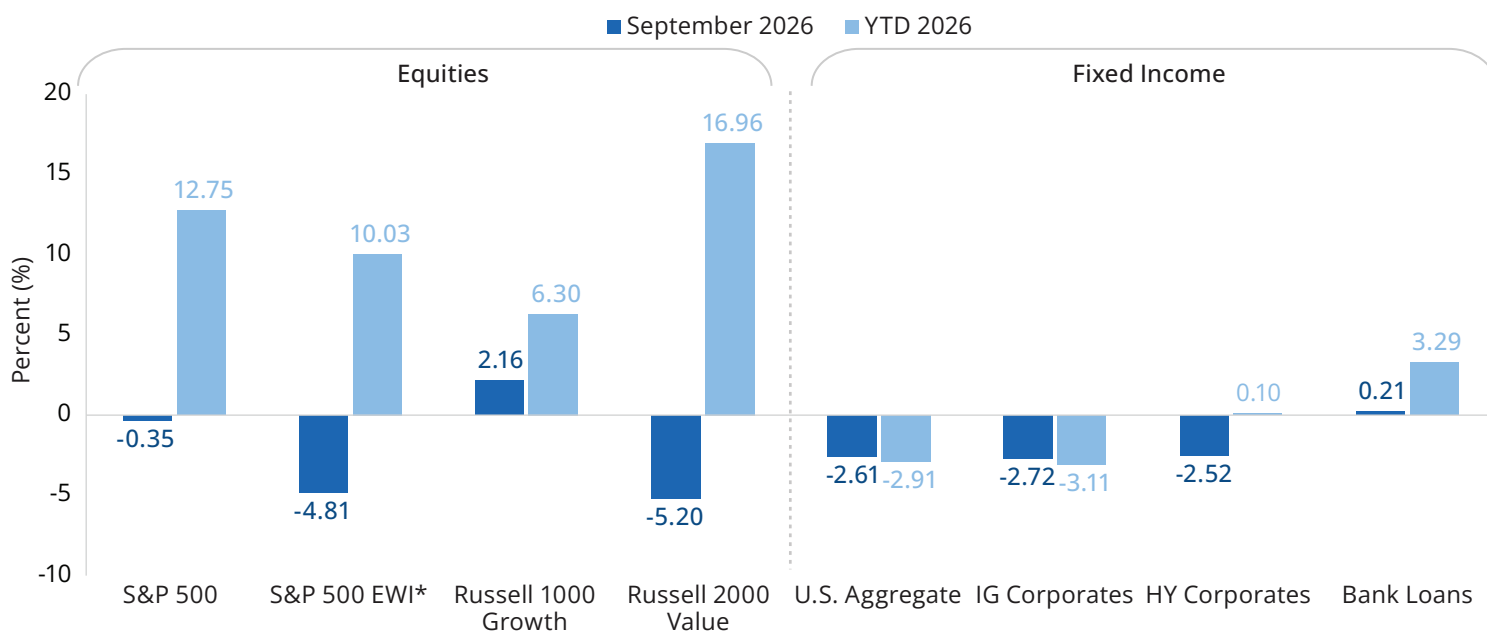


BOND TURBULENCE

Plus, market analysis, the Fed's next move, and opportunities in fixed income.

We recently sat down with Dominic Nolan, CEO of Aristotle Pacific Capital, to get his insights into recent bond market volatility, the Fed's next move, and opportunities in fixed income. We conclude with a personal reflection.

Market Performance: Total Return



Past performance does not guarantee future results. Source: Morningstar as of 9/30/26. *Equal Weight Index. HY Corporates represented by Bloomberg US Corporate High Yield Index, Bank Loans represented by J.P. Morgan Leveraged Loan Index, IG Corporates represented by Bloomberg US Corporate Index, U.S. Aggregate represented by Bloomberg US Aggregate Bond Index.

September was rough for bonds and mixed for stocks. What happened?

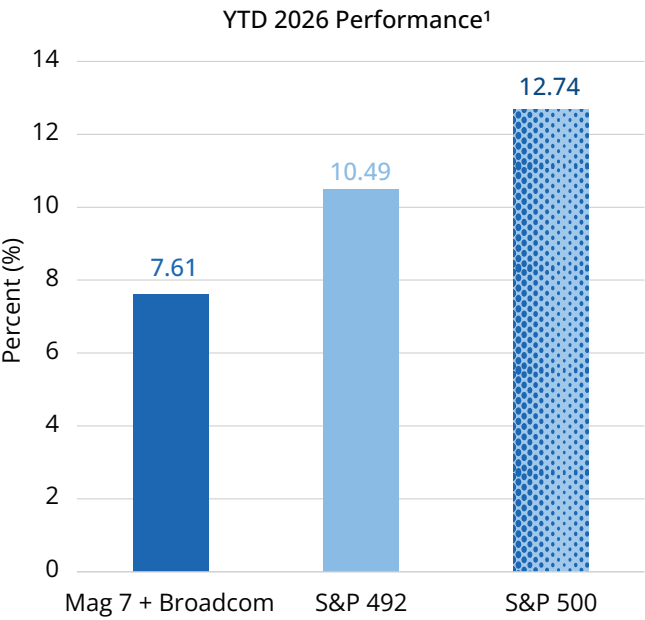
The primary driver of returns in September was rising yields, with the 10-year Treasury yield starting the month at 4.8% and ending at more than 5.2%. As a result, the Bloomberg U.S. Aggregate Bond Index returned -2.6% last month. Yields have risen due to elevated inflation, which we will discuss in more detail later; for now, I will summarize the primary drivers as the persistence of high energy prices, diminishing hopes for a resolution to the conflict with Iran, and recent developments in the

Russia-Ukraine war. The month also marked a Federal Reserve meeting where the central bank raised the federal funds rate to a range of 3.75% to 4%.

Meanwhile, the focus on artificial intelligence and data centers is leading to arguably the largest infrastructure build in U.S. history, which is contributing to inflationary pressures as well as hundreds of billions of dollars in bond issuance.

Amid this backdrop, the S&P 500 Index's return was slightly negative in the month, though the overall market was mixed with growth stocks in positive territory.

Mag 7 (& Co.): A-Muse-ing Month



	YTD 2026 Average Weight (%)	September 2026 1-Month Return (%)	YTD 2026 Total Return (%)
Nvidia Corporation	7.85	3.56	22.74
Apple Inc.	6.84	5.10	22.83
Alphabet Inc.	5.77	1.55	9.54
Microsoft Corporation	5.13	1.11	6.73
Amazon.com, Inc.	3.80	-4.09	7.94
Broadcom Inc.	2.81	-5.00	2.03
Meta Platforms, Inc.	2.21	26.79	10.13
Tesla, Inc.	1.78	-3.57	-21.10
SpaceX ²		4.99	-6.27
Contribution to S&P 500 Index YTD 2026 Performance			
Magnificent 7 + Broadcom			4.21%
Rest of the Companies in S&P 500 Index			8.53%

Past performance does not guarantee future results. Source: FactSet 1/1/26 – 9/30/26, companies are sorted by average weight in the S&P500. ¹Mag 7+1 and S&P 492 return reflects average return while the S&P 500 is the weighted average return. ²SpaceX is not in the S&P 500. The SpaceX year-to-date return is from the IPO date of 6/12/26 – 9/30/26. A full list of each fund's holdings can be found at www.aristotlefunds.com/resources/prospectuses-reports and are subject to change at any time. Any discussion of individual companies in this presentation is not intended as a recommendation to buy, hold or sell securities issued by those companies.

Speaking of growth, how did the Mag 7 (& Co.) perform last month?

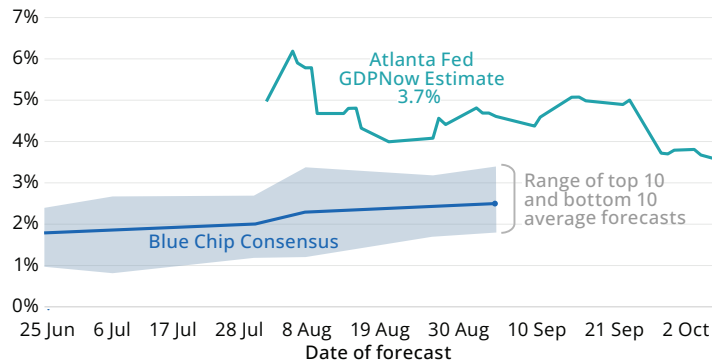
Their performance was also mixed. Meta led the group, returning nearly 27% in September, while Broadcom was the laggard, declining 5%. Meta rallied after the September 8 release of their consumer AI agent Muse. It came as a welcome relief to investors, helping justify Meta’s forecasted \$130 billion to \$145 billion in 2026 capital expenditures and helping Meta get closer to consumer transactions, rather than relying on advertising. Muse is technically the first

mass-market AI agent; it can continue performing tasks for consumers even if the app is closed on their device. I found the app interesting and helpful. We are now in the age of agentic AI.

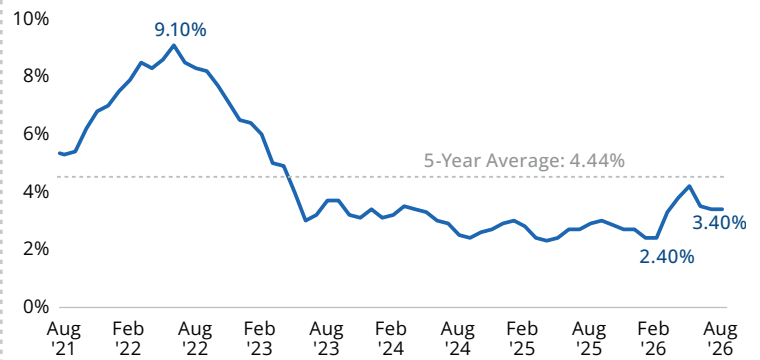
Also of note last month, Nvidia increased the size of its share buyback plan by \$150 billion, a record amount in the U.S., which brings its total authorized amount to \$235 billion. While the stock modestly increased by about 3.6%, it has returned nearly 23% over the past nine months, and its market cap has approached \$6 trillion. It’s arguably the most influential stock today.

Economic Dashboard: September Squeeze

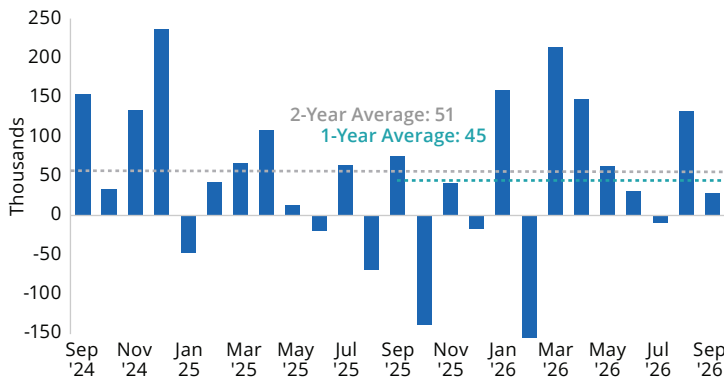
Evolution of Atlanta Fed's GDPNow Real GDP Estimate for 3Q 2026
Quarterly percent change (Seasonally Adjusted Annualized Rate)



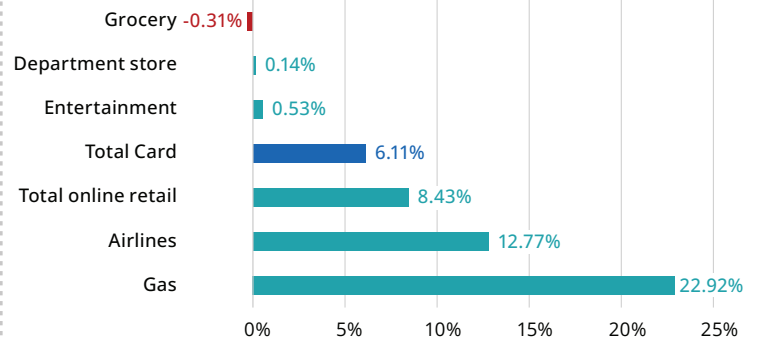
Consumer Price Index: 12-Month Percent Change
(Not Seasonally Adjusted)



Monthly Change in Nonfarm Payrolls



Consumer Spending
(y/y% Change 8/29-9/26)



Sources: GDP – Atlanta Fed, Blue Chip Economic Indicators and Blue Chip Financial Forecasts as of 10/6/26; CPI – U.S. Bureau of Labor Statistics as of 8/31/26, most recent data available as of 10/6/26; Payrolls – U.S. Bureau of Labor Statistics as of 9/30/26; Consumer Spending, Bank of America Consumer Spend as of 8/29/2026-9/26/26.

What does the current data tell us about the U.S. economy?

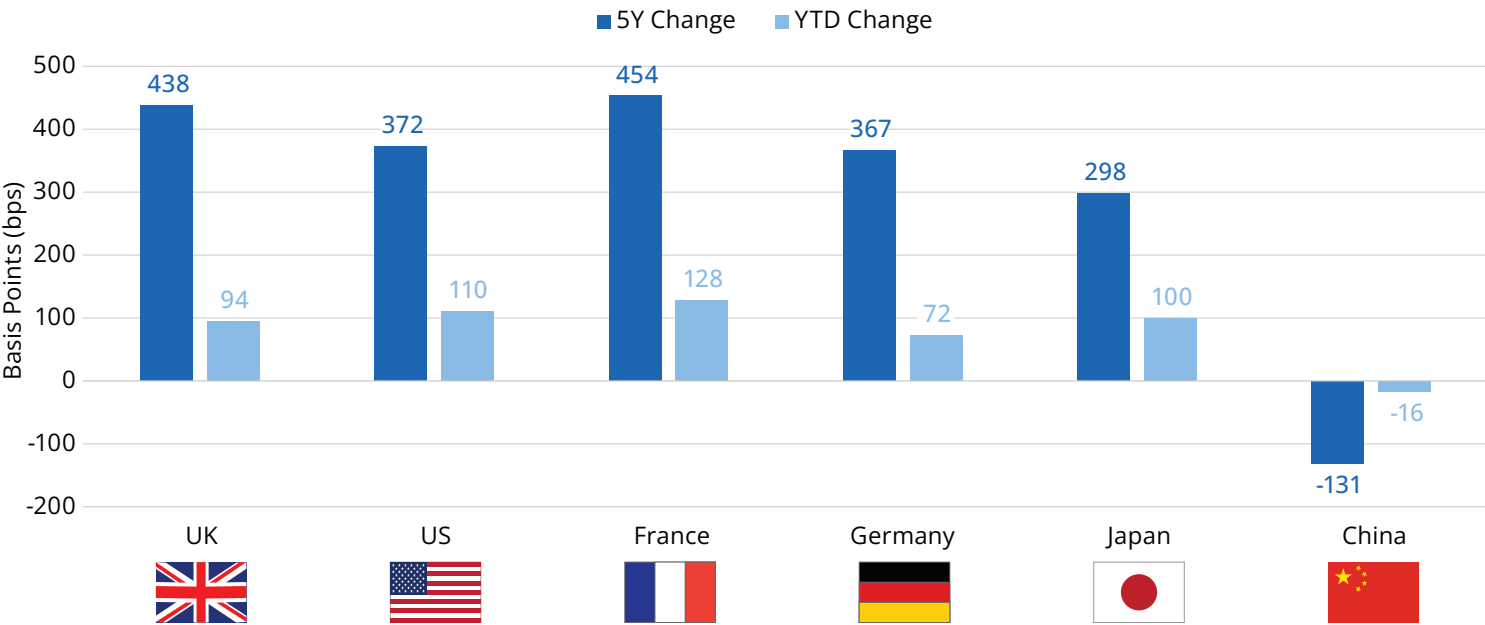
For the most part, the economy is humming along. Since our last conversation, the Bureau of Economic Analysis increased its calculation of second-quarter real GDP expansion from 1.5% to 2.2%. The BEA estimates second-quarter nominal GDP increased 8.5%, a monster number and worth noting even if economists generally don't focus on nominal expansion. The resilience continues; the Federal Reserve Bank of Atlanta's real GDPNow indicator for third-quarter growth has been 3.6% recently. Meanwhile, inflation continues above the Fed's target with energy and gas increasing at double-digit rates in August.

Other indicators counterbalance the growth outlook. The economy added 29,000 jobs in September, when analysts had expected 84,000, and the unemployment rate ticked up slightly to 4.2%. The Bureau of Labor Statistics also revised job gains lower by a combined 60,000 for July and August. The market rallied the day of the BLS release on optimism there was less pressure on the Fed to raise interest rates.

Wages rose 3% on an annual basis, according to the BLS, lower than the rate of inflation. Yet Bank of America data on credit card activity indicates consumers increased spending more than 6% for the four weeks ending September 26 versus a year ago, which suggests consumers are dipping into savings. Spending on gas increased nearly 23% over the period tracked by BofA versus a year earlier, while airline spending increased 12.8%. Grocery spending declined slightly, which could reflect less eating and drinking due to the adoption of GLP-1 medications.

Once again, I circle back to the great AI build. The most powerful companies in the country are engaged in an AI race, building to win and not worrying about costs. Interestingly, if the energy dynamics were stable, I think asset pricing would be higher, and yet, if not for the AI build, I think the economy would likely be much slower, with asset prices lower. Bottom line: the AI build is leading to this major tradeoff and unique economic balance, with the average worker getting strained.

Global Bond Selloff: Change in 10-Year Government Bond Yields



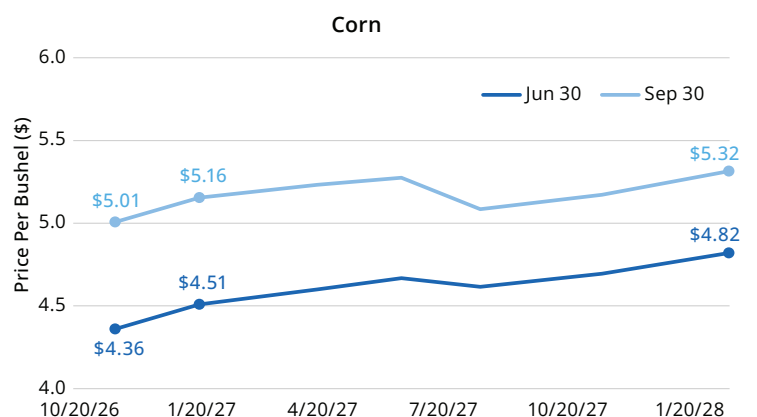
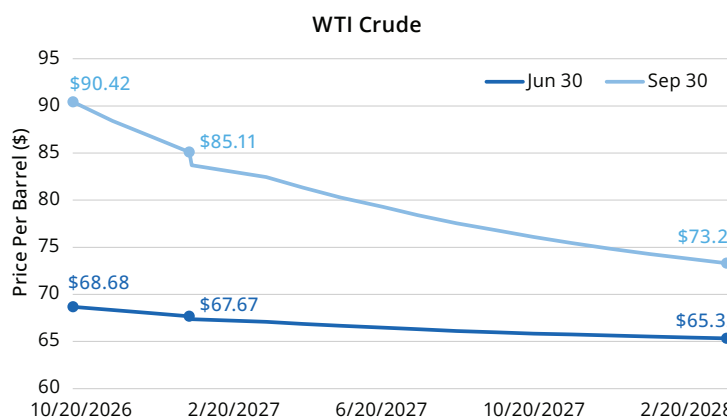
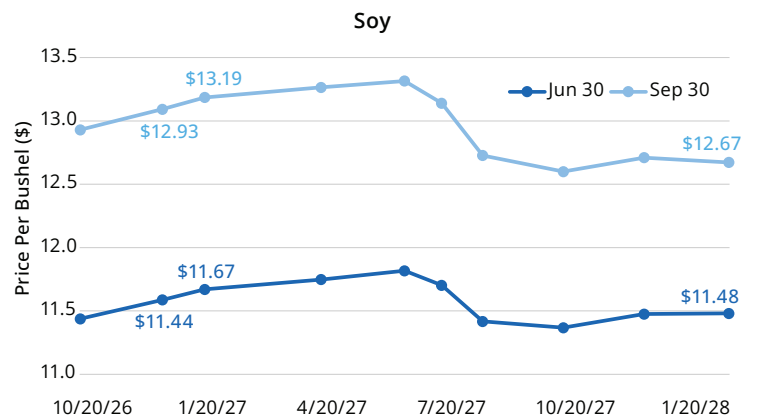
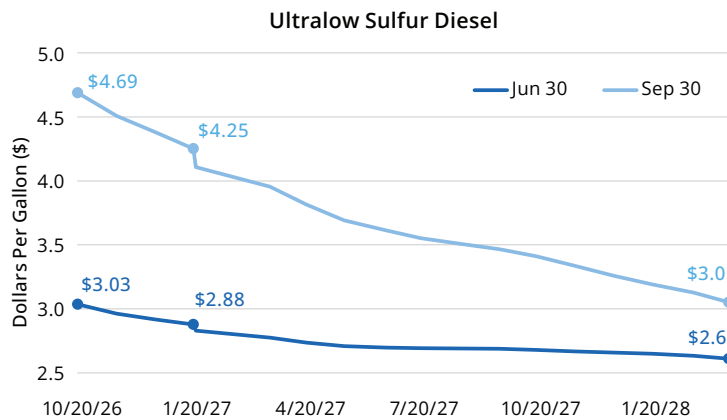
Source: FactSet, as of 9/30/26.

Let's switch to our special topic: bond market turbulence. We started discussing the rise in U.S. yields in September. Could you broaden the discussion to other countries?

Since 2021, yields on 10-year government bonds are up about 300 to 450 basis points in the U.S., U.K., France, Germany, and Japan. The biggest surprise

is in Japanese rates, with the 10-year up nearly 300 bps since 2021, including 100 bps year to date, after decades of being below 1%. Inflation has been a global headwind for bonds, driving yields higher and pressuring bond values across the globe. China is the exception with the 10-year yield down about 130 bps over the past five years, as their economy faces disinflationary forces.

Commodity Curves Signal Near-Term Price Pressure: Select Commodity Curves Signal Price Pressure into 2027



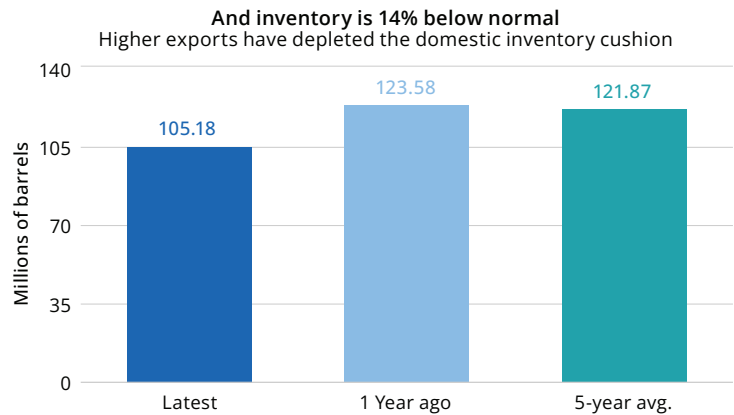
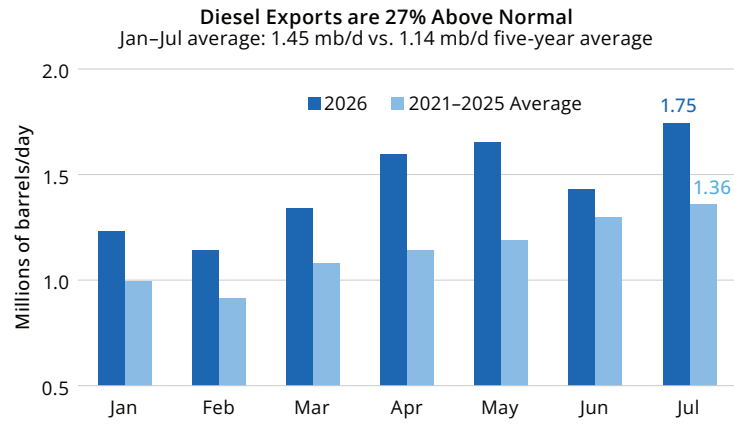
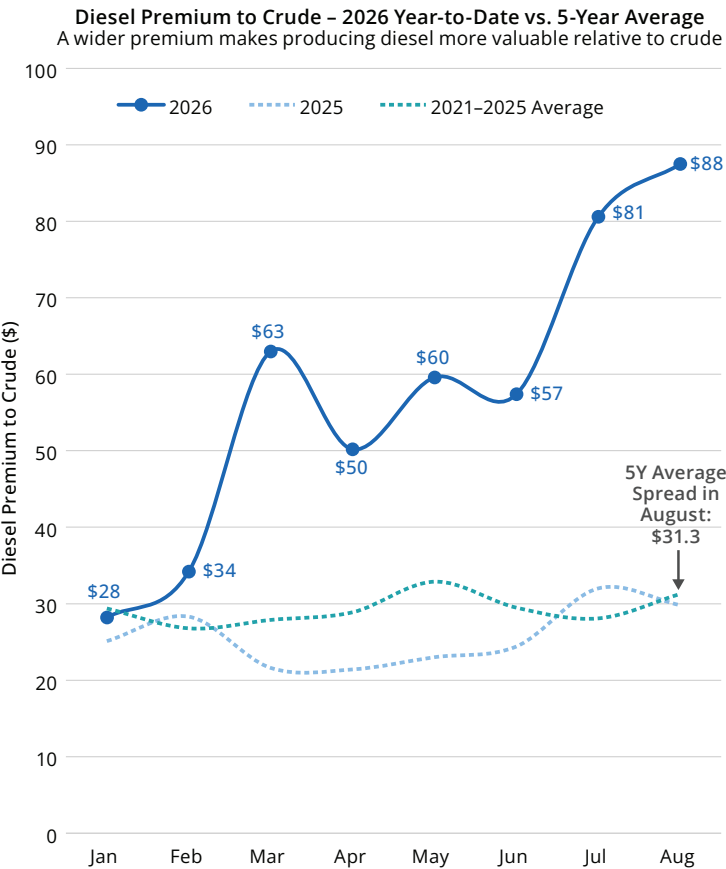
Source: Bloomberg, as of 9/30/26.

What are commodity prices telling us about inflation pressures?

The good news is diesel and crude oil curves are in backwardation out to early 2028, signaling that commodity investors expect prices to decline over the next year or two. The bad news is that across energy and food commodity curves investors still

expect prices in early 2028 to be higher than they had forecast a few months ago for that same period, even if energy prices trend down from today's level. Essentially, the entire futures curves have shifted upward. I believe those expectations reflect everything we have discussed, including the disruption of seaborne traffic through the Strait of Hormuz, the Russia-Ukraine war, and the AI build.

Diesel Destruction: Premium to Crude Far Above Norms; Inventories Strained



Source: U.S. Energy Information Administration. Diesel premium to crude equals the New York Harbor ULSD spot price (\$/gal.) multiplied by 42 gallons per barrel, less the Brent spot price (\$/bbl.). Export figures are in million barrels per day; inventories are U.S. ending stocks in million barrels. Five-year averages compare each observation with the corresponding period in 2011–2020. Price data through August 2026; exports through July 2026; inventories through September 25, 2026.

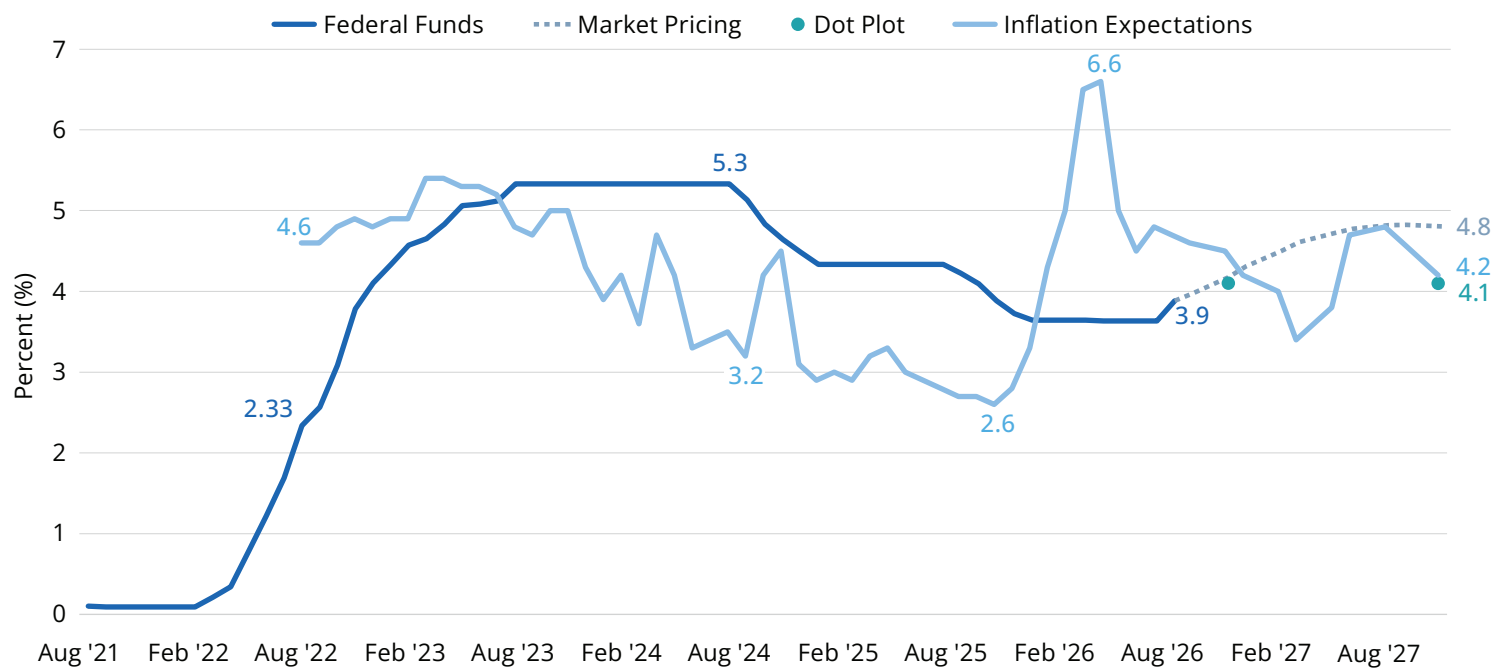
Why does the price of diesel have such a meaningful impact on inflation?

I think diesel prices are an underestimated but fundamental driver of inflation in this cycle. While consumers care about the price at the pump, which they are confronted with, almost everything else gets transported using diesel, in addition to farming and heating needs. The average premium of a barrel of diesel to crude oil over the past five years is about \$31, as diesel provides more energy per gallon; at the end of August, that premium hit \$88, nearly triple. The main driver of that premium has been the disruption of the strait. While crude oil

shipping through the strait is close to pre-conflict capacity, refined products such as diesel are closer to 20%. In addition, Ukraine has attacked Russian oil refineries, and Russia’s government has severely limited diesel exports. Meanwhile, U.S. exports have increased to meet global demand, with U.S. refineries running near capacity.

At this point, even if the strait were to fully reopen, global diesel inventories would take time to replenish, assuming it could despite Russia’s constraints, and the winter season is coming, which should increase heating demand.

Chasing Expectations: Federal Reserve Market Expectations vs. Inflation Expectations



Source: Bloomberg, FRED, as of 9/30/26.

How has the trend in inflation affected inflation expectations?

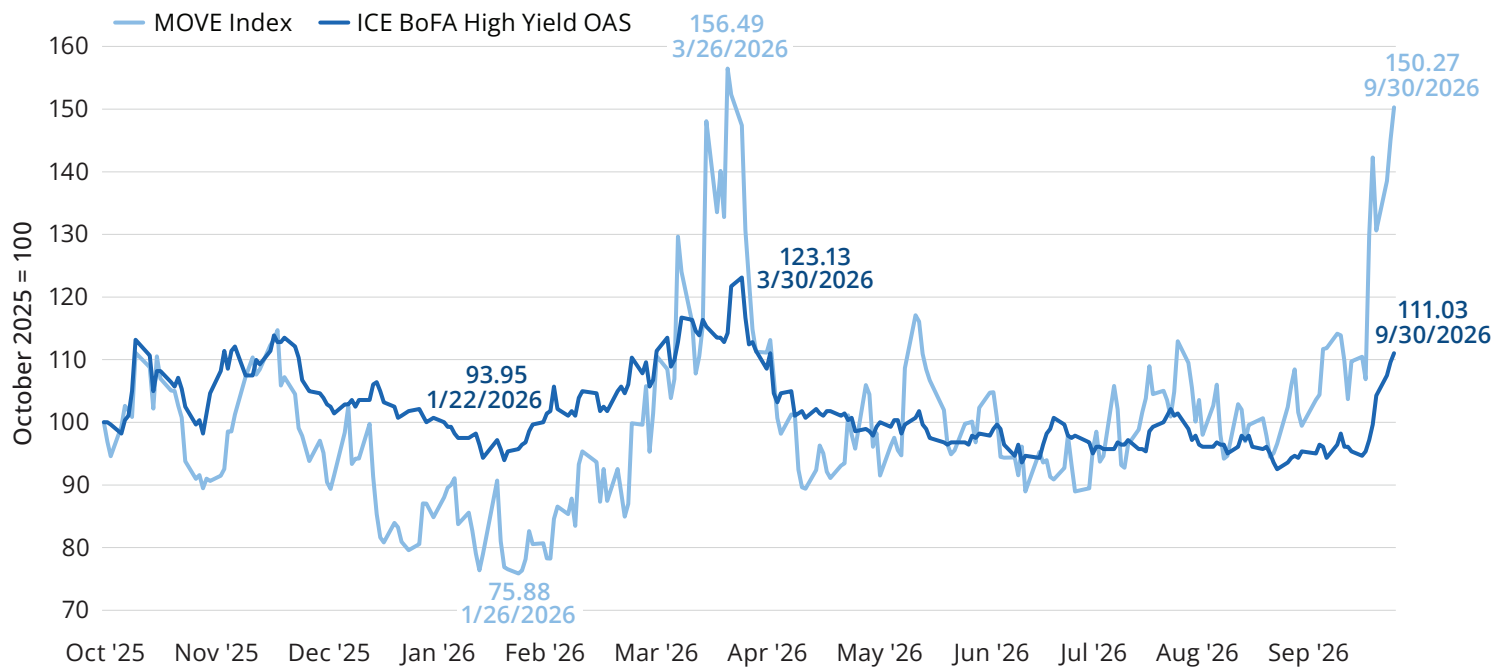
As we were coming out of the COVID pandemic, inflation expectations were in the 4% to 5% range, then trended down to 2.6% in early 2026, prior to the U.S. attack on Iran. Inflation expectations peaked within a few months of the attack to 6.6% and have since trended back to the mid-4% range. One could focus on the fact that expectations have come down from the peak, but keep in mind they remain well above the Fed's 2% target for inflation, and those expectations remain above target looking out into 2027. The Fed has already raised rates once. Depending on the trend in jobs and wages, we could see one or two more hikes this year.

Speaking of the Fed, Kevin Warsh has used his short tenure thus far as chair to emphasize price stability. What does the path of interest rates look like beyond this year?

The outlook is highly uncertain, partly because Warsh is curtailing information over time. Also, once the conflict with Iran began, everything changed. The market has discounted the energy market disruption, with hopes for a resolution rising and then falling; meanwhile the geopolitical landscape has evolved and the hyperscalers are steamrolling the AI build. Honestly, I don't have a great answer, beyond the likelihood of two to three more rate hikes before the Fed is done.

Rate Volatility Has Risen Sharply While Credit Remains Relatively Calm:

Rates Are Signaling Heightened Macro Uncertainty, While Limited Widening In High-Yield Spreads Suggests That Stress Has Not Meaningfully Transmitted To Corporate Credit (Yet)



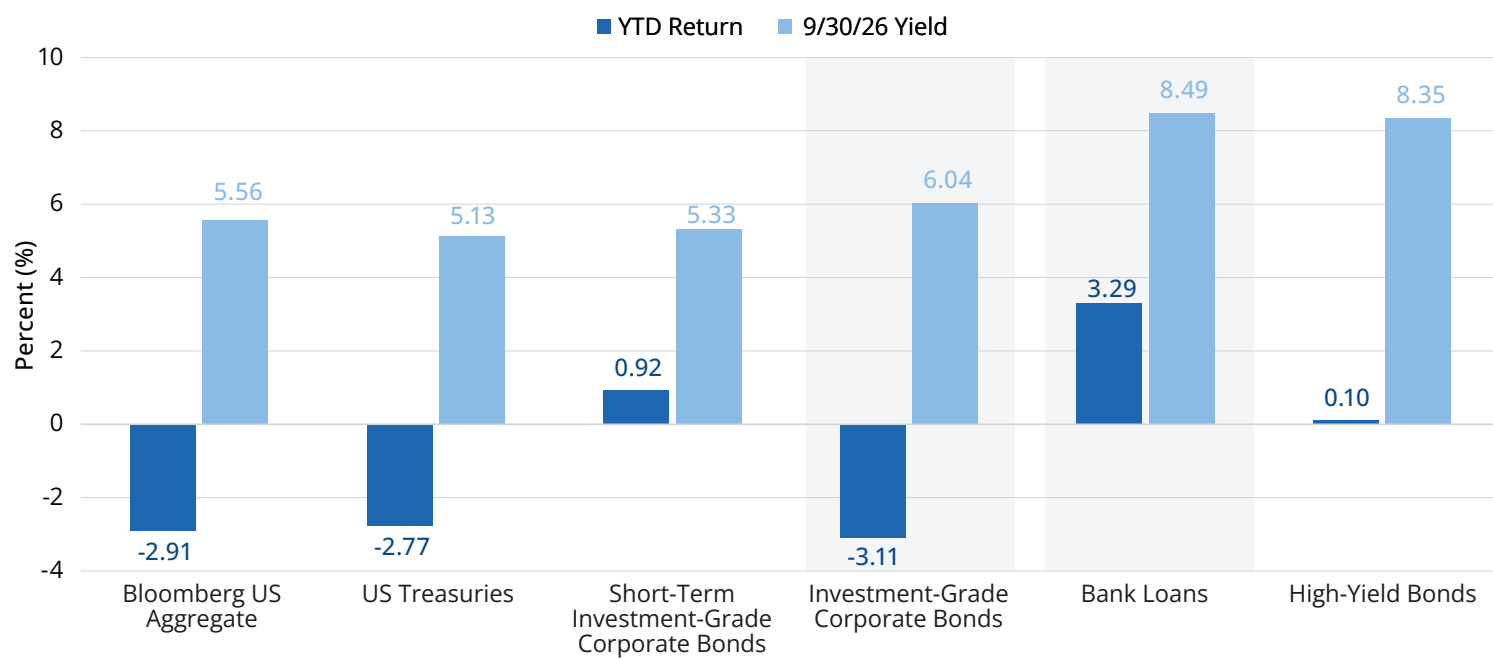
Source: Bloomberg, as of 9/30/26.

Let's talk bonds. Where are you seeing opportunities in fixed income today?

Expectations of rate volatility, as measured by the MOVE Index, spiked in September – rivaling the spike right after the U.S. struck Iran – for all the reasons we have discussed. However, the high-yield

option-adjusted spread, which we consider a measure of credit volatility, did not increase as much in September, though it did trend upward. In essence, we have been seeing less volatility in bonds with credit risk than bonds with pure interest rate risk, such as Treasuries. This is an important dynamic for bond investors as they assemble fixed income allocations.

Opportunities in Fixed Income: Fixed Income Yields and Year-to-Date Returns



Past performance does not guarantee future results. Source: Bloomberg and J.P. Morgan, as of 9/30/26. Yield quoted is yield-to-worst, except for Bank Loans which represents 4-year effective yield. US Treasury represented by the Bloomberg US Treasury Index. Investment-grade corporate bonds are represented by the Bloomberg US Corporate Index. Short term investment grade corporate bonds are the 1-3 year component of the Bloomberg US Credit Index. Bank loans are represented by the Morningstar LSTA Leveraged Loan Index and index components. High yield is represented by the Bloomberg US Corporate High Yield Index.

Year-to-date returns of U.S. Treasuries and investment-grade corporate bonds have turned negative, as they are largely fixed-rate instruments that tend to decline in value when yields rise. However, high-yield bonds and bank loans, which are largely influenced by spread volatility, have fared better, with bank loans returning more than 3% year to date. Rates on bank loans generally are adjustable, rising and falling with market trends, and thus bank loans can outperform in a rising rate environment. Indeed, bank loans are outperforming the Agg by more than 600 basis points year to date.

We have long argued for a diversified and balanced fixed income portfolio to navigate market cycles, and this is a classic example. Currently, I suggest staying calm as this volatility persists. Keep a bank loan allocation and short-term allocation if you have them. When the market eventually settles, there may be an attractive opportunity to extend

duration. The MOVE Index settling could signal a time to consider duration.

Final thought: yields on IG corporate bonds are in the 6% range and for leveraged finance in the 8% range. Those are attractive levels.

Let's close with a personal reflection.

We are weeks away from the midterm elections. I was not born in this country, and I have come to appreciate that the most important right we have is the right to vote. About two thirds of eligible voters have voted in recent presidential elections. The participation rate tends to fall below 50% for midterms, meaning typically less than half of adults in the country care enough to either research or take the time to cast their vote. Please be included in the half that participates; take advantage of the right that so much of the world wished they had.

Definitions:

A **10-year Treasury note** is a debt obligation issued by the United States government with a 10-year maturity period.

The **Atlanta Fed GDPNow** provides a running estimate of real GDP growth for the current quarter using available economic data.

Bank loans (or **floating-rate loans**) are financial instruments that pay a variable or floating interest rate. A floating rate fund invests in bonds and debt instruments whose interest payments fluctuate with an underlying interest-rate level.

The **Bloomberg Commodity Index (BCOM)** is made up of 24 exchange-traded futures on physical commodities, representing 22 commodities which are weighted to account for economic significance and market liquidity.

The **Bloomberg US Aggregate Bond Index (Agg)** is composed of investment-grade U.S. government bonds, investment-grade corporate bonds, mortgage pass-through securities, and asset-backed securities, and is commonly used to track the performance of U.S. investment-grade bonds.

The **Bloomberg US Corporate 1-3 Year Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market with 1-3 year maturities.

The **Bloomberg US Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

The **Bloomberg US Corporate High-Yield Index** measures the USD-denominated, high-yield, fixed-rate corporate bond market.

The **Bloomberg US Credit Index** measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

The **Bloomberg US Treasury Index** includes public obligations of the U.S. Treasury.

A **bond** is a fixed-income instrument and investment product where individuals lend money to a government or company at a certain interest rate for an amount of time. The entity repays individuals with interest in addition to the original face value of the bond.

The **Consumer Confidence Index (CCI)** is a survey, administered by The Conference Board, that measures how optimistic or pessimistic consumers are regarding their expected financial situation. The CCI is based on the premise that if consumers are optimistic, they will spend more and stimulate the economy but if they are pessimistic then their spending patterns could lead to a recession.

Coupon refers to the interest payment that a bond issuer promises to pay to a bondholder.

Fixed income refers to assets and securities that pay a set level of income to investors, typically in the form of fixed interest or dividends.

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.

The **Morningstar LSTA US Leveraged Loan Index** is a market-value weighted index designed to measure the performance of the US leveraged loan market.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-value ratios and higher forecasted growth values.

The **Russell 2000 Value Index** measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower expected growth values.

S&P 500 Index is a stock market index tracking the performance of 500 large companies listed on stock exchanges in the United States.

Definitions (continued)

Treasury rate refers to the interest rate at which the U.S. government borrows money by issuing Treasury securities.

Yield is the income returned on an investment, such as the interest received from holding a security.

A **yield curve** plots the interest rates of bonds that have equal credit quality but different maturity dates.

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Any performance data quoted represent past performance, which does not guarantee future results. Index performance is not indicative of any fund's performance. Indexes are unmanaged and it is not possible to invest directly in an index. For current standardized performance of the funds, please visit www.AristotleFunds.com.

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