1.07x currently, just below the record high of 1.08x.
- ▶ We maintain an overweight to banks and financials relative to non-financials, although recent financial gains have narrowed the gap. Other top overweights include energy and technology. Top underweights include food/beverage, healthcare, wirelines, and pharmaceuticals.

Year End	Composite Assets			Annual Performance Results					
	Total Firm Assets (billions)	U.S. Dollars (millions)	Number of Accounts	Composite			Benchmark <sup>†</sup>		Composite Dispersion
				Gross	3 Yr Ann Std Dev	Net	Return	3 Yr Ann Std Dev	
2023	13.9	13.7	Five or fewer	9.74%	8.47%	9.30%	9.10%	7.75%	N.A.
2022	*	12.7	Five or fewer	-15.56%	10.04%	-15.90%	-14.11%	8.26%	N.A.
2021	*	17.2	Five or fewer	-0.82%	7.88%	-1.22%	-0.79%	6.12%	N.A.
2020	*	37.4	Five or fewer	10.86%	7.84%	10.41%	8.26%	6.02%	N.A.
2019	*	150.8	Five or fewer	14.24%	3.09%	13.79%	12.51%	2.86%	N.A.
2018	*	141.1	Five or fewer	-1.57%	3.26%	-1.96%	-1.00%	2.96%	N.A.
2017	*	148.1	Five or fewer	6.29%	3.50%	5.87%	5.70%	3.33%	N.A.
2016	*	139.2	Five or fewer	8.41%	3.67%	7.98%	6.22%	3.48%	N.A.
2015	*	156.9	Five or fewer	-0.70%	N.A.	-1.09%	-0.23%	N.A.	N.A.
2014	*	148.4	Five or fewer	7.94%	N.A.	7.52%	7.60%	N.A.	N.A.

<sup>†</sup>Bloomberg Global Aggregate Corporate Bond Index (Hedged into USD).

Composite/Benchmark Standard Deviation: N.A. - The three-year annualized ex-post standard deviation of the composite and/or benchmark is not presented because 36 monthly returns are not available.

Composite Dispersion: N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

Composite ID: 137

\*Performance presented prior to January 1, 2023 represents the prior firm track record established by the portfolio management team while affiliated with Stone Harbor Investment Partners.

Effective January 1, 2023, the Multi-Asset Credit (MAC) team from Stone Harbor Investment Partners joined Newfleet Asset Management (Newfleet). Effective July 1, 2022, Newfleet became a division of Virtus Fixed Income Advisers, LLC ("VFIA"), an SEC registered investment adviser. Prior to July 1, 2022, Newfleet Asset Management, LLC was a registered investment adviser and an indirect wholly owned subsidiary of Virtus Investment Partners.

The Global Investment Grade Corporate Debt Composite consists of discretionary fee-paying portfolios with a minimum asset value of US \$10 million. Prior to July 1, 2021, the minimum was US \$25 million. All portfolios within the composite are primarily invested in a wide range of globally issued investment grade corporate debt securities with an objective of outperforming the Bloomberg Global Aggregate Corporate Bond Index while managing risk.

The Bloomberg Global Aggregate Corporate Bond Index provides a broad-based measure of the global investment grade fixed-rate debt markets. It is comprised of the U.S. Aggregate, Pan-European Aggregate, and the Asian-Pacific Aggregate Indexes. It also includes a wide range of standard and customized sub indices by liquidity constraint, sector, quality and maturity. The Bloomberg Global Aggregate Corporate Bond Index is the corporate component of the Bloomberg Global Aggregate Bond Index. Benchmark returns are not net of withholding taxes. Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in a broad-based securities index. Although not expected to be a principal investment tool, the portfolio may make use of derivative securities (including futures and options on securities, securities indices or currencies, options on futures, forward currency contracts, and interest rate, currency or credit default swaps) for the purposes of reducing risk and/or obtaining efficient investment exposure.

The composite inception date is July 1, 2013. The creation date is January 1, 2023. Portfolio returns are calculated in US Dollars. Returns are presented gross and net of management fees. Net of fee performance is calculated using a model fee of 0.40%. The model fee is the maximum fee that Newfleet could charge to any account in the composite for the periods shown. The fee schedule for the composite is 0.30% on the first \$50 million, 0.25% on next \$50 million, 0.20% on the balance. Actual investment advisory fees incurred by clients may vary. Returns are presented net of foreign withholding taxes on interest and dividends and include the reinvestment of income. The annual composite dispersion presented is gross of fees and is an asset-weighted standard deviation calculated for the accounts in the composite for the entire year. Any material change in the status of a portfolio resulted in the removal of the portfolio from the composite. Prior to 2016, the 3-year annualized ex-post standard deviation is not shown because the composite strategy has been managed for less than three years.

Past performance is not indicative of future results. A list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are available upon request. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

Newfleet claims compliance with the Global Investment Performance Standards (GIPS<sup>®</sup>) and has prepared and presented this report in compliance with the GIPS standards. Newfleet has been independently verified for the periods January 1, 1990 through December 31, 2023. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Global Investment Grade Corporate Debt Composite has had a performance examination for the period January 1, 2023 through December 31, 2023. The verification and performance examination reports are available upon request. GIPS<sup>®</sup> is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

**For more information on the Newfleet Fixed Income strategies, please contact:**

Mike Sebesta, Managing Director, Head of Institutional Client Service  
 Newfleet Asset Management  
 O: 404.845.7664 | C: 407.963.4740  
 mike.sebesta@newfleet.com  
 www.Newfleet.com

