

| | Monthly Return (%) | Year-to- Date Return (%) | Yield (%) | Option-Adjusted Spread (BPS) | | | |
|---|-----------------------|--------------------------------|-------------------|------------------------------|----------|----------|----------|
| | 07/31/25 | 07/31/25 | 07/31/25 | 07/31/25 | 12/31/24 | 12/31/23 | 12/31/22 |
| Investment-Grade Corporate Bonds | 0.05 | 4.28 | 5.01 ¹ | 72 | 77 | 93 | 121 |
| Single A Bonds | 0.05 | 4.28 | 4.94 | 64 | 68 | 85 | 109 |
| BBB Bonds | 0.12 | 4.33 | 5.24 | 95 | 97 | 121 | 159 |
| 1-3 Year Credit | 0.09 | 3.22 | 4.42 | 41 | 48 | 58 | 61 |
| 7-10 Year Credit | 0.18 | 5.55 | 5.11 | 84 | 89 | 112 | 152 |
| Long Credit | -0.04 | 3.71 | 5.77 | 96 | 100 | 117 | 157 |
| Bank Loans ² | 0.88 | 3.71 | 7.80 | 397 | 463 | 405 | 580 |
| BB Loans ² | 0.59 | 3.69 | 6.86 | 263 | 255 | 305 | 349 |
| B Loans ² | 0.97 | 3.81 | 8.01 | 406 | 413 | 454 | 614 |
| High Yield | 0.45 | 5.04 | 7.08 ¹ | 278 | 287 | 323 | 469 |
| BB Bonds | 0.20 | 5.19 | 5.99 | 169 | 179 | 201 | 295 |
| CCC Bonds | 1.47 | 5.07 | 10.72 | 647 | 558 | 776 | 1008 |
| Intermediate High-Yield Bonds | 0.44 | 5.03 | 7.06 | 277 | 287 | 323 | 471 |
| Long High-Yield Bonds | 1.01 | 5.76 | 7.73 | 312 | 302 | 341 | 401 |

Source: Bloomberg and Morningstar as of 07/31/25.

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.

Highlights

Investment Grade

- Barclays Strategy on investment-grade (IG) mutual fund performance: Bloomberg US Aggregate Bond Index (Agg) “funds have increased overweight to corporates. Corporates now account for only 24% of the Agg index, while tracking funds allocate 28.1% to corporates. Funds have become more overweight as corporates make up less of the index, but the current overweight is still far from the 2020 peak.”¹
- TD Strategy on M&A volumes: “Union Pacific Corp's \$88.402 billion acquisition of Norfolk Southern Corp (enterprise value) ranks as the sixth-largest North American M&A transaction since at least 1998. The rail company transaction is the largest acquisition since RTX acquired Raytheon in June 2019. There were three other multi-billion-dollar acquisitions announced: 1) Baker Hughes purchasing Chart Industries Inc for \$13.1 billion, 2) Duke Energy Corp. selling the Tennessee Local Gas Distribution business to Spire Inc for \$2.5 billion and finally 3) CRH is buying Eco Material Technologies Inc for \$2.1 billion. That makes July the seventh most active month historically for North American M&A activity. Furthermore, total M&A volumes for the first seven months of this year at \$1,490 billion thus far is already at a new record, eclipsing \$1479 billion seen during the January-July period in 2021.”²
- TD Strategy on IG performance in July: “U.S. IG cash credit spreads tightened 8 basis point (bps) in July to 76 bps, for an excess return of 56 bps. Year-to-date spreads are 4 bps tighter with an excess return of 79 bps. In addition to the positive macro, performance in July was aided by very favorable technicals as foreign demand stepped up and issuance fell well shy of expectations. With the rally in July credit spreads within IG compressed, with A's 7bps tighter while AAs tightened 4 bps. BBBs seemingly confirmed this pattern with spreads 8 bps tighter, but keep in mind that WBD became a very large fallen angel at the turn of the month into July.”³

Bank Loans

- The loan asset class continues to experience steady inflows with loan funds reporting their 14th consecutive weekly inflow of \$255 million for the week ending July 30. For the week, ETFs reported their 8th consecutive weekly of \$218 million (\$203 million CLO ETF, \$15 million loan ETF). Month-to-date, inflows for the loan asset class total \$2.5 billion (\$2.1 billion ETFs), which is the third consecutive monthly inflow following the -\$11.1 billion outflow in April. Year-to-date, inflows for the loan asset class total \$4.7 billion compared to a \$14.8 billion inflow over the same period last year.⁴
- JPM Strategy on distressed loans: “The distressed universe of leveraged loans contracted for a second straight month to a 4-month low and has unwound 71% of the increase seen in the preceding four months. Specifically, the amount of loans trading at or below \$80 decreased \$2.6 billion month-over-month to \$77.2 billion or 5.1% of outstanding and is \$21.8 billion (-22%) below its April 7th peak of \$99.1 billion. For reference, 5.9% of the leveraged-loan universe traded sub-\$80 a year ago. Note the distressed universe rose to a high of \$323 billion in March 2020. There are now 107 leveraged-loan issuers trading sub-\$80, down one issuer month-over-month and 18 issuers year-over-year. Of loans classified as distressed, technology: 29%; services: 16%; and healthcare: 15%.”⁵

High Yield

- Goldman Sachs Strategy on secured high-yield (HY) issuance in primary: “Following the broad increase in funding costs in 2022, the share of HY secured issuance has materially picked up. The trend has been most noticeable in the USD HY market, where 41% of annual issuance since 2022 has been secured, nearly double the 21% average share from 2010-2019. ... We have expected secured issuance to plateau as the availability of collateral to secure bonds hit the speed limit. ... That said, we continue to think the elevated share of secured bonds in the HY market will largely be preserved as long as rates remain relatively high. Using the difference between prevailing yields and bond coupons as proxy for incremental refinancing costs, we find that USD BB- and B-rated secured bonds have a 45-basis-point refinancing cost advantage over senior unsecured peers, and EUR BB-rated and B-rated secured bonds have a respective 18-basis-point and 56-basis-point lower refinancing penalty than similarly rated senior unsecured bonds.”⁶

Highlights

High Yield (Continued)

- JP Morgan Strategy on rising stars: “Rising stars year-to-date (\$21.7bn) are tracking last year’s pace (\$44.3bn) and roughly a third of what materialized in 2023 (\$124.7bn) and 2022 (\$113.0bn). Since the beginning of 2022, the rising-star wave has produced \$304bn of upgrades, which equate to 42% of the BB and 21% of the HY universe, respectively. Note most of the erosion in agency trends is evident down in credit quality, whereas BBs are still experiencing more upgrades than downgrades. What could transition to IG in the intermediate term (i.e., six months) using a combination of rating permutations and pricing? Notably, many candidates highlighted previously have since transitioned, including Royal Caribbean (\$9.7bn), First Energy (\$5.2bn), Uber (\$4.7bn), EnLink Midstream (\$4.3bn), Las Vegas Sands (\$4.0bn). Note there are now \$361bn of bonds rated BB+/Ba1 by at least one of the three major rating agencies, of which \$18bn is on the “cusp” of transitioning from HY to investment-grade indices using a few permutations (i.e., one or two agency actions).”⁷
- Bloomberg on robust HY primary market: “Tumbling yields, compressed spreads, and a resilient economy with robust corporate earnings fueled a supply boom in July. The primary market priced nearly \$33bn so far, and another \$2.6bn is slated to price, which will drive the volume to more than \$35bn. July will be the second busiest month for new bond sales since September 2021. June was the busiest, with \$37bn. It’s been the strongest run in four years with three straight months of more than \$30bn in new bond sales.”⁸

Sources

¹ Barclays Strategy, July 25, 2025

² TD Strategy, Aug. 1, 2025

³ TD Strategy, Aug. 1, 2025

⁴ Aristotle Pacific Analysis, Aug. 1, 2025

⁵ J.P. Morgan Strategy, July 9, 2025

⁶ Goldman Sachs Strategy, July 25, 2025

⁷ J.P Morgan Strategy, July 30, 2025

⁸ Bloomberg, July 30, 2025

Definitions

- **Assets under management (AUM)** is the total market value of the investments managed by a person or entity on behalf of investors.
- **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.
- A **basis point** is one hundredth of a percent, so 100 basis points is equivalent to 1%.
- 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.
- A **corporate bond** is a debt security that is issued by a company to raise capital.
- A **coupon** or **coupon payment** is the annual interest rate paid on a bond, expressed as a percentage of the face value and paid from issue date until maturity.
- The **credit market** refers to the marketplace through which companies and governments issue debt to investors in exchange for regular interest payments.
- **Credit rating** is when bond ratings are grades given to bonds that indicate their credit quality as determined by private independent rating services such as Standard & Poor's, Moody's and Fitch. These firms evaluate a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion. Ratings are expressed as letters ranging from 'AAA', which is the highest grade, to 'D', which is the lowest grade.
- **Credit spread** is the difference in yield between two debt securities with the same maturity but different credit quality.
- **Derivative** is a type of financial contract whose value is dependent on an underlying asset, a group of assets, or a benchmark. It's an agreement set between two or more parties that can be traded on an exchange or over the counter.
- **Distressed Exchange** is a negotiation process between a financially troubled company and its creditors where the company seeks to restructure its debt without filing for bankruptcy.
- **High-yield bonds** (or **junk bonds**) are bonds that pay higher interest rates because they have lower credit ratings than investment-grade bonds.
- The **ICE BofA US Corporate Index** is a benchmark index that tracks the performance of investment grade corporate debt in the United States.
- **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.
- **Investment Grade (IG) Index** refers to the ICE BofA US Corporate Index.
- An **issue** or **issuance** is a process of offering securities in order to raise funds from investors. Companies may issue bonds or stocks to investors as a method of financing the business.
- **Implied default rate** is a measure of the market's perception of the likelihood that a borrower will default on their debt obligations.
- **Leverage** refers to using debt (borrowed funds) to amplify returns from an investment. A **leveraged loan** is a type of loan made to borrowers who already have high levels of debt and/or a low credit rating. Lenders consider leveraged loans to have an above-average risk that the borrower will be unable to pay back the loan (also known as the risk of default).
- **Leveraged Finance (LevFin)** refers to the financing of highly levered, speculative-grade companies.
- **Maturity** (or **maturity wall**) 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.
- **Morningstar LSTA US Leveraged Loan Index** is a market-value weighted index designed to measure the performance of the US leveraged loan market.
- **Mortgage-backed securities (MBS)** are investment products backed by a pool of mortgage loans.
- **Option adjusted spread (OAS)** is the measurement of the spread of a fixed-income security rate and the risk-free rate of return.
- **Par-weighted** refers to a method of calculating averages where the individual values are weighted by their par (face) value. This means that larger holdings or transactions have a greater influence on the final average.
- **Post-GFC** refers to the period following the Global Financial Crisis (GFC), which began in 2007-2008. This period is characterized by economic recovery, changes in financial regulation, and evolving global financial systems.
- A **refinance (ReFi/ReFies)** refers to the process of revising and replacing the terms of an existing credit agreement, usually as it relates to a loan or mortgage.
- **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.
- The **10-year treasury** bond yield is the interest rate the U.S. government pays to borrow money for a decade, serving as a benchmark for other interest rates and a key indicator of investor sentiment about economic conditions.
- **Total return**, when measuring performance, is the actual rate of return of an investment or a pool of investments over a given evaluation period.
- **Weighted Average Coupon** is the average gross interest rate of the underlying mortgages in a mortgage-backed security at the time it was issued.
- **Yield** is a measure of the profit that an investor will be paid for investing in a stock or a bond. It is usually computed on an annual basis.
- **Yield to worst (YTW)** estimates the lowest possible return on a bond without the issuer defaulting.

Disclosures

Any performance data quoted represent past performance, which does not guarantee future results. Index performance is not indicative of any fund 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.artistotlefunds.com.

Any discussion of individual companies is not intended as recommendation to buy, hold or sell securities issued by those companies. Aristotle Fund holdings can be found [here](#).

The views expressed are as of the publication date and are presented for informational purposes only. These views should not be considered as investment advice, an endorsement of any security, mutual fund, sector or index, or to predict performance of any investment or market. Any forward-looking statements are not guaranteed. All material is compiled from sources believed to be reliable, but accuracy cannot be guaranteed. The opinions expressed herein are subject to change without notice as market and other conditions warrant.

Investors should consider a fund's investment goal, risks, charges, and expenses carefully before investing. The prospectuses and/or the applicable summary prospectuses contain this and other information about the Aristotle Funds and are available from AristotleFunds.com. The [prospectuses and/or summary prospectuses](#) should be read carefully before investing.

Investing involves risk. Principal loss is possible.

Foreside Financial Services, LLC, distributor.
