

	Monthly Return (%)	Year-to- Date Return (%)	Yield (%)	Option-Adjusted Spread (BPS)			
	10/31/25	10/31/25	10/31/25	10/31/25	12/31/24	12/31/23	12/31/22
Investment-Grade Corporate Bonds	0.44	7.37	4.75 ¹	74	77	93	121
Single A Bonds	0.47	7.35	4.68	65	68	85	109
BBB Bonds	0.31	7.35	5.00	98	97	121	159
1-3 Year Credit	0.33	4.91	4.08	43	48	58	61
7-10 Year Credit	0.48	8.86	4.86	85	89	112	152
Long Credit	0.54	8.36	5.52	96	100	117	157
Bank Loans ²	0.22	4.86	8.59	429	463	405	580
BB Loans ²	0.32	5.05	7.01	271	255	305	349
B Loans ²	0.28	5.01	8.55	425	413	454	614
High Yield	0.16	7.39	6.78 ¹	281	287	323	469
BB Bonds	0.43	7.87	5.70	171	179	201	295
CCC Bonds	-0.29	7.76	9.86	611	558	776	1008
Intermediate High-Yield Bonds	0.14	7.25	6.77	281	287	323	471
Long High-Yield Bonds	0.77	14.66	7.11	275	302	341	401

Source: Bloomberg and Morningstar as of 10/31/25.

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.

¹Yield 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.

²Yields 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 2026 credit supply forecasts: “We expect \$1.6trn of gross issuance and \$670bn of net issuance in 2026. This implies a y/y increase of \$210bn/15% in gross terms and an increase of \$195bn/41% in net, as we estimate that total 2025 supply will end up at \$1.39trn for gross and \$475bn for net (annualizing year-to-date figures). We use a combined top-down and bottom-up approach to reach our forecast. Using a mix of inputs from our macro model, a top-down look at sources of debt issuance, and Barclays’ fundamental analysts inputs for covered sectors, we find that issuance should be elevated, but not as much as our macro model initially suggests. Next year’s growth in maturities stems solely from financials. The maturity wall is set to jump by roughly \$40bn/5% y/y, to \$930bn. From 2024 to 2025, when the maturity wall climbed by 19% y/y, several non-financial sectors led the way in this growth. Next year, banks, insurance companies, and fincos lead the way, all increasing \$10-12bn. AI-related issuance creates risks to both sides of our forecast and remains the most topical talking point. On one hand, surging CapEx volumes could finally break the dam and lead to a flood of issuance that we have not previously forecast. To get there, many of the hyperscalers would have to amend traditional behaviors and issue several jumbo deals for the first time. There is already some evidence of this (eg META, ORCL). On the other hand, private credit could continue to serve as the primary lender for debt loads that otherwise would have been issued in public investment grade markets. AI-related issuance is seeping into other sectors as well, with 10-15% of CapEx for utilities being AI-related.”¹
- SMBC Strategy on Hyperscaler issuance in IG market “The need for Hyperscalers to access debt markets to fund digital infrastructure buildout will have meaningful ramifications for credit markets in the coming years. New net issuance will likely rise by hundreds of billions, and because the quantum of borrowing will be so large, long-dated supply (past the 10Y part of the curve), will go from scarce to abundant, likely weighing on 30Y spreads more broadly. There are also positives, however, because the largest issuers investing in AI-related CapEx except for ORCL carry AA or better ratings (If you want to include IBM there is also one A3 rating). Even if there is downgrade pressure on some of the Hyperscalers as they increase leverage, it could improve the quality mix of the US IG market, as these larger debt stacks shrink the relative BBB mix in IG. While we expect additional short-term spread volatility on the back of this supply, particularly in the long end, as this issuance is less sensitive to market conditions, longer term market fundamentals could look more resilient.”²

Bank Loans

- Barclays Strategy 2026 credit supply forecasts: “Top-down view and 2025 recap: Leveraged loan supply in 2025 is down 11% year-over-year, but remains healthy at about \$390bn, excluding repricings. Net supply has been limited by muted M&A and LBO activity, but the index still grew 6%, driven by lower repayments and solid fundamentals. Refinancings: These will likely continue to dominate in 2026, and we forecast \$220-240bn of supply, similar to 2025 levels. The maturity wall for the next three years is at its highest since 2011, prompting issuers to address near-term maturities while technicals remain strong. M&A: The backdrop appears more accommodative in 2026. As rates decline and animal spirits inflect higher, we expect M&A activity to improve and the BSL market to receive \$100-120bn in supply next year, up from an annualized pace of \$85bn in 2025. LBOs: With some larger deals pent up in the pipeline, LBO supply should grow in 2026, and we expect \$70-90bn of volumes, compared with \$68bn annualized in 2025. Though these levels will likely remain below the peaks in the very low-rate period, larger deals such as Hologic and Electronic Arts should contribute heavily. Dividends/Recaps: Extended sponsor hold times and stable fundamentals have supported elevated activity in recent years. While these trends will contribute to further div/recap supply in 2026, we also expect some thawing in the backdrop for exits, which should drive supply slightly lower y/y.”³
- BAML Strategy on loan recoveries in 2026: “Average loan recovery has continued its upward trajectory in 2025, reaching \$60, slightly below its historical median of \$61 (Exhibit 14) as LMEs continued to dominate defaults this year. LMEs facilitate higher recoveries, as partial exchanges/restructurings are generally realized at higher prices compared to recoveries from hard defaults.”⁴

Highlights

High Yield

- Barclays Strategy 2026 credit supply forecasts: “We expect supply to increase 5% y/y. Momentum from 2024 rate cuts has carried into 2025, with volumes up 7% y/y and set to breach \$300bn for the first time since 2021. This should continue into next year, and we expect \$340-380bn of high yield supply. Refinancings: The proportion of the high yield index due within 3y is at record highs, exceeding 20%. As a result, bond-for-bond refis should stay elevated next year, at \$140-160bn. Bond-for-loan refis appear attractive for borrowers, given that curve-adjusted loan yields are about 50bp higher than same-rated, pari bonds. We expect \$70-90bn of this supply. M&A: M&A-driven supply should remain active in 2026, and we forecast \$40-55bn in volume, versus \$49bn annualized in 2025. The pipeline includes \$30bn of known financing from announced deals, with high yield bonds likely to capture a significant share. As rates fall and confidence improves, M&A supply should move closer to long-term averages. LBOs: High yield supply to fund LBOs is set to increase in 2026, and we forecast \$20-30bn for next year, a sizable increase from the <\$10bn YTD. While loans remain the preferred market for many sponsor-backed LBOs, larger deals, a few of which are already in the pipeline, are likely to tap high yield for funding. GCP/CapEx: General corporate purposes and CapEx issuance are forecast at \$30-40bn for 2026, slightly below \$41bn annualized in 2025. Lower rates should encourage issuers to fund regular needs and incremental CapEx, with some growth expected from AI-related investments. Most AI CapEx (and funding) will be in investment grade, but some HY issuers may also have CapEx needs to finance.”⁵
- Barclays Strategy Rising Star and Fallen Angels Forecast for 2026: “2025 has seen \$32bn of rising stars and \$42bn of fallen angels year to date. This is the first time in four years that fallen angels are on track to outpace rising stars, after 2024 saw the lowest volume of fallen angels since 1997. This year's fallen angel volumes were the result of a few large, idiosyncratic stories. WBD's downgrade this past year was the eighth-largest fallen angel on record, and additionally NSANY and CE were sizable issuers to receive downgrades. In the end, this led to a larger volume of fallen angels despite having a lower count of issuers than rising stars (12 versus 18). Similar themes are likely to play out in 2026, with a few large issuers in focus. Our analysts identify both F and CNC as likely fallen angels over the next year, which combined would total about \$60bn in debt.”⁶

Sources

¹ Barclays Strategy, Nov. 11, 2025

² SMBC Strategy, Nov. 3, 2025

³ Barclays Strategy, Nov. 7, 2025

⁴ BAML Strategy, Oct. 31, 2025

⁵ Barclays Strategy, Nov. 7, 2025

⁶ Barclays Strategy, Oct. 27, 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.
