

	Monthly Return (%)	Year-to-Date Return (%)	Yield (%)	Option-Adjusted Spread (BPS)			
	5/31/26	5/31/26	5/31/26	5/31/26	12/31/25	12/31/24	12/31/23
Investment-Grade Corporate Bonds	0.67	0.65	5.07 ¹	67	73	77	93
Single A Bonds	0.65	0.50	5.01	61	64	68	85
BBB Bonds	0.88	0.92	5.29	89	97	97	121
1-3 Year Credit	0.29	0.96	4.42	39	45	48	58
7-10 Year Credit	0.52	0.39	5.17	80	83	89	112
Long Credit	1.48	0.77	5.79	88	95	100	117
Bank Loans ²	0.51	1.24	8.44	480	429	424	490
BB Loans ²	0.48	2.26	6.21	256	263	254	309
B Loans ²	0.59	1.09	8.36	472	414	425	471
High Yield	0.49	1.68	6.96 ¹	257	266	287	323
BB Bonds	0.50	1.67	5.89	152	165	179	201
CCC Bonds	0.21	1.80	11.42	706	615	558	776
Intermediate High-Yield Bonds	0.48	1.66	6.94	256	266	287	323
Long High-Yield Bonds	1.04	2.26	8.01	326	301	302	341

Source: Bloomberg and Morningstar as of 5/31/26.

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 Morningstar LSTA US 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. **Past performance is no guarantee of future results.**

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

- JP Morgan Strategy on the coupon differential in IG new issues vs. maturing: “The coupon differential of new issues versus maturing bonds was wide at 196bps in May, the highest since February 2025.”¹
- Bank of America, Merrill Lynch (BAML) IG Strategy on Hyperscaler supply: “We estimate the current hyperscaler debt eligible for the global IG index is \$450bn, which includes the USD META deal in late April (which will enter the index in June), and the EUR, CAD, CHF and JPY new issue deals in May. The \$450n remains below other concentrated large sectors as of April 30th: \$1,021bn for the big six US banks (BAC, C, JPM, GS, MS, WFT), \$573bn for the top six non-US banks (HSBC, BNP, UBS, ACAFP, BACR, BPCEGP), and \$475bn for the large-cap Telecom issuers (T, VZ, TMUS, CMCSA, CHTR). The relative hyperscaler index size should remain in a similar range in 2027. Assuming hyperscaler supply is mostly done for 2026 (in line with our forecast) and another \$175bn in supply for 2027 (higher than our \$100bn forecast), but more in line with investor expectations, shows the sector size stays close to large cap Telecom and the top non-US banks, growing to about \$600bn in terms of the global IG index notional. Currently, the largest hyperscaler - ORCL - is the 10th largest issuer in the global IG corporate bond index, just below VZ and WFC. Three other hyperscalers rank among the top 20 (AMZN, GOOGL, and META), while MSFT is 87th with \$37bn in bonds. The relative size of the hyperscalers should continue to grow in 2027. Our technology, media, and telecommunications (TMT) analyst Tom Curcuruto¹ forecast for 2027 implies AMZN could become the 5th largest issuer, assuming index notional for the rest remains at the current levels.”²
- Wells Fargo Strategy on IG Sector Dispersion: “Since 2017, IG spreads have maintained an average annual trading range of 47 bps, with 2021 the tightest year at 21 bps and 2022 the widest at 74 bps. We exclude 2020 given the pandemic-driven 280 bps annual range, which would skew the average. Notably, the annual trading range has modestly widened since 2022: the IG spread range averages 49 bps in 2022–26 versus 46 bps in 2017–21 (ex-2020).”³

Bank Loans

- Deutsche Bank Strategy report on software loans: Only 5.8% of private credit software loans were valued at a price less than \$80 at the end of Q1, compared to 25.6% of US Leveraged Loan software loans today that are now trading below \$80.⁴

High Yield

- Goldman Sachs Strategy on BBs: “In the USD market, spreads of BB-rated bonds have notably outperformed B-rated bonds since late 2025. The OAS ratio between the two rating cohorts is hovering near the widest level of the post-financial crisis era. We believe the resilience of BBs reflects, in part, a ‘flight to quality’ positioning within the USD High Yield (HY) market. We attribute this sentiment to the overhang of geopolitical and macroeconomic uncertainty—even as the directional tone has felt ‘risk on’ at the index level. The relative underperformance of B-rated spreads is also consistent with the ‘atypical beta’ behavior we highlighted in late April. Notably, however, the ‘flight to quality’ hasn’t translated into the relative value trade off between the low end of IG (BBBs) and the high end of HY (BBs). The ratio of BB spreads vs. BBBs ranks towards the middle-to-lower end of the historical distribution—signaling that the higher rated BBB cohort has not outperformed BBs. While historical valuations imply some modest scope for compression in BB spreads relative to BBBs, we believe the more likely outcome is for the ratio to remain range bound around current levels, amid a more challenging growth and inflation mix.”⁵

Sources

¹ JP Morgan Strategy, June 3, 2026

² Bank of America Strategy, May 27, 2026

³ Wells Fargo Strategy, May 22, 2026

⁴ Deutsche Bank Strategy, May 29, 2026

⁵ Goldman Sachs Strategy, June 1, 2026

Definitions

- **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 (bp)** is one hundredth of a percent, so 100 basis points is equivalent to 1%.
- **Beta** measures an asset's price volatility relative to the broader market. It is a gauge of systematic risk—the unpredictable market forces that affect all investments, which cannot be diversified away.
- The **Bloomberg Global Aggregate Bond Index** (global IG index) is a flagship fixed-income benchmark that measures global investment-grade debt from developed and emerging markets.
- 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 spread** is the difference in yield between two debt securities with the same maturity but different credit quality.
- **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.
- **High-yield bonds** (or **junk bonds**) are bonds that pay higher interest rates because they have lower credit ratings than investment-grade bonds.
- The **Hyperscalers Index** refers to a financial benchmark that measures the equity or corporate debt performance of major cloud data center and Artificial Intelligence (AI) providers.
- 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.
- **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).
- **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.
- **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.
- **Total return**, when measuring performance, is the actual rate of return of an investment or a pool of investments over a given evaluation period.
- **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.

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