ARISTOTLE FUNDS & ETFs

CORPORATE CREDIT HIGHLIGHTS

September 30, 2026

	Monthly Return (%)	Year-to-Date Return (%)	Yield (%)	Option-Adjusted Spread (BPS)			
	9/30/26	9/30/26	9/30/26	9/30/26	12/31/25	12/31/24	12/31/23
Investment-Grade Corporate Bonds	-2.68	-3.01	5.98 [1]	75	73	77	93
Single A Bonds	-2.74	-3.24	5.91	68	64	68	85
BBB Bonds	-2.67	-2.64	6.21	98	97	97	121
1-3 Year Credit	-0.64	0.92	5.33	44	45	48	58
7-10 Year Credit	-3.27	-3.95	6.15	90	83	89	112
Long Credit	-0.48	-6.39	6.59	98	95	100	117
Bank Loans [2]	0.21	3.29	8.49	481	429	424	490
BB Loans [2]	0.20	4.17	6.32	264	263	254	309
B Loans [2]	0.39	3.62	8.13	445	414	425	471
High Yield	-2.52	0.10	8.35 [1]	311	266	287	323
BB Bonds	-2.50	-0.01	7.11	186	165	179	201
CCC Bonds	-3.52	-1.81	15.05	1,007	615	558	776
Intermediate High-Yield Bonds	-2.47	0.14	8.35	312	266	287	323
Long High-Yield Bonds	-5.31	-2.58	8.38	289	301	302	341

Source: Bloomberg and Morningstar as of 9/30/26.

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.**

[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

- BAML Strategy on rate sell off impact on credit: "The current US rates sell-off has been relentless, with its continuation despite oil reversal a bit of a mystery. The sell-off has hit fixed rate credit hard, while floating rate has fared remarkably well. While the current rates move has been a source of pain for fixed rate credit investors, the move leaves many asset classes with the highest yield levels in years. Our USD IG cash index yield, for example, sits at 6.0% now, back in 2023 territory. Not only is this all-in yield level elevated, but it also bodes well for total return for the subsequent year historically (3-15%). The rise in USD HY cash yields has been less dramatic, with current level sitting at 8.2%, approaching March 2025 highs. But historically this all-in level has also boded well for total return for the following year (5-21%)." [1]

- SMBC Strategy on credit performance historically when the Fed hikes: "We note that the beginning of a Fed hiking cycle typically sees positive IG spread returns, and even resilient HY total returns, as economic growth is usually resilient during this period. Starting one month prior to the first fed hike from 1986-2022, median cumulative IG spread returns are 70bp six months after the Fed Hikes, and median HY total returns accumulate to 4.4% from one month prior to six months after."[2]

- BAML Strategy chart of AI supply by asset class YTD: "Total cross-credit AI-related issuance currently stands at $549bn YTD, of which $259bn has been issued in IG, $40bn in HY, and $12bn in the instl. Loan market. $237bn has been issued in Private Credit, Direct Lending, and other bilateral."[3]

Bank Loans

- Deutsche Bank Strategy on software maturity wall: "Q1'28 marks the first major increase in spec-grade maturities, with only a modest amount of debt due before then. However, this refinancing cycle is set to occur while Software $LL sector spreads are trading at 728 bps, even as the $LL index excluding Software is trading only a few basis points above post-COVID tights at 375 bps. Looking specifically at software loans maturing by the end of September 2028, effectively within the T+2 window, the loan volume-weighted average price is $84.16. The next cohort, consisting of software loans maturing between T+2 and T+3 years, is trading at $80.51. There has been a recovery since the lows of the first quarter but many loans in each cohort are trading distressed, weighing on overall sector performance. The dispersion within these cohorts is emblematic of AI-driven disruption. Breaking the T+2 and T+3 cohorts into price buckets, it is clear that market pricing has coalesced around two groups. 1) Firms that should be able to refinance with a normal degree of risk and 2) Firms whose fundamentals appear significantly impaired. Within the T+2 cohort, 22% of software loans trade distressed (below $80), while 40% trade at $95 or higher. The T+3 cohort is even more bimodal, with 42% trading at distressed levels and 48% trading above $95. This pricing suggests that investors view certain issuers as set to be heavily restructured or potentially non-viable, with $13.5 billion of loans maturing by September 2029 marked below $60."[4]

Highlights

High Yield

- Deutsche Bank Strategy on HY improved ratings quality: "Zooming out, much has been made of the improvement in the $HY market's rating quality in recent years. $BBs make up a record share of the $HY index at 56%, while $CCCs now account for just 10% of the index. That is the lowest share of $CCC bonds since 2002. In total, the average rating of the $HY market is now the highest it has ever been. There are multiple drivers of this rating quality improvement. 1) the $HY market has looked to finance higher quality issuers in recent years as $LL and private credit have financed riskier debt. 2) A greater sum of subordinated-debt from $IG rated issuers. 3) A few substantial Fallen Angels over the last two years have introduced significant $BB debt into $HY. How much tighter should spreads be historically under the current rating mix? Using monthly index data going back to 1999 and re-weighting $HY spreads at the notch level (BB1, BB2, etc.) to reflect the current rating mix, we can estimate what $HY spreads would have been historically under today's rating composition, relative to what they actually were. These spreads are also duration-adjusted to account for the increased share of $BB-rated issuers."[5]

- Citi Strategy on HY AI supply with a focus on SoftBank issuance: "High yield primary market this week saw the largest issuance in HY history priced and completed, as SoftBank brought $10bn of new bonds tied to its AI-related capital commitments to market. The prior record high yield bond deal ($8.5bn) came in 2015 from healthcare and the previous largest AI-related deal was a $5.7bn from a data center issuer in April. With the SoftBank deal now priced, AI-related issuance in 3Q'26, together with three other $8bn worth of data center offerings, represents 31% of total quarterly HY issuance to date. Even so, as we discuss later, HY's overall exposure to AI remains a low single digit of the index (currently ~3.5% of the Bloomberg High Yield Index) and should be able to absorb more supply based on the IG credit market's concentration."[6]

- JP Morgan on the size of distressed HY: "Bonds trading 1000bp+ rose $6.4bn in September to $73.0bn, or 5.2% of the universe, against 4.5% a year ago. That's half the June 2022 high ($149bn) and a fraction of the $418bn (32%) reached in March 2020. Sub-$70 bonds total $58bn, still below the $75bn of February 2020, before the pandemic."[7]

Sources

[1] BAML Strategy, October 1, 2026
[2] SMBC Strategy, September 24, 2026
[3] BAML Strategy, September 24, 2026
[4] Deutsche Bank Strategy October 1, 2026
[5] Deutsche Bank Strategy September 24, 2026
[6] Citi Strategy, September 25, 2026
[7] JP Morgan, October 14, 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.
- **Capital Expenditures** (CapEx) are funds companies use to acquire, upgrade, or maintain physical assets like buildings, technology, or equipment, with the goal of increasing operational scope or future economic benefits.
- 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.
- **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.
- **Fallen angels** refers to investment grade bonds that are given a reduced rating to "junk bond" due to a decline in the credit rating of the issuer.
- **Group Credit Profile (GCP)** an assessment by rating agencies of an entire parent company and its subsidiaries' collective ability to pay financial obligations.
- **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).
- **Leveraged Finance (LevFin)** is the process of taking on debt or borrowing funds to increase returns gained from an investment or a project.
- **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.
- **Private Credit (PC)** refers to any loan-based financing provided by non-bank institutions—such as private equity firms, asset managers, or specialized funds—to businesses outside of public bond markets.
- **Rising star** refers to a bond that is rated as a "junk bond" but could become investment grade because of improvements in the issuing company's credit quality.
- **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.
- The **upgrade/downgrade ratio** is a metric used to measure the proportion of upgrades versus downgrades of a particular stock or asset for a given period of time.
- **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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