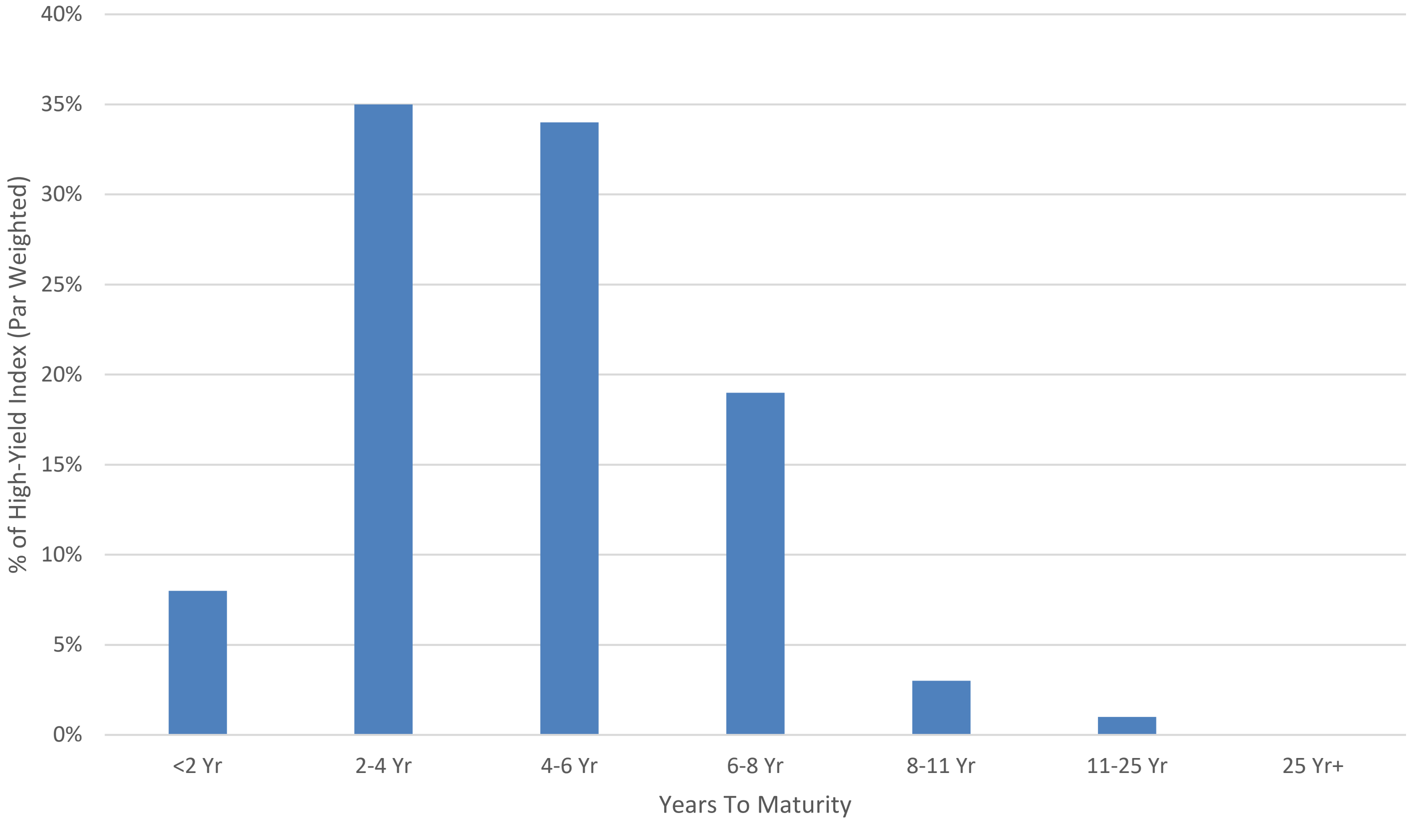
ARISTOTLE FUNDS

July 2025

HIGH YIELD'S SHIFT TO SHORTER DURATION

The high-yield bond market now has limited long-duration exposure, as nearly 70% of high-yield debt can be found in the two- to six-year maturity bucket and only 1% has more than 11 years to maturity. On the other hand, approximately 30.5% of the investment-grade corporate-bond market has a maturity greater than 20 years. From a risk-return perspective, the current yield premium of high-yield bonds of 7.91% over investment-grade corporate bonds' 5.85% stands at 206 basis points, which is a relatively narrow spread given high yield's historically higher default rates and the historic yield spread for high yield of 384 basis points.

High-Yield Index Now Lacks Any Senior Debt With 25 Years to Maturity



Past performance does not guarantee future results. Indexes are unmanaged, and it is not possible to invest directly in an index. Investing involves risk, including loss of principal. Source: Bloomberg Indices as of 6/23/25. Investment-grade bonds are represented by the Bloomberg US Corporate Bond Index, which measures the investment grade, fixed-rate, taxable corporate bond market. 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. High-yield bonds are represented by Bloomberg US Corporate High Yield Bond Index, which measures the USD-denominated, high-yield, fixed-rate corporate bond market. 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. Duration is often used to measure a bond's or fund's sensitivity to interest rates. The longer a fund's duration, the more sensitive it is to interest-rate risk. The shorter a fund's duration, the less sensitive it is to interest-rate risk. A premium is when the price of a bond is above its issuance price or intrinsic value. The default rate is the percentage of all outstanding loans that a lender has written off as unpaid after a prolonged period of missed payments.

AFST-762505-2025-06-30