

# The Little Book of Credit

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**ARISTOTLE**  
PACIFIC CAPITAL

DECEMBER 31, 2025 | VOLUME VII

FOR FINANCIAL PROFESSIONAL USE ONLY

## ABOUT ARISTOTLE PACIFIC CAPITAL

Aristotle Pacific Capital actively invests on the basis of fundamental credit analysis with the objective of identifying and realizing relative value. Our investment team, along with the infrastructure of affiliate Aristotle Capital Management, combine to provide an ideal platform for us to discover and capture credit opportunities in today's dynamic markets.

In this latest edition of “the Little Book of Credit,” our observations center around what our team believes to be themes that will carry over into 2026. Data centers, large tech, housing affordability, private vs. public companies, and popular predictions were all part of the '25 landscape and may all be a bigger part of '26. We hope you enjoy the information and as always, our goal is not prediction but perspective. Thank you for viewing and for continuing the conversation with us as we start the new year.

A handwritten signature in black ink, appearing to read "Dominic Nolan".

**Dominic Nolan, CFA**  
CEO, Aristotle Pacific Capital



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## SECTION 1

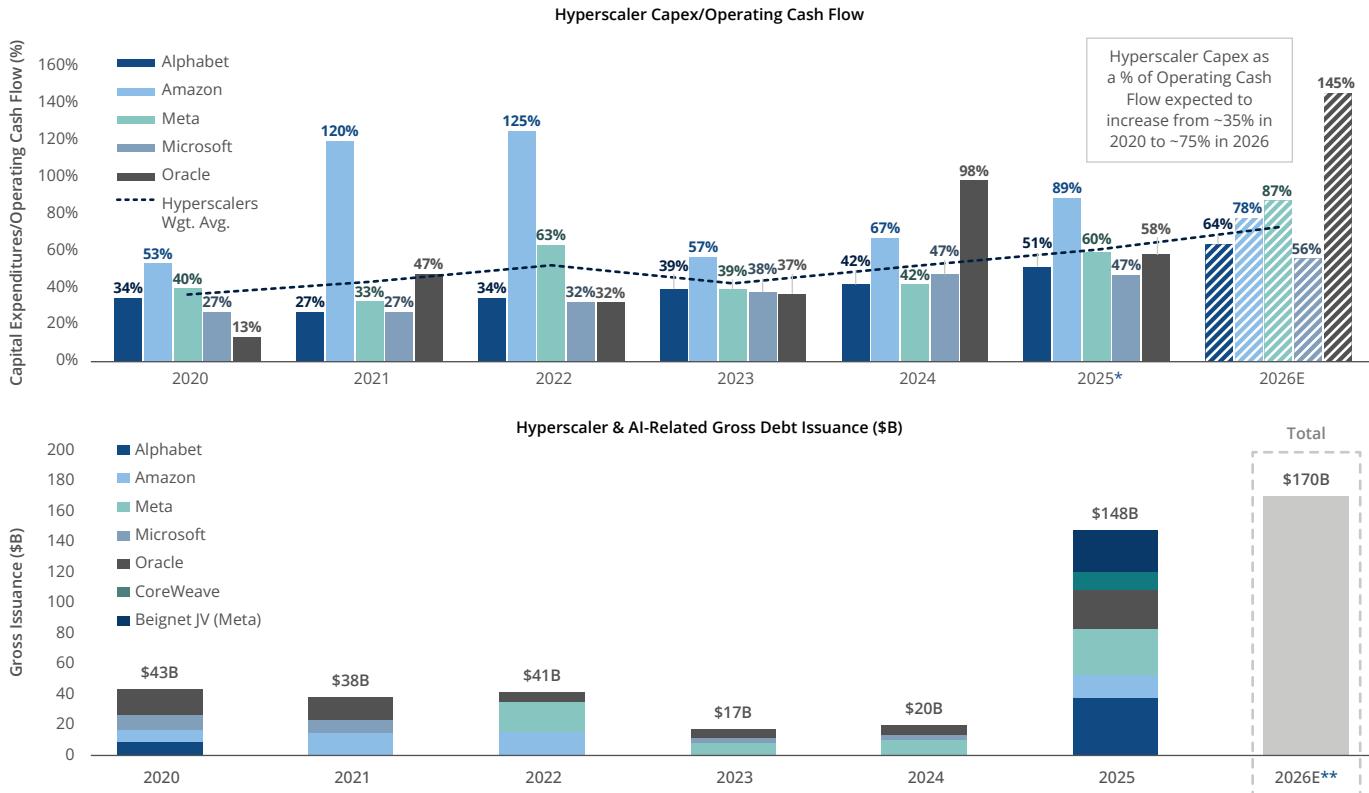
Financing the AI Buildout  
Mega-Cap Leaders: Mag 7 + Broadcom  
Housing Affordability  
From Public to Private  
Polymarket Barometer



Little OBSERVATIONS

# Financing the AI Buildout

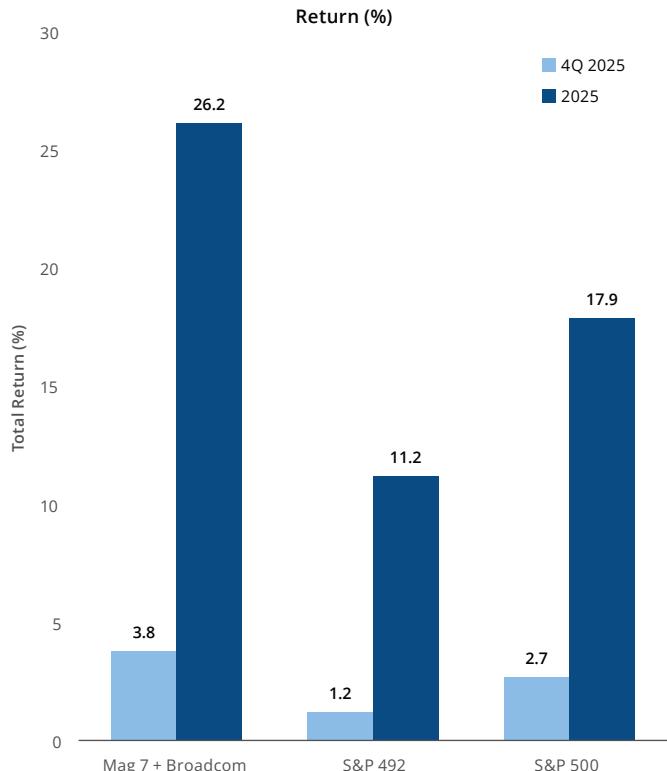
## HYPERSCALER CAPEX ACCELERATED INTO 2025



**Source:** J.P. Morgan, FactSet, Bloomberg, and Morgan Stanley (Estimates). \*2025 is as of September 30, 2025 from Amazon.com, Inc.; Alphabet Inc.; Meta Platforms, Inc.; Microsoft Corporation; and Oracle Corporation Form 10-K and Form 10-Q filings. U.S. Securities and Exchange Commission (SEC) EDGAR Database. \*\*2026E shown as combined total for Hyperscalers only (issuer mix not disclosed/estimated).

# Mega-Cap Leaders: Mag 7 + Broadcom

AI INVESTMENT CYCLE REINFORCES DOMINANCE



	Weight (% As of 12/31/25)	4Q 2025 Total Return (%)	2025 Total Return (%)
NVIDIA Corporation	7.76	-0.04	38.92
Apple Inc.	6.87	6.87	9.04
Microsoft Corporation	6.15	-6.45	15.59
Alphabet Inc.	5.61	28.88	65.75
Amazon.com, Inc.	3.84	5.12	5.21
Broadcom Inc.	2.80	5.11	50.65
Meta Platforms, Inc.	2.46	-10.04	13.09
Tesla, Inc.	2.16	1.12	11.36

## Contribution to S&P 500 Index 2025 Performance

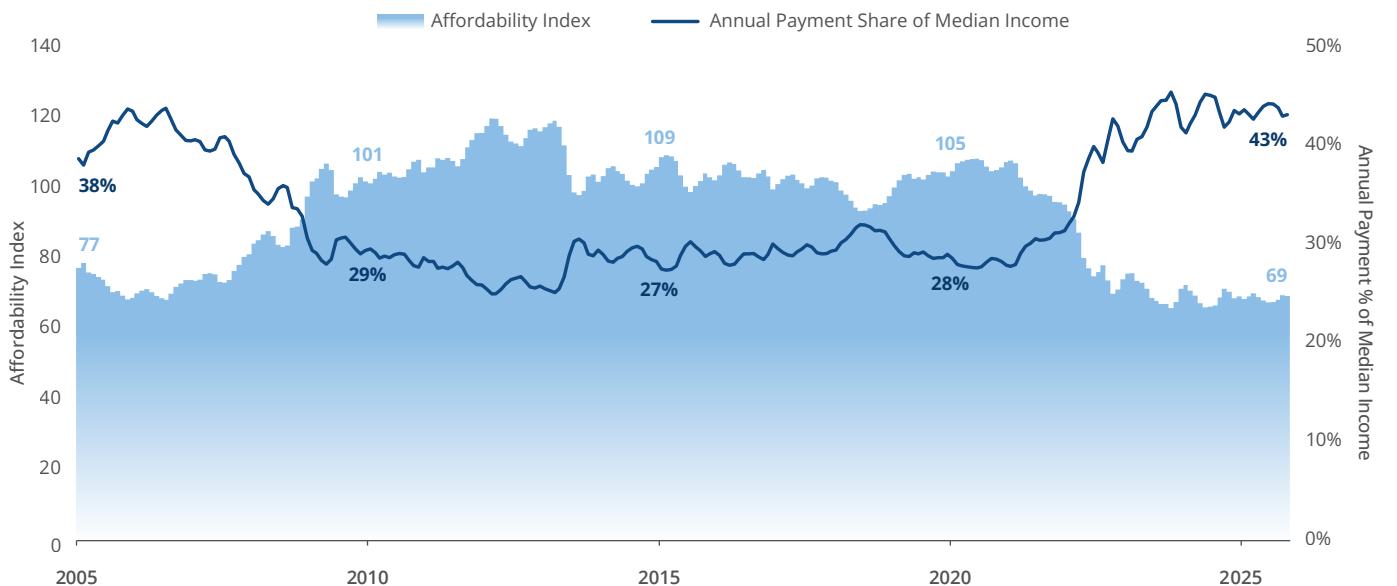
Mag 7 + Broadcom	1.38	8.79
S&P 492	1.28	9.09
S&P 500	2.66	17.88

Past performance does not guarantee future results. Source: FactSet 1/1/2025 - 12/31/2025.

Any discussion of individual companies in this presentation is not intended as a recommendation to buy, hold or sell securities issued by those companies.

# Housing Affordability Lowest in 20 Years

MEDIAN INCOME NOT KEEPING UP



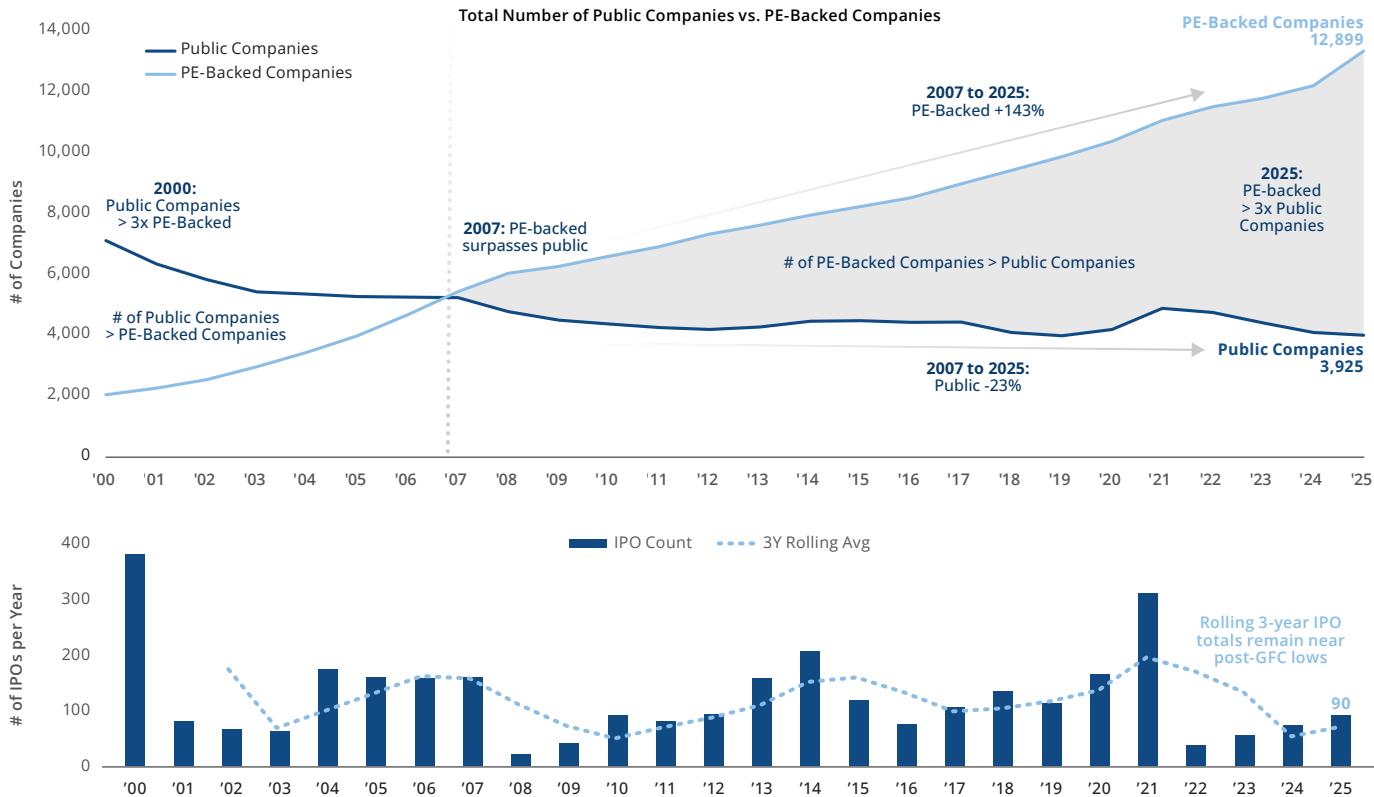
LITTLE OBSERVATIONS

HOUSING AFFORDABILITY	Monthly P & I Payment	Median Family Income	Composite Affordability Index
2020	1,044	68,585	107
2025	2,247	85,000	69
Percent Change	115%	24%	-36%

Source: Federal Reserve Bank of Atlanta as of 10/1/2025.

# From Public to Private

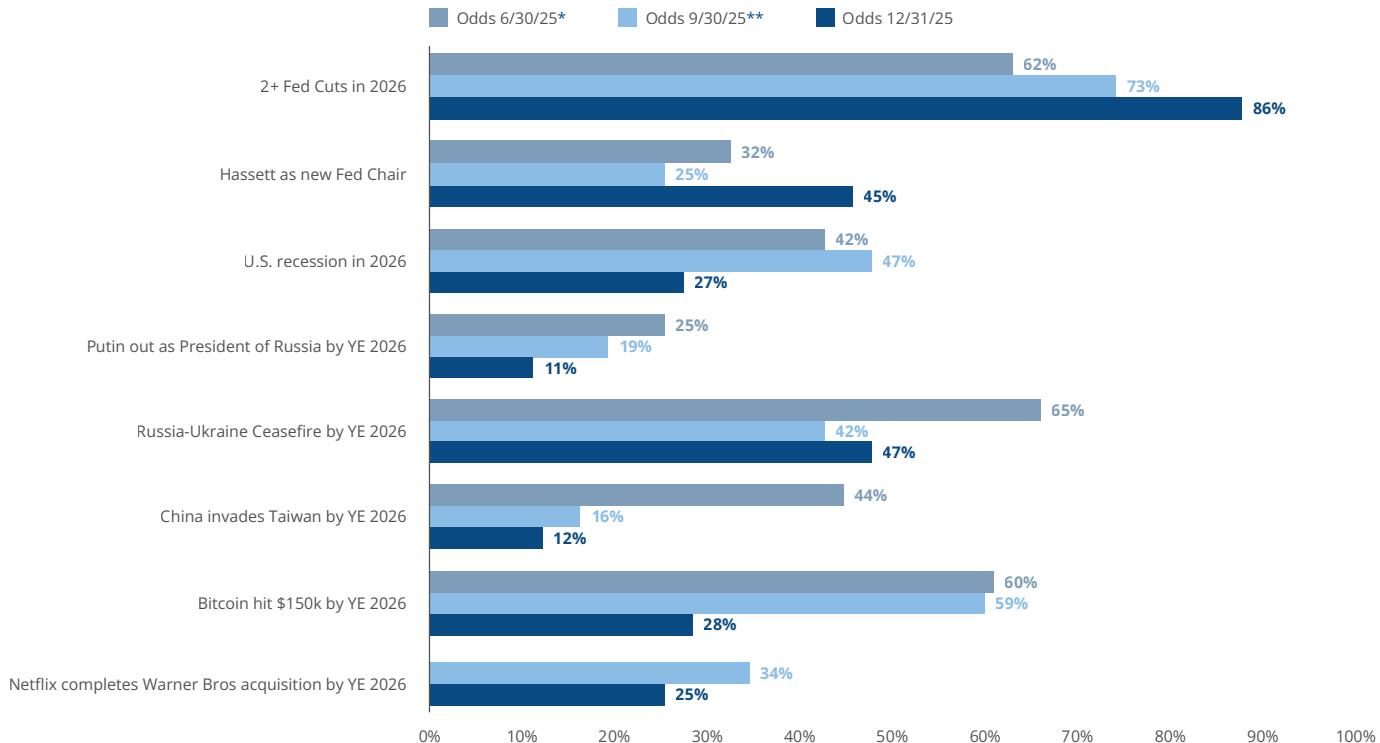
## FEWER IPOS AND A GROWING PE BACKLOG



**Source:** Pitchbook, World Federation of Exchanges (WFE), World Bank Group, Jay R Ritter (Univ. of Florida) as of 12/31/2025. Private-equity-backed companies exclude venture capital. U.S. operating-company IPOs; excludes ADRs, SPACs, REITs, closed-end funds, banks/S&Ls, unit offers, penny stocks, and non-CRSP-listed firms. Median age uses founding year.

# Polymarket Barometer

## 4TH QUARTER UPDATE



**Source:** Polymarket as of 12/31/2025. \*Odds on 6/30/2025 or first trading date if after 6/30/2025. First trading dates after 6/30/2025 include: 2+ Fed Cuts in 2026 (9/29/2025), Hassett as new Fed Chair (8/6/2025), U.S. recession in 2026 (9/29/2025), Putin out as President of Russia by end of 2026 (7/6/2025), Russia-Ukraine Ceasefire by end of 2026 (7/25/2025), China invades Taiwan by end of 2026 (7/24/2025), Bitcoin hit \$150k by 12/31/2026 (8/7/2025). \*\*Odds on 9/30/2025 or first trading date if after 9/30/2025. First trading dates after 9/30/2025 include: Netflix completes Warner Bros acquisition by end of 2026 (12/7/2025).

## SECTION 2

U.S. Nominal GDP

U.S. Real GDP

Consumer Price Index

CPI Components

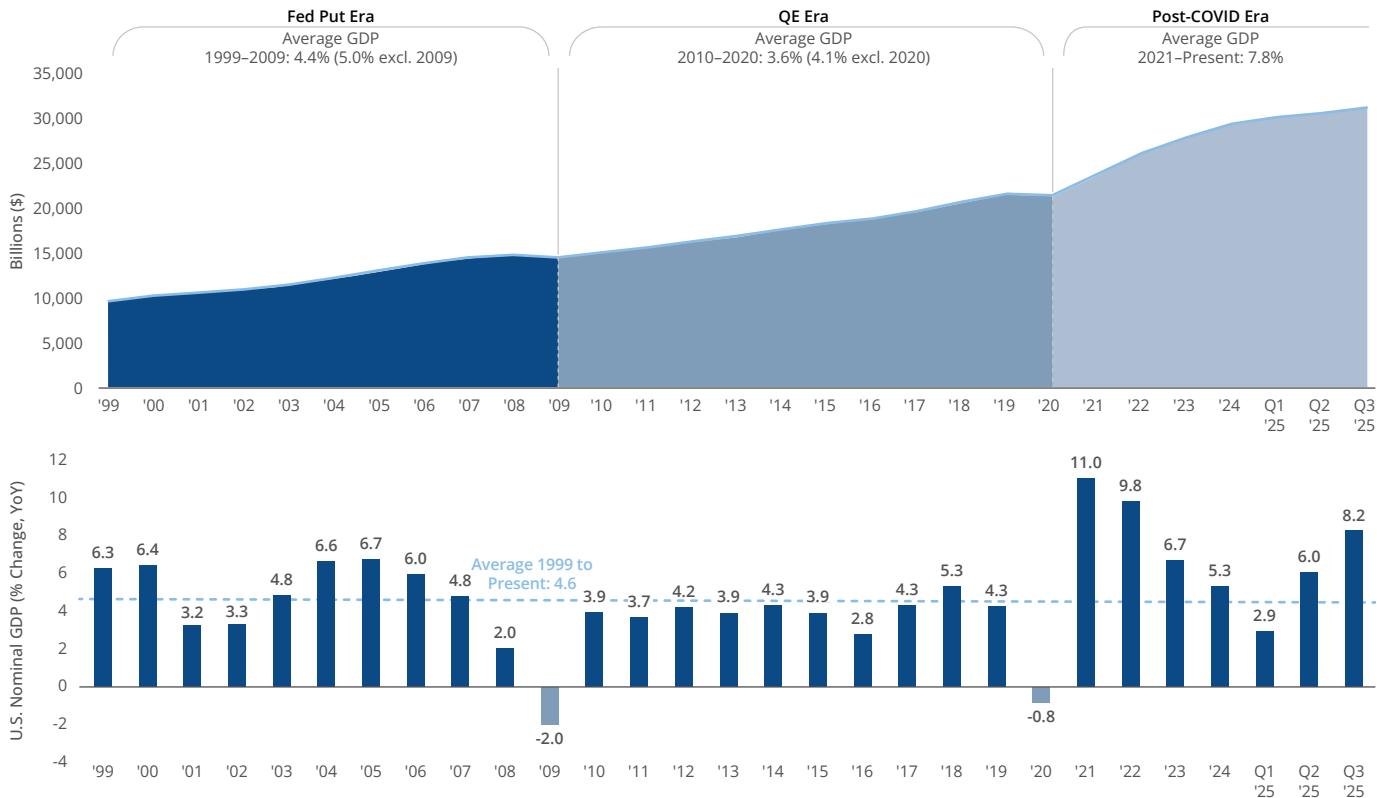
Labor Market

Commodity Performance



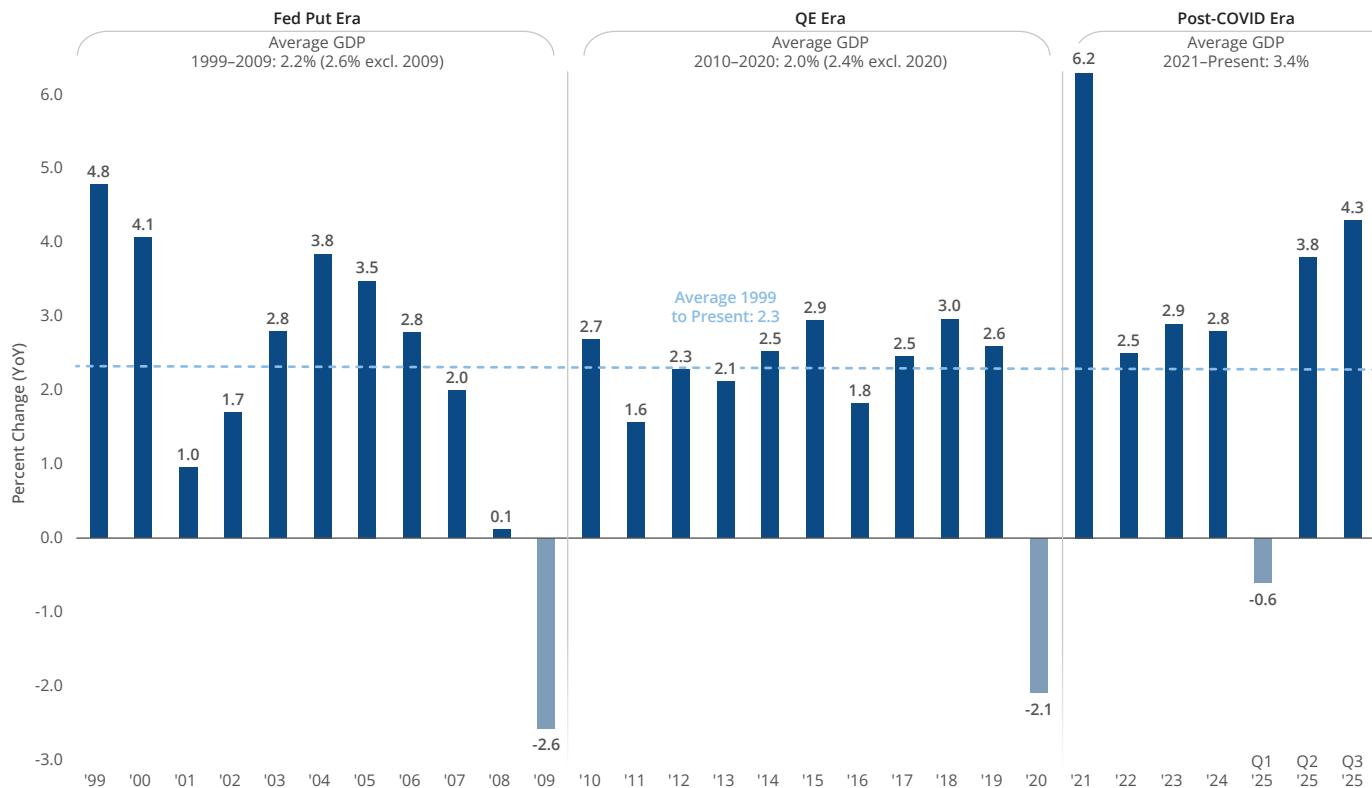
ECONOMY

# U.S. Nominal GDP



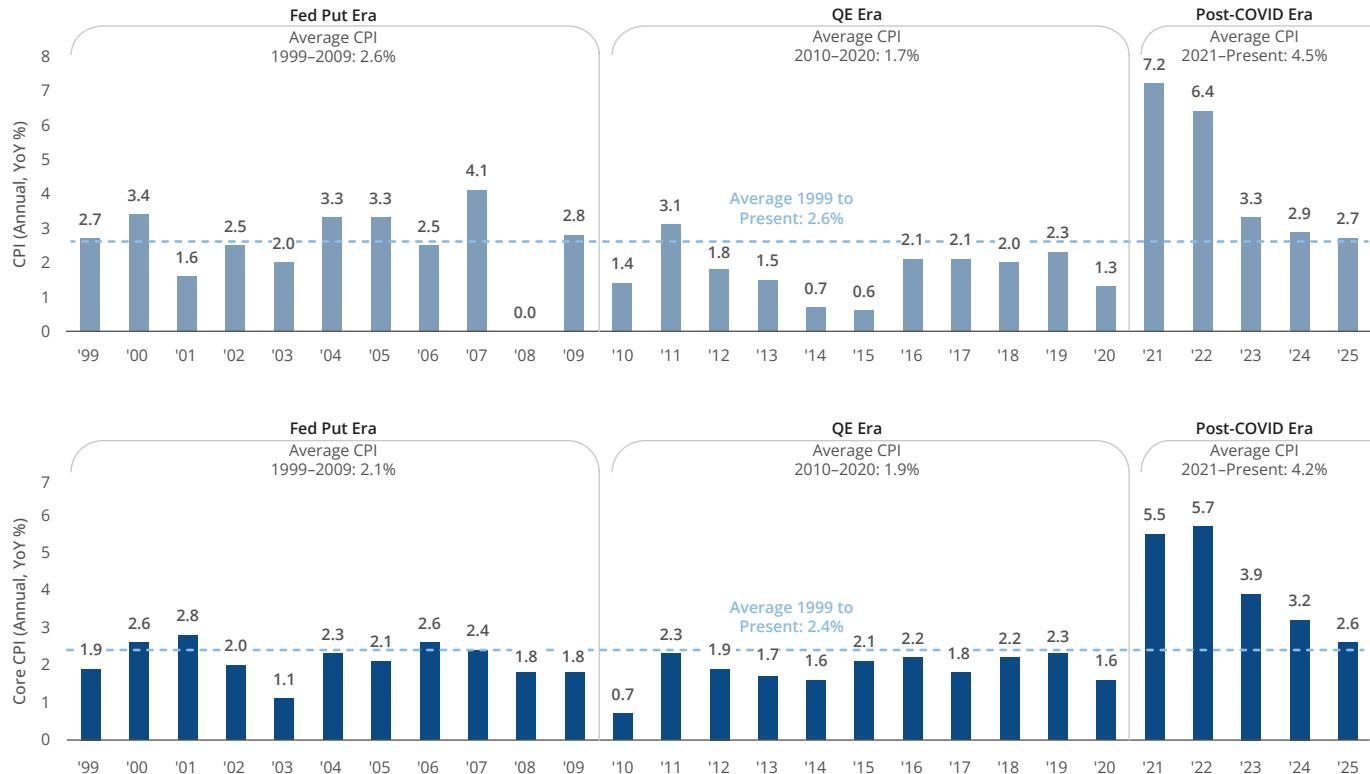
Source: U.S. Bureau of Economic Analysis and Aristotle Pacific Capital as of 12/31/2025.

# U.S. Real GDP



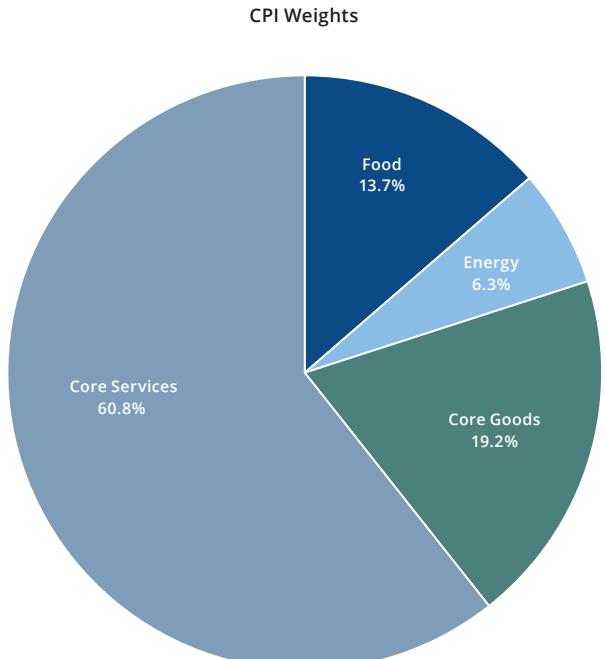
Source: U.S. Bureau of Economic Analysis and Aristotle Pacific Capital as of 12/31/2025.

# Consumer Price Index



Source: U.S. Bureau of Labor Statistics and Aristotle Pacific Capital as of 12/31/2025.

# CPI Components

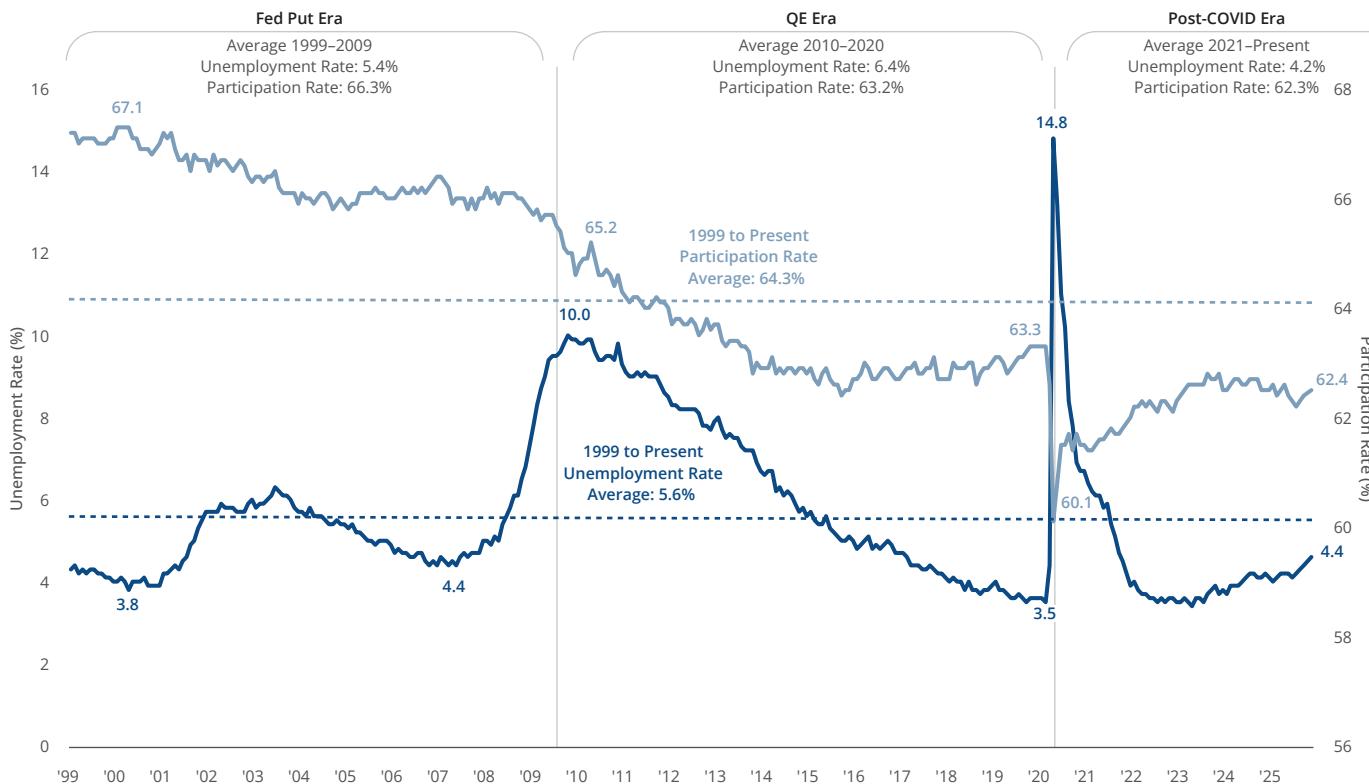


Category		Weight (%)	Change (YoY, %)	Change Since 12/31/2019 (%)
Food		13.7	3.1	32.3
Energy		6.3	2.0	28.9
Core Goods		19.2	1.4	15.9
Core Services		60.8	3.0	27.8
All Items		100.0	2.7	26.1
Category	Sub-Category	Weight (%)	Change (YoY, %)	Change Since 12/31/2019 (%)
Apparel	Core Goods	2.5	0.5	8.0
Housing		44.4	3.6	30.9
Household Furnishings and Operations	Core Goods	4.5	4.0	24.5
Shelter	Core Services	35.5	3.2	30.6
Water and Sewer and Trash Collection Services	Core Services	1.1	4.7	30.1
Household Energy	Energy	3.3	7.3	42.9
Education and Communication		5.7	0.5	5.5
Education and Communication Commodities	Core Goods	0.7	-3.8	-26.3
Education and Communication Services	Core Services	5.0	1.1	11.2
Recreation		5.2	3.0	17.2
Recreation Commodities	Core Goods	1.8	1.2	5.7
Recreation Services	Core Services	3.4	4.0	25.1
Food and Beverages		14.5	3.0	31.4
Food	Food	13.7	3.1	32.3
Alcoholic Beverages	Core Services	0.8	2.1	17.9
Medical Care		8.3	3.2	15.1
Medical Care Commodities	Core Goods	1.5	1.5	8.0
Medical Care Services	Core Services	6.8	3.5	16.7
Transportation		16.4	0.3	28.5
Transportation Commodities Excluding Motor Fuel	Core Goods	7.2	0.9	25.5
Transportation Services	Core Services	6.3	1.7	38.1
Motor Fuel	Energy	3.0	-3.2	15.8
Other Goods and Services		3.0	4.2	29.4
Other Goods	Core Goods	1.3	3.6	26.8
Other Personal Services	Core Services	1.7	4.7	31.0

Source: U.S. Bureau of Labor Statistics and Aristotle Pacific Capital as of 12/31/2025.

# Labor Market

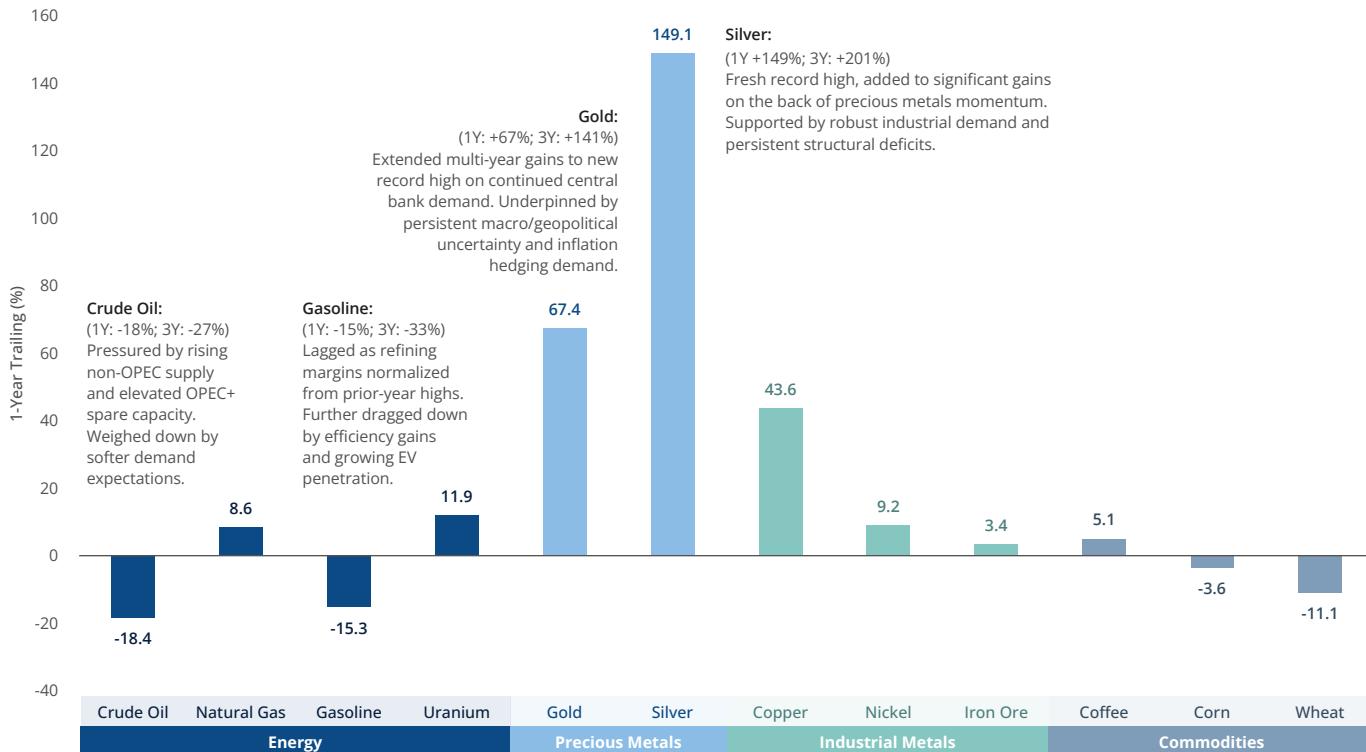
## U.S. UNEMPLOYMENT VS. PARTICIPATION



Source: U.S. Bureau of Labor Statistics and Aristotle Pacific Capital as of 12/31/2025.

# Commodity Performance

## 1-YEAR TRAILING PERFORMANCE



Past performance does not guarantee future results. Source: FactSet and Aristotle Pacific Capital as of 12/31/2025.

## SECTION 3

Global Policy Rates

Global Yields

Central Bank Balance Sheets

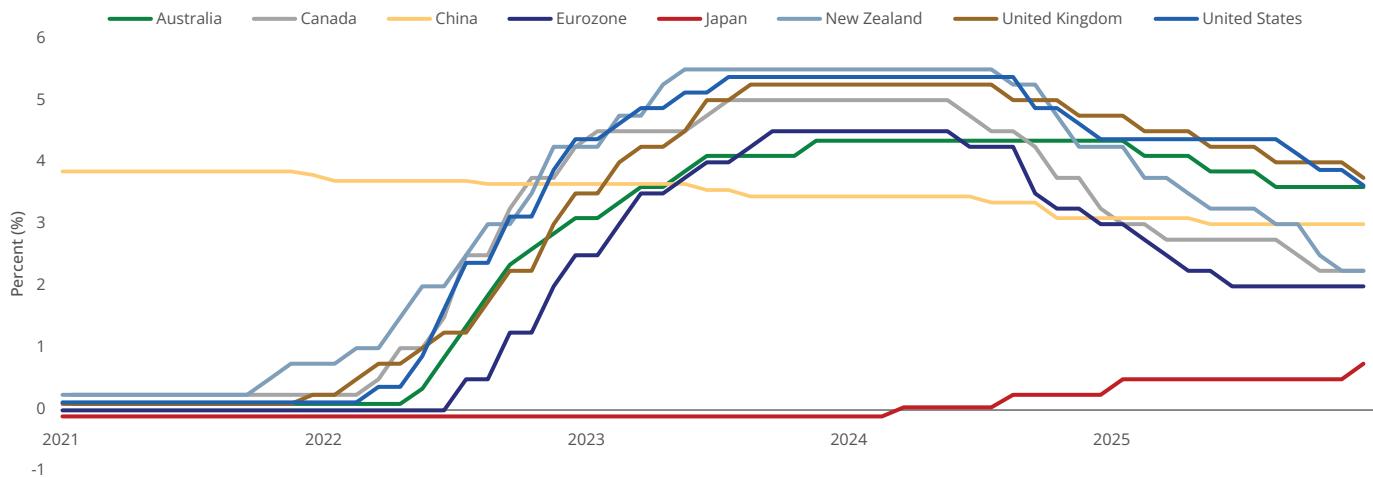
Inflation and Yields

Systemic Liquidity

# MONETARY POLICY

# Global Policy Rates

## MAJOR CENTRAL BANK POLICY RATES

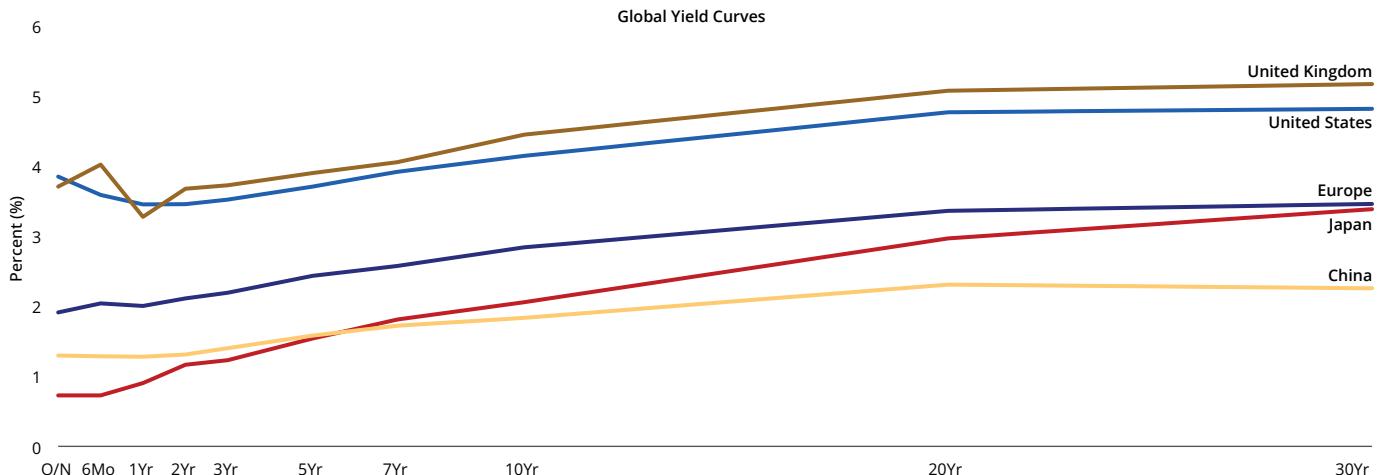


	Policy Rate (%)		Annual Change (%)			Total Change (%)	
	2021	2022	2023	2024	2025	Dec 2021 to Present	
United States	0.125	4.25	1.00	-1.00	-0.75	3.50	
Japan	-0.100	0.00	0.00	0.35	0.50	0.85	
Eurozone	0.000	2.50	2.00	-1.50	-1.00	2.00	
United Kingdom	0.250	3.25	1.75	-0.50	-1.00	3.50	
Canada	0.250	4.00	0.75	-1.75	-1.00	2.00	
Australia	0.100	3.00	1.25	0.00	-0.75	3.50	
New Zealand	0.750	3.50	1.25	-1.25	-2.00	1.50	
China	3.800	-0.15	-0.20	-0.35	-0.10	-0.80	

Source: Bank for International Settlements (BIS) and Aristotle Pacific Capital as of 12/31/2025.

# Global Yields

## GOVERNMENT BOND YIELD CURVES

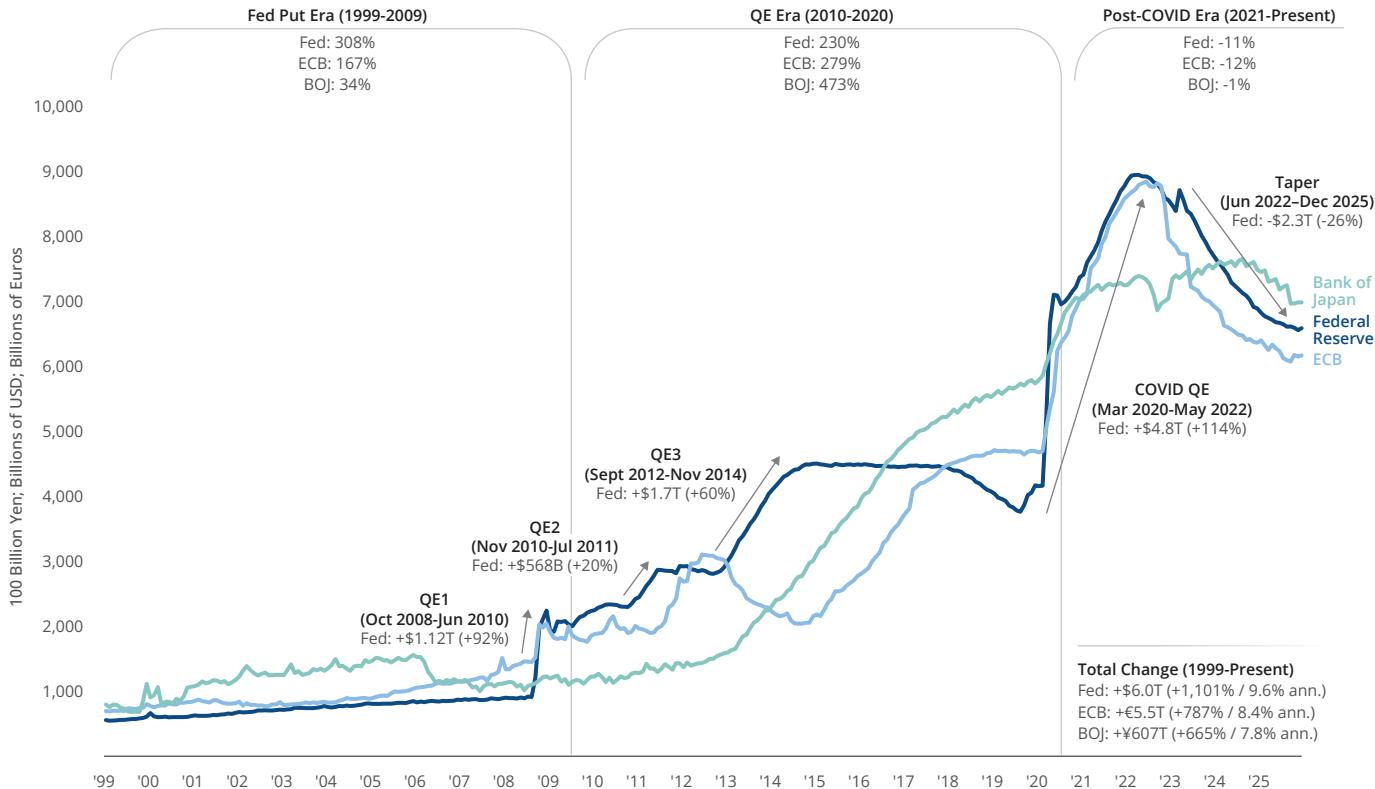


Government Bond Yields (%)						
	6-Month	2-Year	5-Year	10-Year	20-Year	30-Year
US	3.61	3.48	3.73	4.17	4.79	4.84
Europe	2.05	2.12	2.45	2.86	3.38	3.48
UK	4.04	3.70	3.92	4.47	5.10	5.20
Japan	0.73	1.17	1.55	2.07	2.98	3.40
China	1.29	1.32	1.59	1.84	2.32	2.27

Past performance does not guarantee future results. Source: FactSet, Bloomberg, and Aristotle Pacific Capital as of 12/31/2025.

# Central Bank Balance Sheets

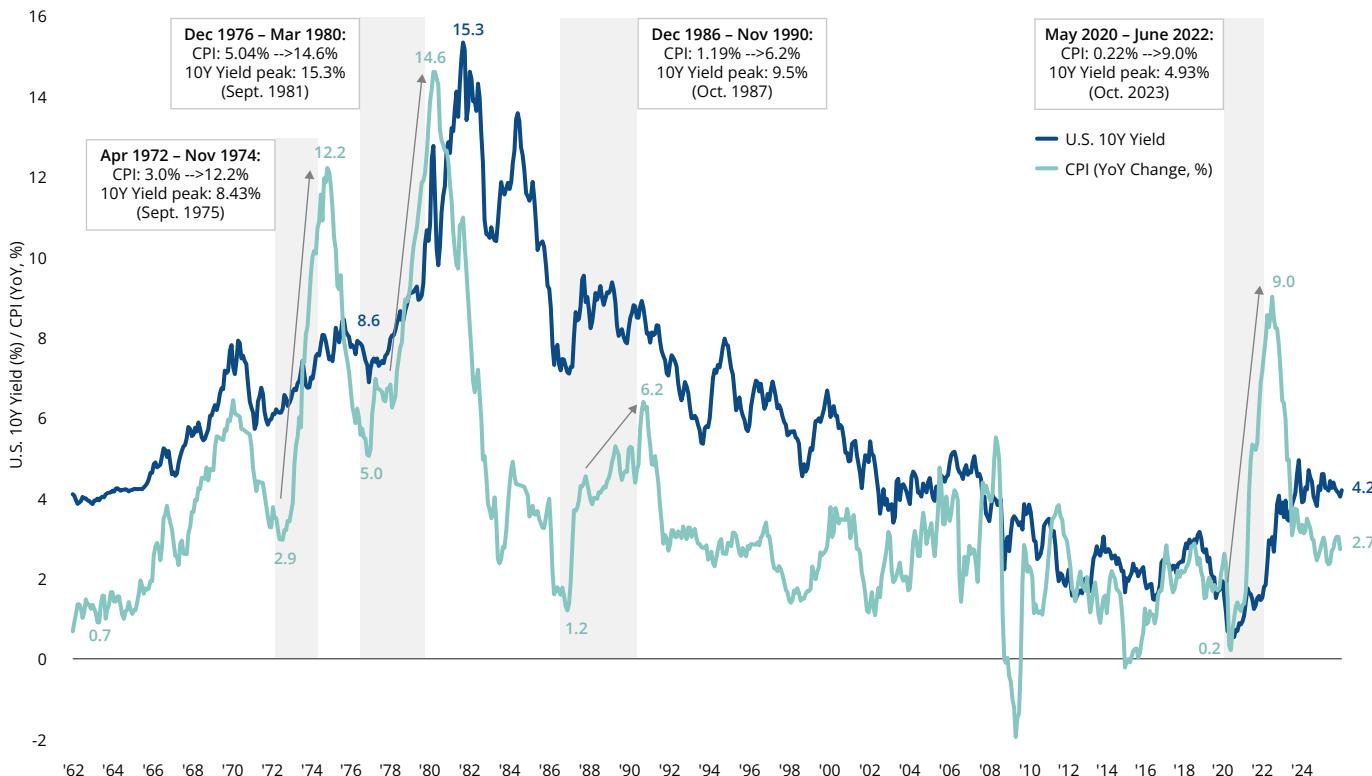
FEDERAL RESERVE (FED), EUROPEAN CENTRAL BANK (ECB) AND BANK OF JAPAN (BOJ)



Source: Board of Governors of the Federal Reserve System (US), European Central Bank, Bank of Japan, and Aristotle Pacific Capital as of 12/31/2025.

# Inflation and Yields

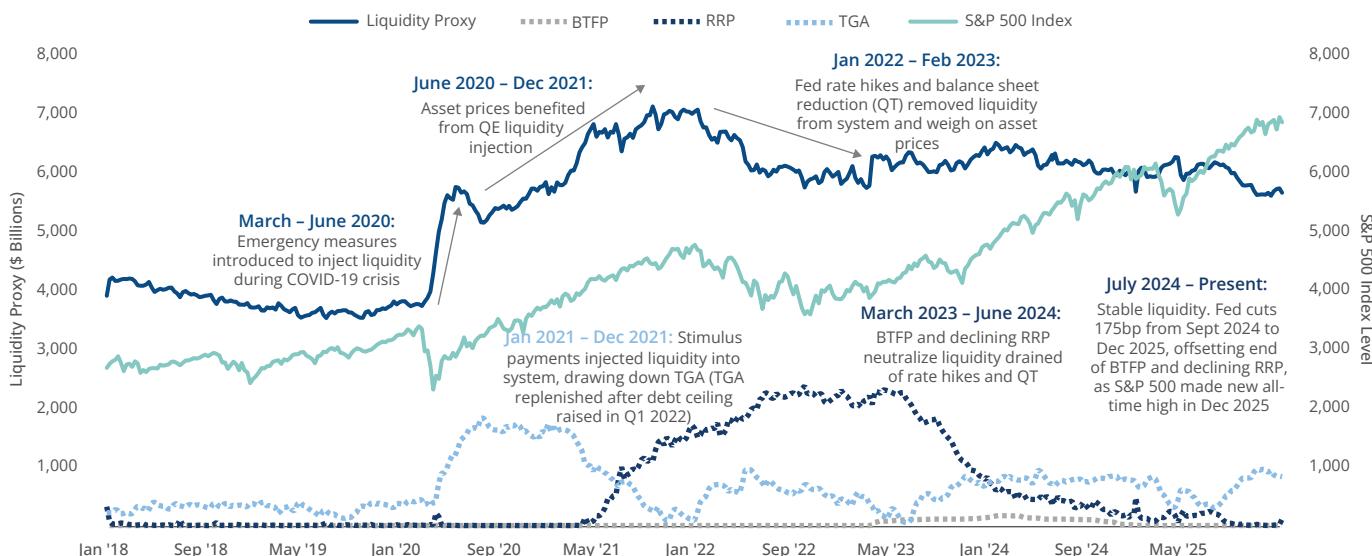
## U.S. 10-YEAR YIELD VS. CPI (YOY%)



**Past performance does not guarantee future results.** Source: Board of Governors of the Federal Reserve System (US), U.S. Bureau of Labor Statistics (BLS), and Aristotle Pacific Capital as of 12/31/2025.

# Systemic Liquidity

FED TOTAL ASSETS + BTFP - RRP - TGA VS. S&P 500 INDEX LEVEL



**RRP (Reverse Repurchase Agreement):** A tool to manage short-term money market stability and ensure smooth market functioning. A decline in RRP indicates less excess liquidity in the system.

**BTFP (Bank Term Funding Program):** Launched in March 2023 to provide temporary funding to banks for up to one year, using high-quality collateral. It expired in March 2024 and helped stabilize markets during a critical period.

**TGA (Treasury General Account):** This is the Treasury's main account at the Fed (aka the Treasury's primary checking account). It rises with government borrowing and/or tax receipts and falls when the Treasury spends, adding liquidity to the financial system.

Source: Board of Governors of the Federal Reserve System (US), Federal Reserve Bank of New York (FRBNY), S&P Dow Jones Indices LLC as of 12/31/2025.

## SECTION 4



Cross-Asset Performance Heat Map

Cross-Asset Performance

Liquid Frontier

Market Size

Cross-Asset Correlations

Yields vs. Treasuries

OAS Relative to History

# Cross-Asset Performance Heat Map

TOTAL RETURN (2025 %)

EQUITIES	FIXED INCOME	ALTERNATIVES
EM Equity <b>33.6%</b>	EM Bonds <b>11.1%</b>	Real Assets <b>13.2%</b>
Global ex-U.S. Equity <b>32.4%</b>	HY Corp <b>8.6%</b>	Hedge Funds <b>12.2%</b>
China Equity <b>31.2%</b>	MBS <b>8.6%</b>	GSCI <b>7.1%</b>
U.S. Large Cap Growth <b>22.2%</b>	IG Corp <b>7.8%</b>	CLO - BBB <b>7.1%</b>
U.S. Large Cap <b>17.9%</b>	U.S. Agg <b>7.3%</b>	CLO - AAA <b>5.4%</b>
U.S. Large Cap Value <b>13.2%</b>	Treasuries <b>6.3%</b>	Private Equity* <b>3.7%</b>
U.S. Mid Cap <b>7.5%</b>	Bank Loans <b>5.9%</b>	Private Credit* <b>3.2%</b>
U.S. Small Cap <b>6.0%</b>	T-Bills <b>4.3%</b>	Bitcoin <b>-6.5%</b>

**Past performance does not guarantee future results.** Source: Barclays, Bloomberg, S&P, FactSet, J.P. Morgan, MSCI, Prequin, and Standard & Poor's as of 12/31/2025.

Bank Loans: Morningstar LSTA Leveraged Loan Index; BDCs: S&P BDC Index; Bitcoin: Bitcoin (XBT/USD); China Equity: MSCI China Index (Net); CLO - AAA: J.P. Morgan CLOIE - AAA; CLO - BBB: J.P. Morgan CLOIE - BBB; EM Bonds: Bloomberg EM USD Aggregate Index; EM Equity: MSCI EM Index (Net); Global ex-U.S. Equity: MSCI ACWI ex U.S. Index (Net); GSCI: S&P Goldman Sachs Commodity Index (GSCI); Hedge Funds: Barclay Hedge Fund Index; HY Corp: Bloomberg U.S. Corporate High Yield Bond Index; IG Corp: Bloomberg U.S. Corporate Bond Index; MBS: Bloomberg U.S. Mortgage-Backed Securities (MBS) Index; Real Assets: S&P Real Assets Index; REITs: MSCI U.S. REIT Index; T-Bills: Bloomberg U.S. Treasury Bills 1-3 Month Index; Treasuries: Bloomberg U.S. Treasury Index; U.S. Agg: Bloomberg U.S. Aggregate Bond Index; U.S. Large Cap Growth: S&P 500 Growth Index; U.S. Large Cap Value: S&P 500 Value Index; U.S. Large Cap: S&P 500 Index; U.S. Mid Cap: S&P Midcap 400 Index; U.S. Small Cap: S&P SmallCap 600 Index. \*One year trailing as of 6/30/2025.

# Cross-Asset Performance

ANNUAL AND TRAILING (%)

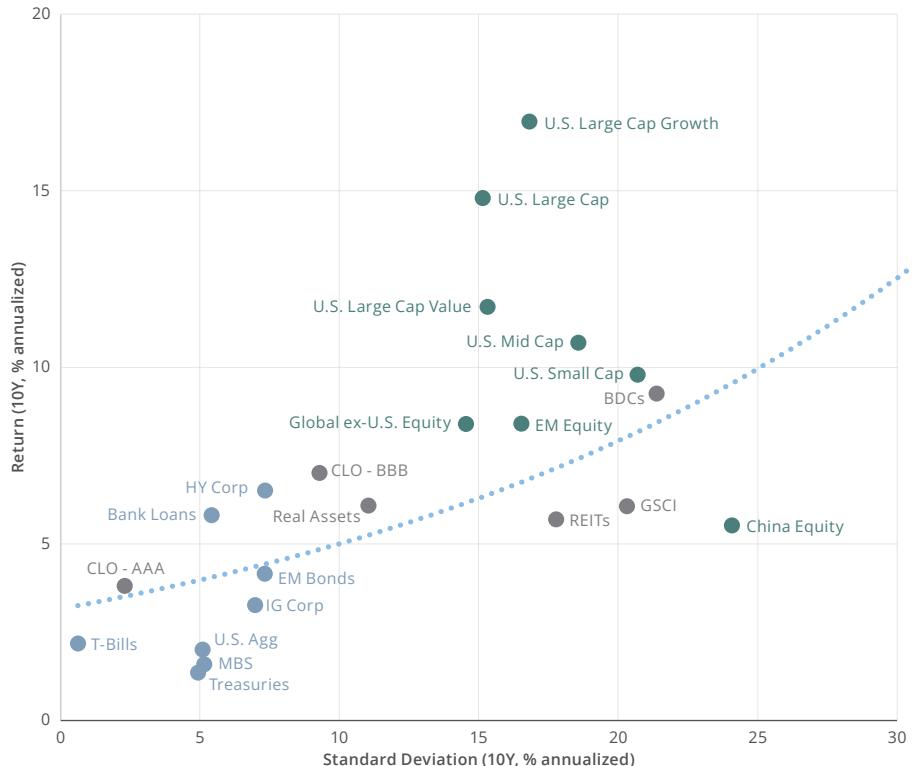
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	1Y	3Y	5Y	10Y	
FIXED INCOME	Bloomberg U.S. Treasury Bills 1-3 Month Index	0.26	0.82	1.82	2.21	0.54	0.04	1.52	5.14	5.32	4.29	4.29	4.91	3.24	2.18
	Bloomberg U.S. Treasury Index	1.04	2.31	0.86	6.86	8.00	-2.32	-12.46	4.05	0.58	6.32	6.32	3.62	-0.99	1.36
	Bloomberg U.S. Aggregate Bond Index	2.65	3.54	0.01	8.72	7.51	-1.54	-13.01	5.53	1.25	7.30	7.30	4.66	-0.36	2.01
	Bloomberg U.S. Mortgage-Backed Securities (MBS) Index	1.67	2.47	0.99	6.35	3.87	-1.04	-11.81	5.05	1.20	8.58	8.58	4.90	0.15	1.59
	Bloomberg U.S. Corporate Bond Index	6.11	6.42	-2.51	14.54	9.89	-1.04	-15.76	8.52	2.13	7.77	7.77	6.10	-0.09	3.27
	Bloomberg U.S. Corporate High Yield Bond Index	17.13	7.50	-2.08	14.32	7.11	5.28	-11.19	13.45	8.19	8.62	8.62	10.06	4.51	6.53
	Morningstar LSTA Leveraged Loan Index	10.16	4.12	0.44	8.64	3.12	5.20	-0.77	13.32	8.96	5.90	5.90	9.35	6.42	5.83
	Bloomberg EM USD Aggregate Index	9.88	8.17	-2.46	13.11	6.52	-1.65	-15.26	9.09	6.58	11.11	11.11	8.91	1.49	4.16
EQUITY	S&P 500 Index	11.96	21.83	-4.38	31.49	18.40	28.71	-18.11	26.29	25.02	17.88	17.88	23.01	14.42	14.82
	S&P Midcap 400 Index	20.74	16.24	-11.08	26.20	13.66	24.76	-13.06	16.44	13.93	7.50	7.50	12.56	9.12	10.72
	S&P SmallCap 600 Index	26.56	13.23	-8.48	22.78	11.29	26.82	-16.10	16.05	8.70	6.02	6.02	10.17	7.31	9.81
	S&P 500 Value Index	17.40	15.36	-8.95	31.93	1.36	24.90	-5.22	22.23	12.29	13.19	13.19	15.82	12.96	11.73
	S&P 500 Growth Index	6.89	27.44	-0.01	31.13	33.47	32.01	-29.41	30.03	36.07	22.18	22.18	29.30	15.04	16.99
	MSCI ACWI ex U.S. Index (Net)	4.50	27.19	-14.20	21.51	10.65	7.82	-16.00	15.62	5.53	32.39	32.39	17.33	7.91	8.41
	MSCI EM Index (Net)	11.19	37.28	-14.58	18.44	18.31	-2.54	-20.09	9.83	7.50	33.57	33.57	16.40	4.20	8.42
	MSCI China Index (Net)	0.90	54.07	-18.88	23.46	29.49	-21.72	-21.93	-11.20	19.42	31.17	31.17	11.63	-3.20	5.54
ALTERNATIVES AND OTHER	J.P. Morgan CLOIE - AAA	3.19	2.78	1.66	4.61	2.54	1.40	1.05	8.68	7.06	5.45	5.45	7.06	4.68	3.82
	J.P. Morgan CLOIE - BBB	11.18	8.78	-0.66	8.91	5.47	4.30	-2.77	17.66	11.79	7.09	7.09	12.10	7.39	7.02
	S&P Goldman Sachs Commodity Index (GSCI)	11.37	5.77	-13.82	17.63	-23.72	40.35	25.99	-4.27	9.25	7.12	7.12	3.86	14.65	6.08
	MSCI U.S. REIT Index	8.60	5.07	-4.57	25.84	-7.57	43.06	-24.51	13.74	8.75	2.95	2.95	8.39	6.58	5.71
	Barclay Hedge Fund Index	6.10	10.36	-5.23	10.64	11.14	10.22	-8.22	9.27	9.68	12.15	12.15	10.36	6.34	6.37
	S&P BDC Index	24.18	0.64	-7.01	28.16	-8.84	37.42	-9.39	27.58	16.61	-3.50	-3.50	12.81	12.32	9.27
	S&P Real Assets Index	10.85	11.16	-5.92	17.19	1.16	15.43	-9.94	7.83	3.61	13.22	13.22	8.15	5.63	6.10
	Bitcoin (XBT/USD)	120.31	1375.10	-73.84	94.83	305.08	59.79	-64.30	157.01	120.63	-6.47	-6.47	74.39	24.78	70.12
	Preqin Private Equity Index*	9.81	18.86	12.39	15.56	23.18	40.99	-2.35	6.02	6.58	3.73	7.53	5.05	14.85	13.22
	Preqin Private Debt Index*	8.38	12.67	5.82	7.70	4.24	20.24	4.46	9.36	8.88	3.24	7.27	7.89	10.94	8.44

**Past performance does not guarantee future results.** Source: Barclays, Bloomberg, FactSet, J.P. Morgan, MSCI, Preqin, Standard & Poor's, as of 12/31/2025.

\*Latest data available as of 6/30/2025.

# Liquid Frontier

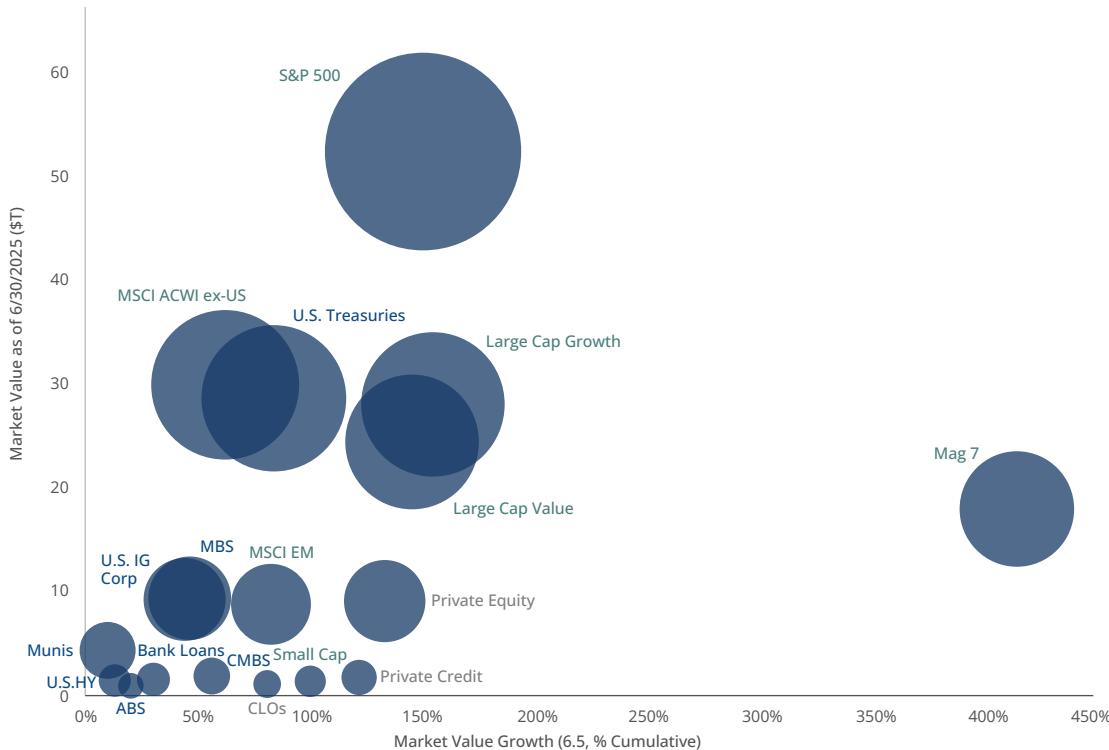
## TRANSPARENT MARKETS RISK/RETURN



**Past performance does not guarantee future results.** Source: Barclays, Bloomberg, FactSet, FTSE, Ice BofA, J.P. Morgan, MSCI, Preqin, Standard & Poor's as of 12/31/2025. Blue represents fixed income, gray represents alternatives, and teal represents equities. Bank Loans: S&P UBS Leveraged Loan Index; BDCs: S&P BDC Index; Bitcoin: Bitcoin (XBT/USD); China Equity: MSCI China Index (Net); CLO - AAA: J.P. Morgan CLOIE - AAA; CLO - BBB: J.P. Morgan CLOIE - BBB; EM Bonds: Bloomberg EM USD Aggregate Index; EM Equity: MSCI EM Index (Net); Global ex-U.S. Equity: MSCI ACWI ex U.S. Index (Net); GSCI: S&P Goldman Sachs Commodity Index (GSCI); Hedge Funds: Barclay Hedge Fund Index; HY Corp: Bloomberg U.S. Corporate High Yield Bond Index; IG Corp: Bloomberg U.S. Corporate Bond Index; MBS: Bloomberg U.S. Mortgage-Backed Securities (MBS) Index; Real Assets: S&P Real Assets Index; REITs: MSCI U.S. REIT Index; T-Bills: Bloomberg U.S. Treasury Bills 1-3 Month Index; Treasuries: Bloomberg U.S. Treasury Index; U.S. Agg: Bloomberg U.S. Aggregate Bond Index; U.S. Large Cap Growth: S&P 500 Growth Index; U.S. Large Cap Value: S&P 500 Value Index; U.S. Large Cap: S&P 500 Index; U.S. Mid Cap: S&P Midcap 400 Index; U.S. Small Cap: S&P SmallCap 600 Index.

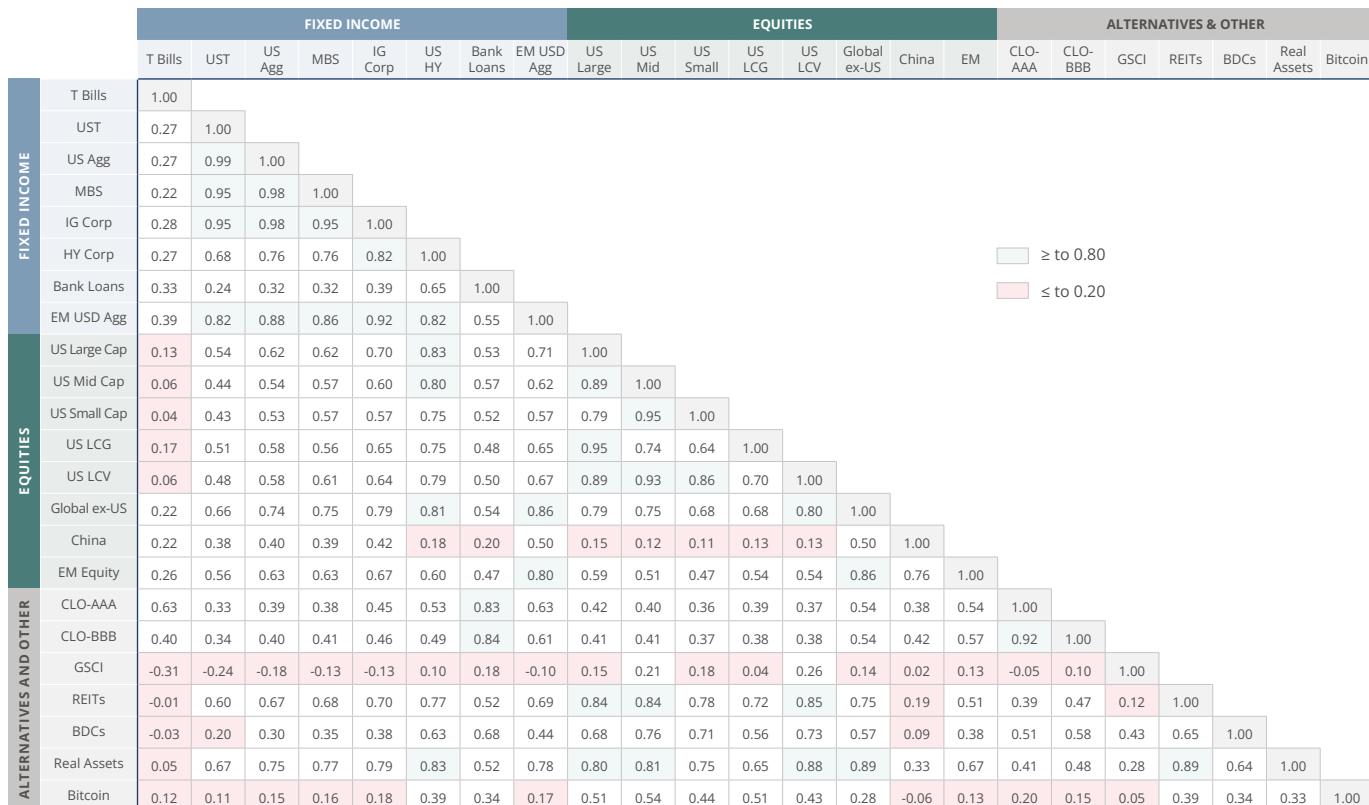
# Market Size

ASSET CLASS MARKET VALUE AS OF 6/30/2025 (\$T) VS. 6.5-YEAR CUMULATIVE MARKET VALUE GROWTH



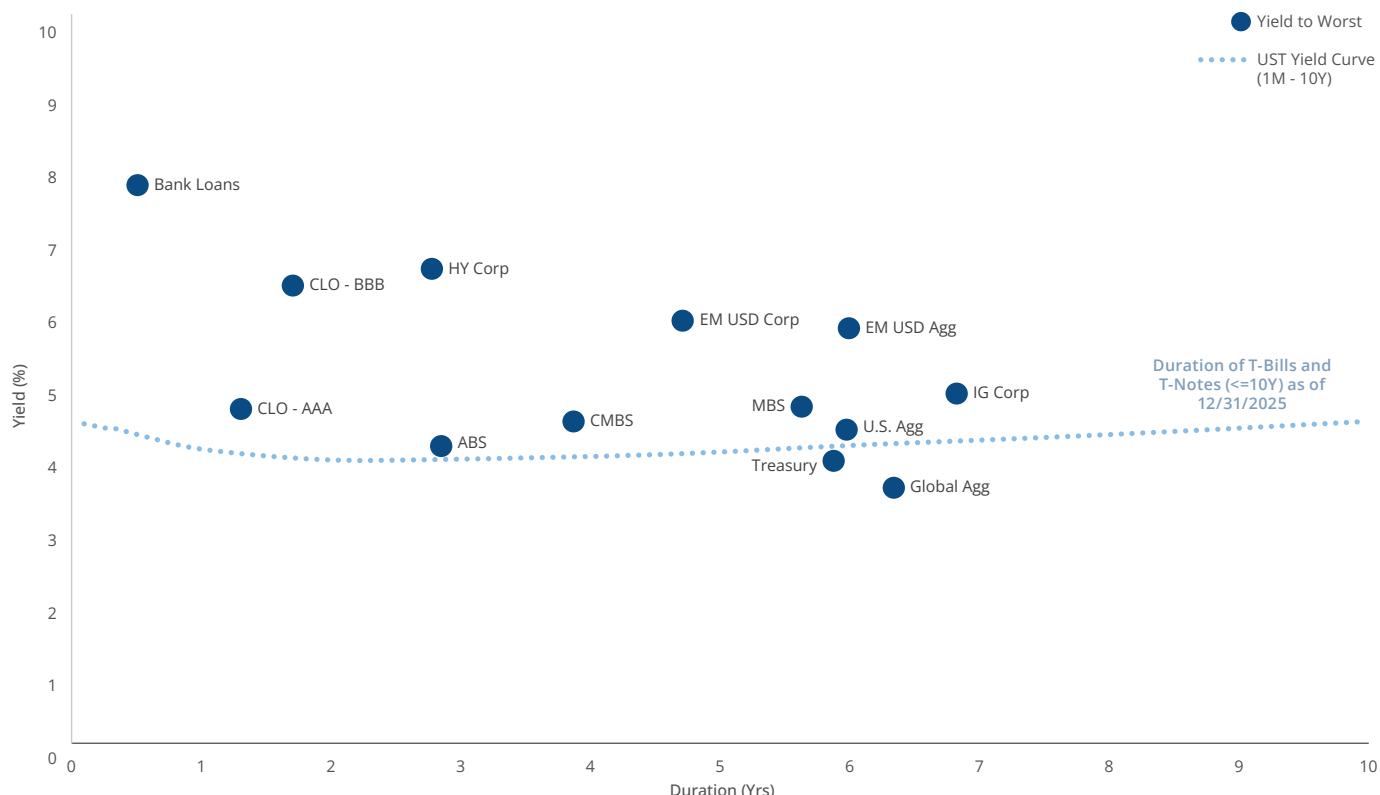
Source: Bloomberg, BofA, Standard & Poor's, FactSet, Preqin, SIFMA, as of 6/30/2025. Bank Loans: Morningstar LSTA Leveraged Loan Index; BDCs: S&P BDC Index; Bitcoin: Bitcoin (XBT/USD); China Equity: MSCI China Index (Net); CLO - AAA: J.P. Morgan CLOIE - AAA; CLO - BBB: J.P. Morgan CLOIE - BBB; EM Bonds: Bloomberg EM USD Aggregate Index; MSCI EM: MSCI EM Index (Net); MSCI ACWI ex-U.S.: MSCI ACWI ex U.S. Index (Net); GSCI: S&P Goldman Sachs Commodity Index (GSCI); Hedge Funds: Barclay Hedge Fund Index; U.S. HY: Bloomberg U.S. Corporate High Yield Bond Index; U.S. IG Corp: Bloomberg U.S. Corporate Bond Index; CMBS: Bloomberg CMBS Index; MBS: Bloomberg U.S. Mortgage-Backed Securities (MBS) Index; Real Assets: S&P Real Assets In-dex; REITs: MSCI U.S. REIT Index; T-Bills: Bloomberg U.S. Treasury Bills 1-3 Month Index; Treasuries: Bloomberg U.S. Treasury Index; U.S. Agg: Bloomberg U.S. Aggregate Bond Index; Private Credit: Preqin Private Debt Index; Private Equity: Preqin Private Equity Index; Large Cap Growth: S&P 500 Growth Index; Large Cap Value: S&P 500 Value Index; U.S. Large Cap: S&P 500 Index; U.S. Mid Cap: S&P Midcap 400 Index; Small Cap: S&P SmallCap 600 Index.; Mag7: Aristotle Pacific Internal Research (based on Market Value).

# Cross-Asset Correlations: 5-Year Trailing



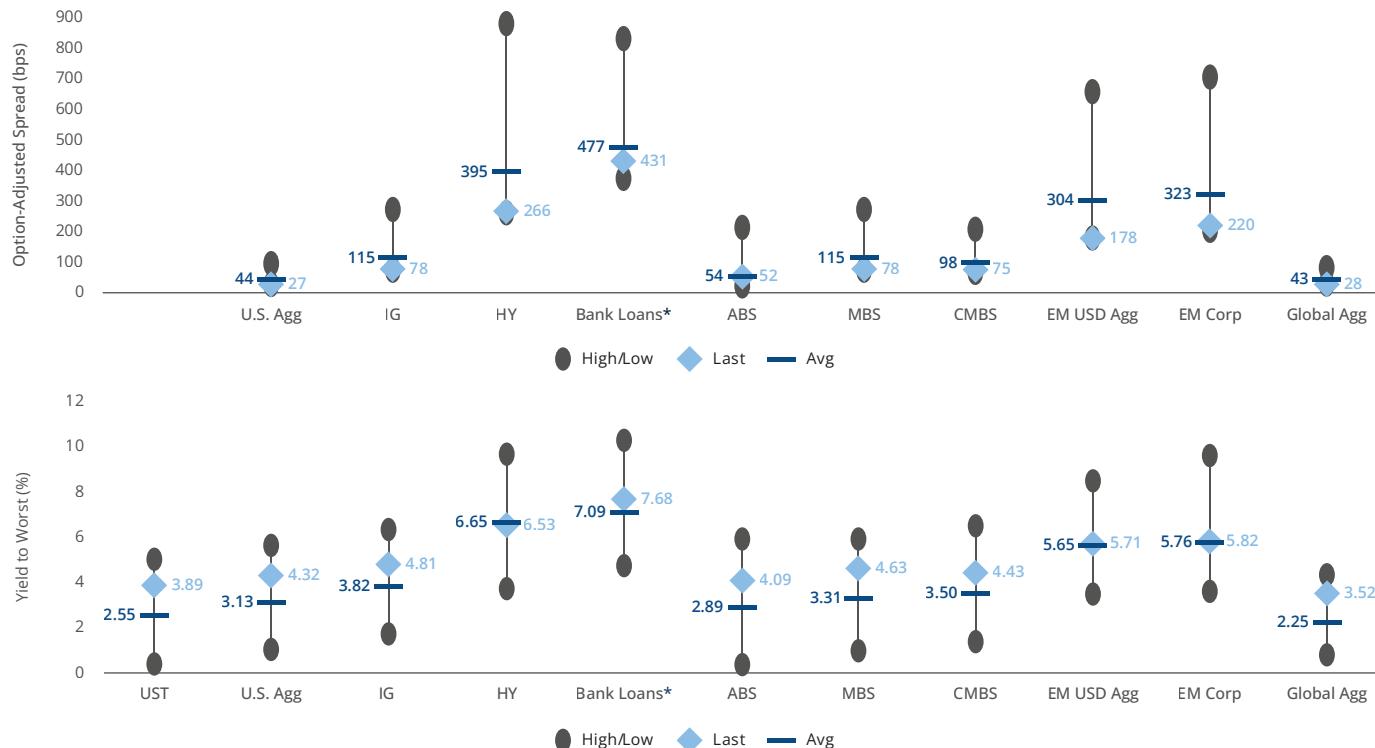
**Sources:** Bloomberg, FactSet, J.P. Morgan, MSCI, Standard & Poor's, as of 12/31/2025. Bank Loans: Morningstar LSTA US Leveraged Loan Index; BDCs: S&P BDC Index; Bitcoin: Bitcoin (XBT/USD); China Equity: MSCI China Index (Net); CLO - AAA: J.P. Morgan CLOIE - AAA; CLO - BBB: J.P. Morgan CLOIE - BBB; EM Bonds: Bloomberg EM USD Aggregate Index; EM Equity: MSCI EM Index (Net); Global ex-U.S. Equity: MSCI ACWI ex U.S. Index (Net); GSCI: S&P Goldman Sachs Commodity Index (GSCI); Hedge Funds: Barclay Hedge Fund Index; HY Corp: Bloomberg U.S. Corporate High Yield Bond Index; IG Corp: Bloomberg U.S. Corporate Bond Index; MBS: Bloomberg U.S. Mortgage-Backed Securities (MBS) Index; Real Assets: S&P Real Assets Index; REITs: MSCI U.S. REIT Index; T-Bills: Bloomberg U.S. Treasury Bills 1-3 Month Index; Treasuries: Bloomberg U.S. Treasury Index; U.S. Agg: Bloomberg U.S. Aggregate Bond Index; U.S. Large Cap Growth: S&P 500 Growth Index; U.S. Large Cap Value: S&P 500 Value Index; U.S. Large Cap: S&P 500 Index; U.S. Mid Cap: S&P Midcap 400 Index; U.S. Small Cap: S&P SmallCap 600 Index. 5Y Trailing Correlation as of 12/31/2025, monthly returns.

# Yields vs. Treasuries



**Past performance does not guarantee future results.** Source: Aristotle Pacific Capital, Barclays, Bloomberg, Standard & Poor's, FactSet, J.P. Morgan as of 12/31/2025. Bank Loans: S&P UBS Leveraged Loan Index; CLO - AAA: J.P. Morgan CLOIE - AAA; CLO - BBB: J.P. Morgan CLOIE - BBB; ABS: Bloomberg U.S. Asset-Backed Securities (ABS) Index; HY Corp: Bloomberg U.S. Corporate High Yield Bond Index; CMBS: Bloomberg U.S. Commercial Mortgage-Backed Securities (CMBS) Index; EM USD Corp: Bloomberg EM Corporate Bond Index; MBS: Bloomberg U.S. Mortgage-Backed Securities (MBS) Index; Treasury: Bloomberg U.S. Treasury Index; EM USD Agg: Bloomberg EM USD Aggregate; U.S. Agg: Bloomberg U.S. Aggregate Bond Index; IG Corp: Bloomberg U.S. Corporate Bond Index; Global Agg: Bloomberg Global Aggregate Index.

# 10-Year Range: OAS and Yield



Past performance does not guarantee future results. Source: Aristotle Pacific Capital, Barclays, Bloomberg, Standard & Poor's, J.P. Morgan as of 12/31/2025.

\*Bank Loan spread and yield refers to the Discount Margin (4-year life) and Yield (4-year life), respectively. Bank Loans: S&P UBS Leveraged Loan Index; CLO - AAA: J.P. Morgan CLOIE - AAA; CLO - BBB: J.P. Morgan CLOIE - BBB; ABS: Bloomberg U.S. Asset-Backed Securities (ABS) Index; HY Corp: Bloomberg U.S. Corporate High Yield Bond Index; CMBS: Bloomberg U.S. Commercial Mortgage-Backed Securities (CMBS) Index; EM Corp: Bloomberg EM Corporate Bond Index; MBS: Bloomberg U.S. Mortgage-Backed Securities (MBS) Index; Treasury: Bloomberg U.S. Treasury Index; EM USD Agg: Bloomberg EM USD Aggregate; U.S. Agg: Bloomberg U.S. Aggregate Bond Index; IG Corp: Bloomberg U.S. Corporate Bond Index; Global Agg: Bloomberg Global Aggregate Index.

## SECTION 5

Returns and Composition

Yield and Spread

Issuance

Potential Downgrade Profile

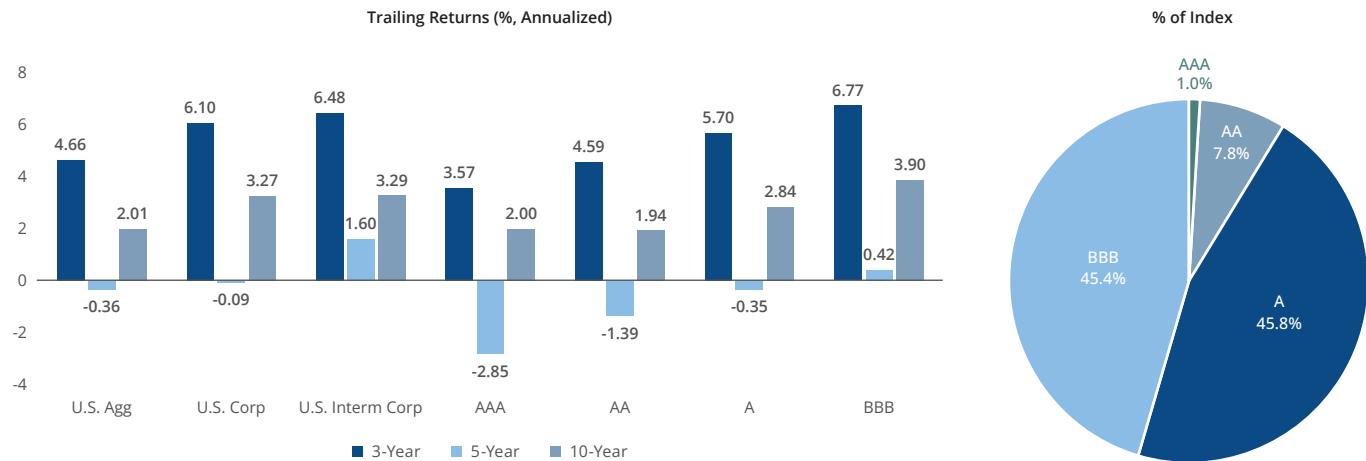
Rising Stars and Fallen Angels



# INVESTMENT GRADE

# Investment Grade: Returns and Composition

## QUALITY, ANNUALIZED RETURNS AND TRAILING RETURNS

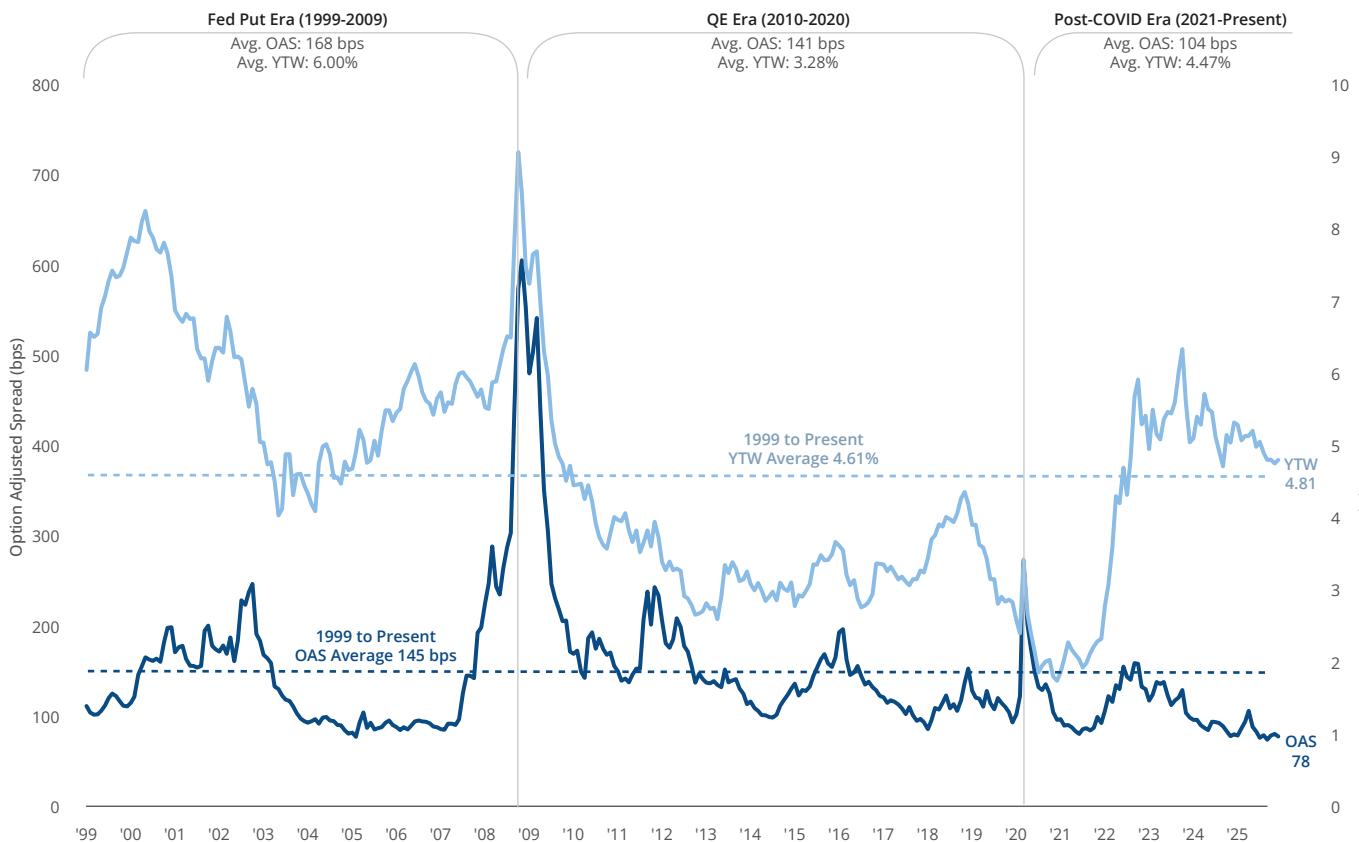


Annual Returns (%)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Bloomberg U.S. Aggregate Bond Index	2.65	3.54	0.01	8.72	7.51	-1.54	-13.01	5.53	1.25	7.30
Bloomberg U.S. Corporate Bond Index	6.11	6.42	-2.51	14.54	9.89	-1.04	-15.76	8.52	2.13	7.77
Bloomberg U.S. Interim Corporate Bond Index	4.04	3.92	-0.23	10.14	7.47	-1.00	-9.40	7.29	4.22	7.95
AAA-Rated	3.39	8.03	-2.08	14.75	12.30	-2.26	-20.32	6.95	-2.35	6.38
AA-Rated	3.60	4.63	-0.52	10.53	9.00	-1.46	-17.29	7.02	0.24	6.66
A-Rated	4.65	5.95	-2.50	13.18	10.06	-1.93	-15.15	7.74	1.63	7.83
BBB-Rated	8.04	7.09	-2.85	16.26	9.88	-0.22	-15.90	9.51	2.97	7.93

Past performance does not guarantee future results. Source: Bloomberg, FactSet, eVestment, and Aristotle Pacific Capital as of 12/31/2025.

# Investment Grade: Yield and Spread

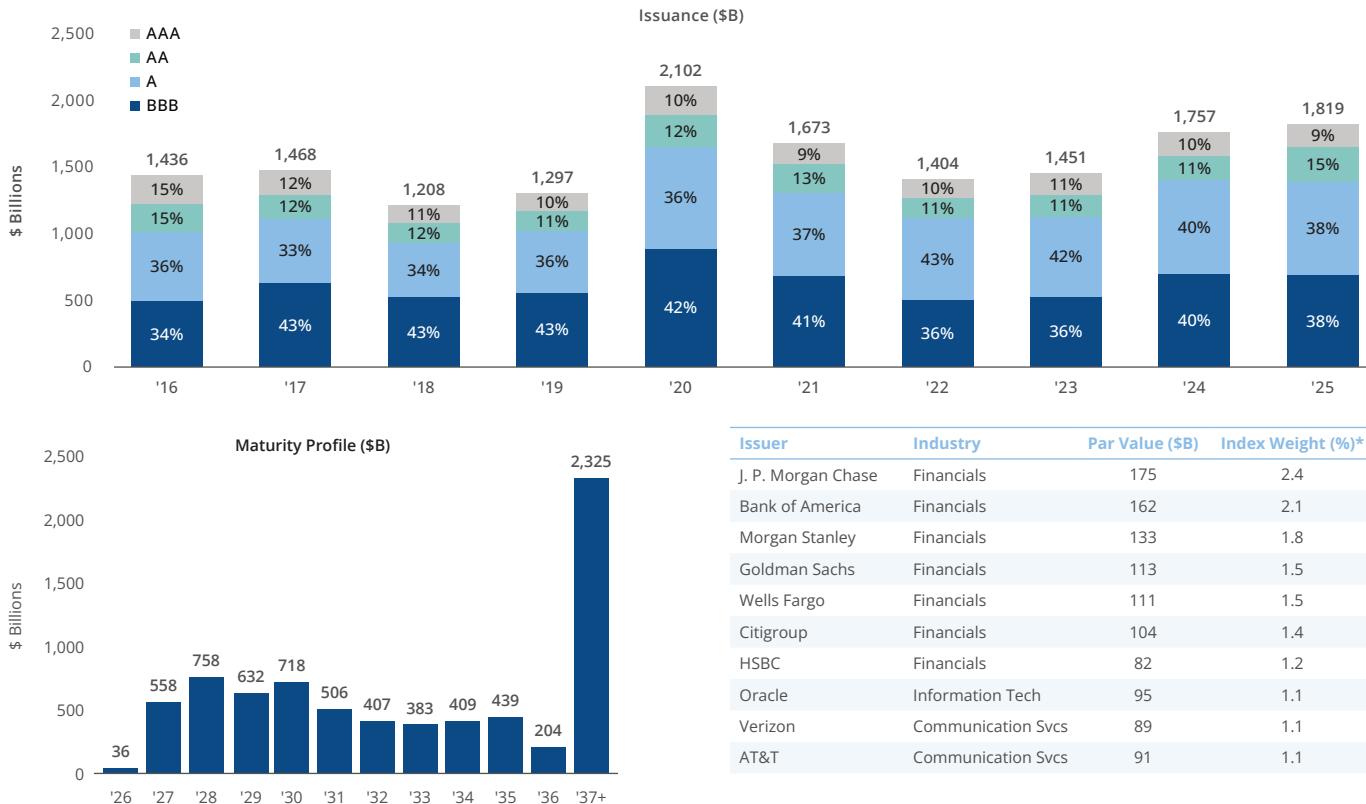
BLOOMBERG US CORPORATE BOND INDEX



Past performance does not guarantee future results. Source: Bloomberg, FactSet, and Aristotle Pacific Capital as of 12/31/2025.

# Investment Grade: Issuance

## ISSUANCE, MATURITY PROFILE AND TOP 10 ISSUERS



\*As a percentage of the Bloomberg US Corporate Bond Index. Source: Barclays, Bloomberg, FactSet, and Aristotle Pacific Capital as of 12/31/2025. Any discussion of individual companies in this presentation is not intended as a recommendation to buy, hold or sell securities issued by those companies.

# Investment Grade: Potential Downgrade Profile

SHARE OF BBB- DEBT WITH NEGATIVE OUTLOOK IN INDEX\*

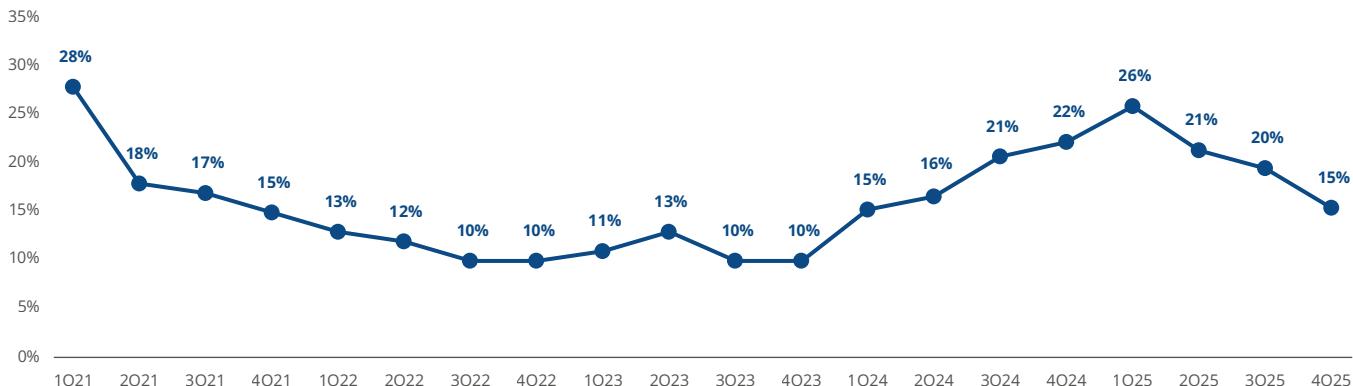


Table of Issuers on Negative Watch

Issuer	Industry	# of Bonds	Par Value (\$B)	Market Value	Index Weight (%)*
Ford Motor	Consumer Disc	37	45.1	45.6	0.6
Edison International	Utilities	51	31.1	29.1	0.4
Crown Castle	Real Estate	23	16.9	15.8	0.2
Centene	Healthcare	7	15.9	14.9	0.2
Rogers Communications	Communication Svcs	13	12.3	11.4	0.2
Paramount	Communication Svcs	17	12.7	11.1	0.2
Emera	Utilities	12	5.5	4.9	0.1
FS KKR	Financials	7	3.8	3.7	0.0
Kilroy Realty	Real Estate	7	3.0	2.8	0.0
Genuine Parts Company	Consumer Disc	5	2.6	2.5	0.0
<b>TOTAL</b>		<b>179</b>	<b>148.7</b>	<b>141.9</b>	<b>1.9</b>

\*Based on the Bloomberg US Corporate Bond Index and ratings from S&P, and Moody's. Source: J.P. Morgan, Bloomberg, S&P Ratings, Moody's and Aristotle Pacific Capital as of 12/31/2025. Not an endorsement or recommendation; clients of Aristotle Pacific Capital may maintain positions in securities referenced.

# Investment Grade: Rising Stars

Date	Issuer	Sector	Rising Stars	Country	Rated Debt Affected (\$mm)
Jan 25	Castlelake Aviation	Financials		U.S.	420
Jan 25	News Corp	Media & Entertainment		U.S.	1,500
Feb 25	Western Alliance	Financials		U.S.	600
Feb 25	Coty	Retail		U.S.	1,600
Mar 25	GFL Environmental	Services		U.S.	1,750
Mar 25	United Airlines	Transportation		U.S.	4,000
May 25	CTR Partnership	Healthcare		U.S.	400
May 25	DT Midstream	Energy		U.S.	2,100
May 25	Ladder Capital Finance	REITs		U.S.	2,042
May 25	Ohio National Financial Services	Financials		U.S.	675
May 25	Royal Caribbean Cruises	Travel		U.S.	9,700
May 25	Viper Energy Partners	Energy		U.S.	830
Jun 25	HAT Holdings I	Finance Companies		U.S.	997
Aug 25	Vertiv Group Corporation	Capital Goods		U.S.	850
Sep 25	180 Medical	Healthcare		U.S.	500
Sep 25	Louisiana-Pacific	Paper/Packaging		U.S.	350
Oct 25	Aris Water Holdings LLC	Energy		U.S.	500
Oct 25	Berkshire Hathaway Energy	Utilities		U.S.	476
Oct 25	Global Net Lease	Financials		U.S.	1,000
Oct 25	Sagicor Financial	Financials		U.S.	550
Oct 25	Topaz Solar Farms LLC	Utility		U.S.	615
Dec 25	Medline Industries	Healthcare		U.S.	6,000
Dec 25	Spirit Aerosystems	Capital Goods		U.S.	1,000
Dec 25	Toledo Hospital	Healthcare		U.S.	992

**Source:** Bank of America, J.P. Morgan, and Aristotle Pacific Capital as of 12/31/2025. Not an endorsement or recommendation; clients of Aristotle Pacific Capital may maintain positions in securities referenced.

# Investment Grade: Fallen Angels

▼ Fallen Angels ▼				
Date	Issuer	Sector	Country	Rated Debt Affected (\$mm)
Jan 25	Aptiv PLC	Automotive	U.S.	500
Feb 25	Celanese	Chemicals	U.S.	8,150
Feb 25	Nissan Motor Acceptance	Automotive	U.S.	10,950
May 25	Whirlpool	Consumer Products	U.S.	3,150
Jun 25	WarnerMedia Holdings	Media & Entertainment	U.S.	33,010
Jul 25	Huntsman International	Chemicals	U.S.	1,500
Aug 25	BlackRock TCP Capital Corp	Financials	U.S.	650
Aug 25	PacifiCorp	Utilities	U.S.	850
Oct 25	Horizon Mutual Holdings	Financials	U.S.	600
Nov 25	FMC Corp	Chemicals	U.S.	2,500
Nov 25	PeroxyChem	Chemicals	U.S.	2,500

**Source:** Bank of America, J.P. Morgan, and Aristotle Pacific Capital as of 12/31/2025. Not an endorsement or recommendation; clients of Aristotle Pacific Capital may maintain positions in securities referenced.

## SECTION 6

Returns and Composition

Yield and Spread

Issuance

Default Rates

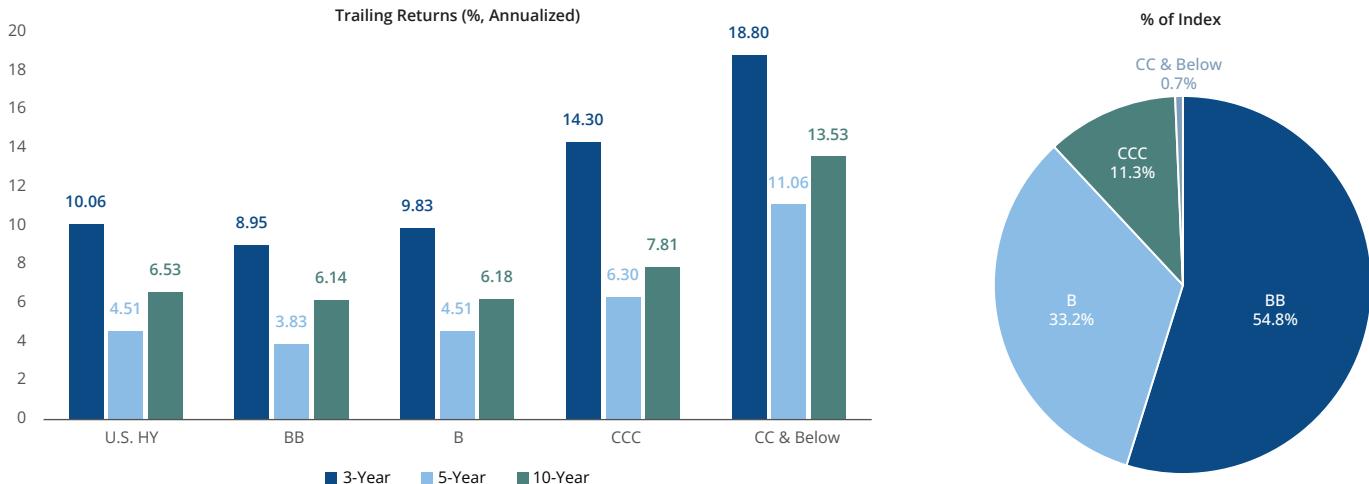
Defaults and Distressed Exchanges



HIGH YIELD

# High Yield: Returns and Composition

## QUALITY, ANNUALIZED RETURNS AND TRAILING RETURNS

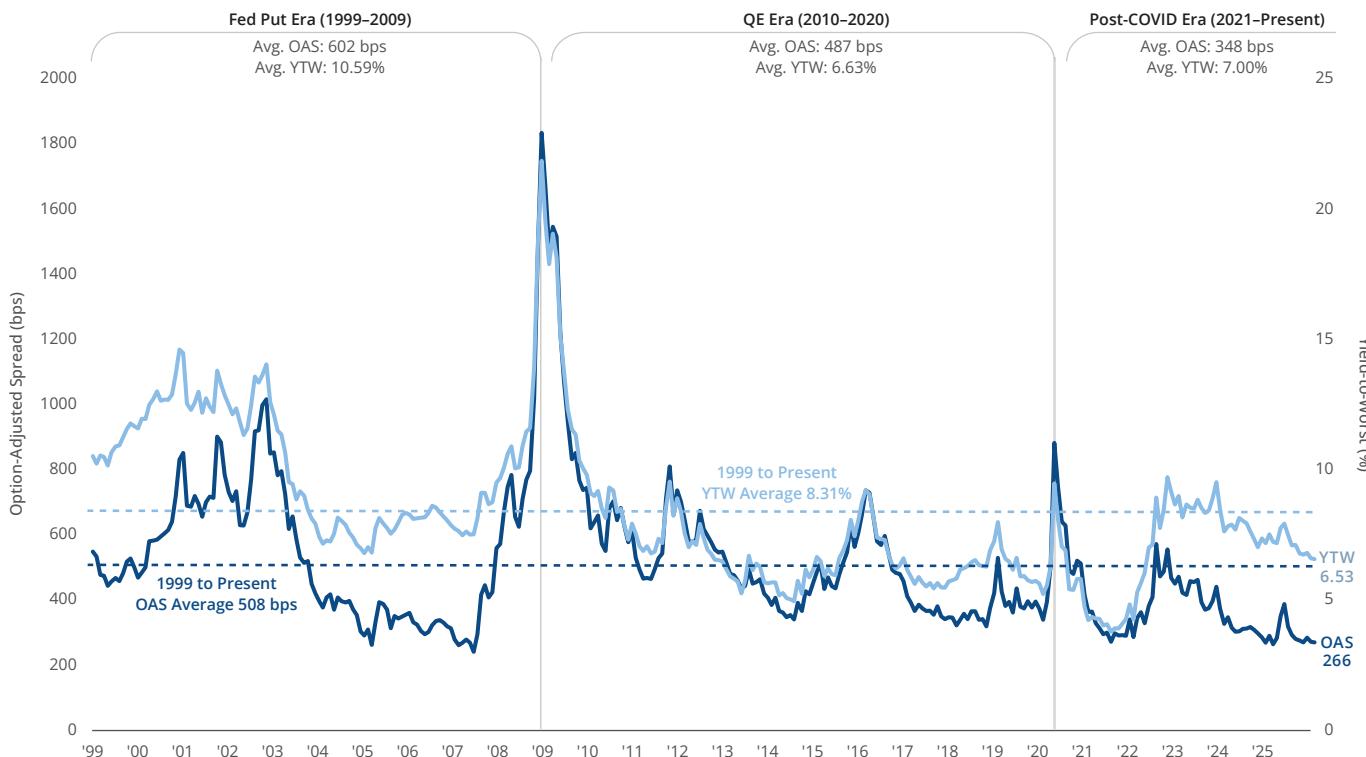


Annual Returns (%)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Bloomberg U.S. Corporate High Yield Bond Index	17.13	7.50	-2.08	14.32	7.11	5.28	-11.19	13.45	8.19	8.62
Bloomberg U.S. Corporate High Yield Bond Index - 2% Cap	17.13	7.50	-2.08	14.32	7.05	5.26	-11.18	13.44	8.19	8.62
BB-Rated	12.78	7.32	-2.41	15.51	10.17	4.61	-10.80	11.60	6.30	9.02
B-Rated	15.81	6.49	-1.31	14.80	4.60	4.85	-10.26	13.78	7.38	8.44
CCC-Rated	31.46	10.38	-3.84	9.52	2.27	8.59	-16.29	19.84	15.09	8.27
CC & Below	83.14	13.75	-1.27	-0.26	2.63	12.53	-10.43	16.41	48.29	-2.89

**Past performance does not guarantee future results.** Source: Bloomberg, FactSet, eVestment, and Aristotle Pacific Capital as of 12/31/2025.

# High Yield: Yield and Spread

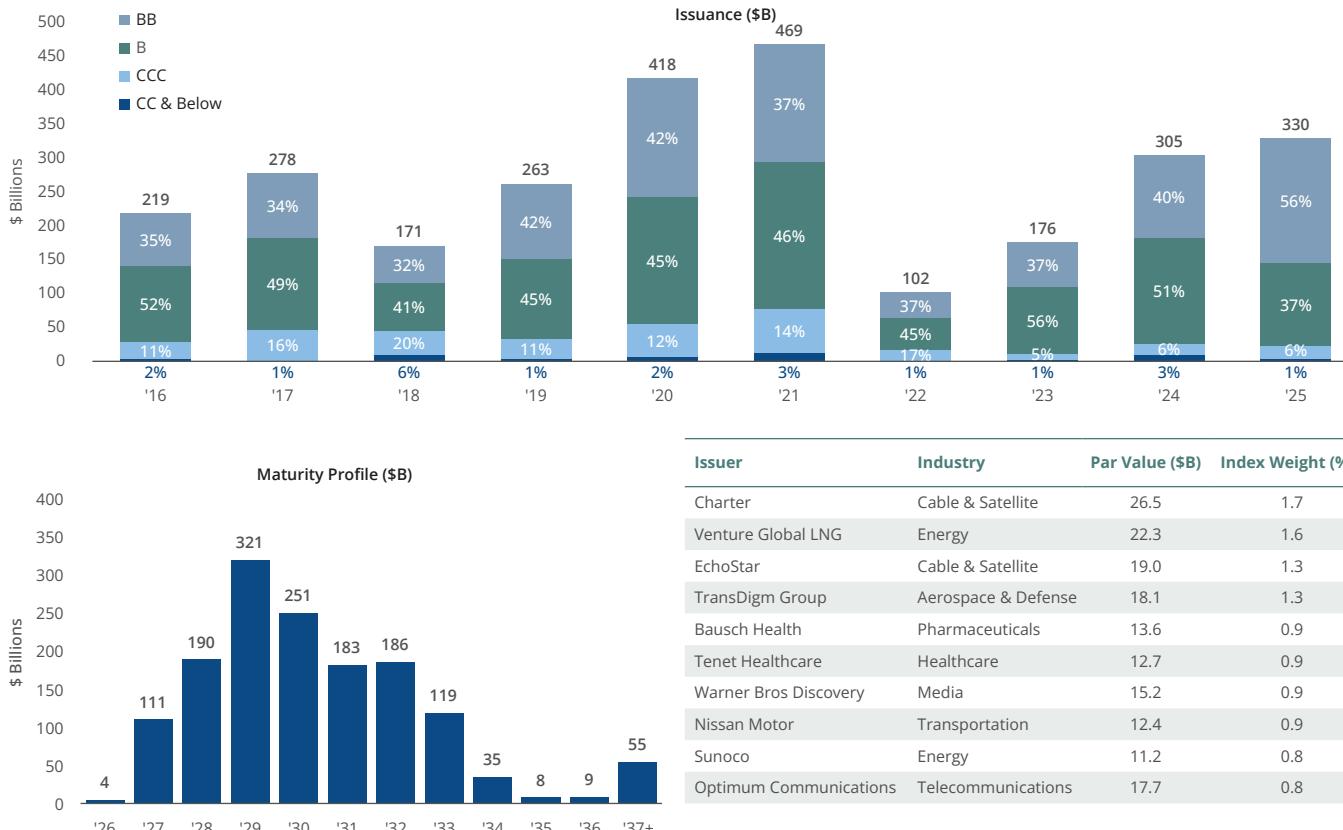
BLOOMBERG US CORPORATE HIGH YIELD BOND INDEX



Past performance does not guarantee future results. Source: Bloomberg, FactSet, and Aristotle Pacific Capital as of 12/31/2025.

# High Yield: Issuance

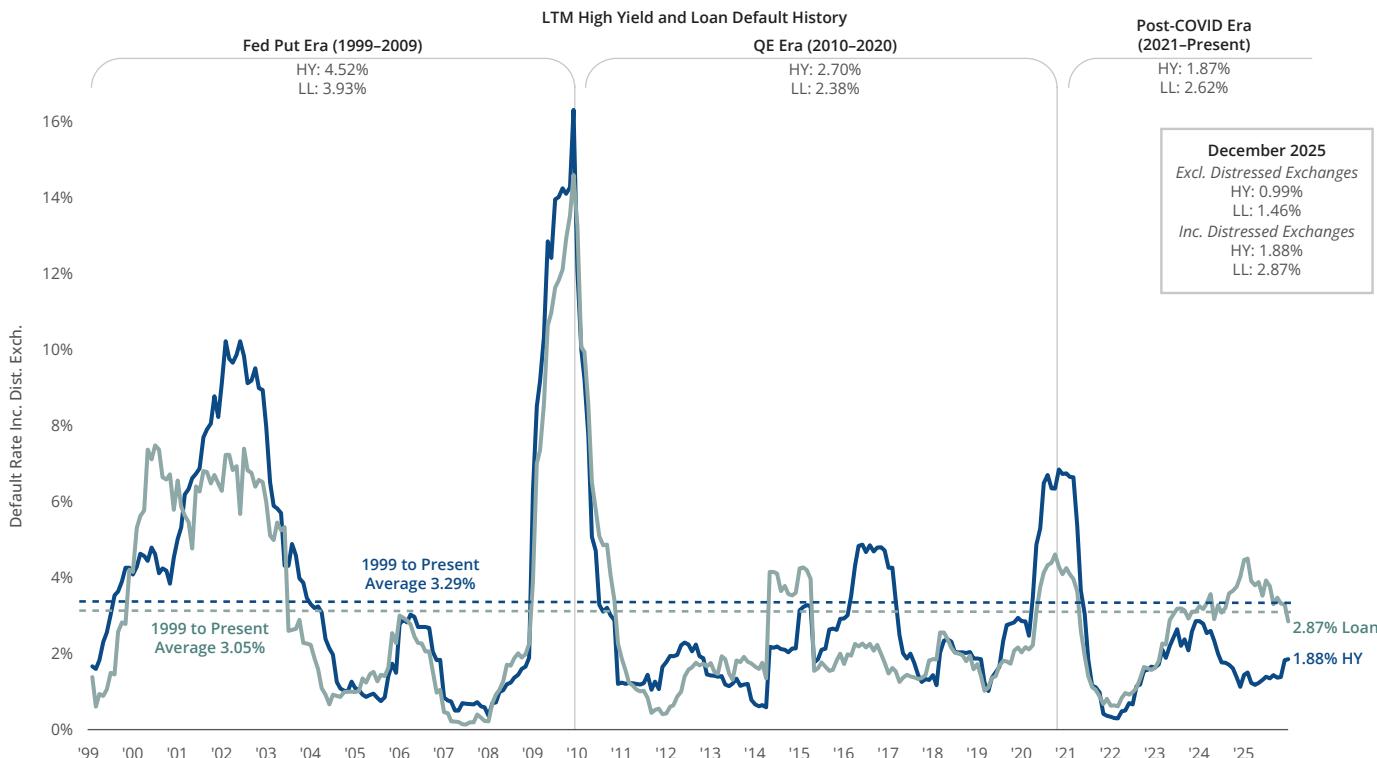
## ISSUANCE, MATURITY PROFILE AND TOP 10 ISSUERS



\*As a percentage of the Bloomberg U.S. Corporate High Yield Bond Index. Source: Barclays, Bloomberg, FactSet, and Aristotle Pacific Capital as of 12/31/2025. Not an endorsement or recommendation; clients of Aristotle Pacific Capital may maintain positions in securities referenced.

# High Yield: Default Rates

## HIGH-YIELD BOND AND LEVERAGED-LOAN DEFAULT RATE\* (LTM)



\*Par-weighted default rates including distressed exchanges. Source: J.P. Morgan and Aristotle Pacific Capital as of 12/31/2025.

# High Yield: Defaults and Distress Exchanges

Date	Issuer	Industry	Loan (\$MM)	Bond (\$MM)	Total (\$MM)	Loan RR (%)	Bond RR (%)	Action
Jan 2025	Exela Intermediate	Technology		1,211	1,211		5	Payment Default
Jan 2025	Multiplan Corp	Healthcare	1,282	2,030	3,312	81	71	Distressed Exchange
Jan 2025	Trinseo	Chemicals		447	447		62	Distressed Exchange
Feb 2025	Oregon Tool	Capital Goods	826	113	939	55	41	Distressed Exchange
Mar 2025	Modivcare Escrow Issuer	Healthcare		251	251		38	Distressed Exchange
Mar 2025	Office Properties Trust	Financials		21	21		58	Distressed Exchange
Apr 2025	Cision	Technology	1,435	294	1,729	58	44	Distressed Exchange
Apr 2025	OT Merger (Oregon Tool)	Industrials		40	40		38	Distressed Exchange
Apr 2025	Sunnova	Utility		800	800		29	Payment Default
May 2025	At Home	Retail	579	1,022	1,601	23	27	Payment Default
May 2025	Castle Software	Media	1,435	300	1,735	64	44	Distressed Exchange
May 2025	Community Health Systems	Healthcare		584	584		82	Distressed Exchange
May 2025	Rite Aid	Retail		130	130		9	Filed Chapter 11
May 2025	Urban One	Broadcasting		89	89		48	Below Par Paydown
May 2025	Weight Watchers Intl	Food & Beverage	945	500	1,445	24	23	Filed Chapter 11
Jun 2025	Altice France	Cable	5,650	9,387	15,037	91	77	Distressed Exchange
Jun 2025	Radiate Holdco	Cable	3,309	1,900	5,209	87	74	Distressed Exchange
Aug 2025	Modivcare	Healthcare	601	492	1,093	59	1	Filed Chapter 11
Aug 2025	Saks Global Enterprises	Retail		2,149	2,149		24	Distressed Exchange
Aug 2025	Spirit Airlines	Transportation		852	852		51	Filed Chapter 11
Oct 2025	GPS Hospitality, LLC	Food Producers		400	400		54	Payment Default
Oct 2025	Office Properties Trust	Financials		1,660	1,660		81	Payment Default

Source: Bank of America, J.P. Morgan, Bloomberg, and Aristotle Pacific Capital as of 12/31/2025. Not an endorsement or recommendation; clients of Aristotle Pacific Capital may maintain positions in securities referenced.

# High Yield: Defaults and Distress Exchanges

(CONTINUED)

Date	Issuer	Industry	Loan (\$MM)	Bond (\$MM)	Total (\$MM)	Loan RR (%)	Bond RR (%)	Action
Oct 2025	Springs Window Fashions	Consumer Products	54	54		50		Distressed Exchange
Nov 2025	ARD Holdings S.A.	Packaging/Paper		3,976	3,976		53	Distressed Exchange
Nov 2025	New Fortress Energy	Energy	1,266	3,478	4,744	45	28	Payment Default
Nov 2025	United Site Services	Services	2,261	328	2,588			Payment Default
Dec 2025	Bausch Health	Healthcare		697	697		22	Distressed Exchange
Dec 2025	Endurance International Group	Technology	2,298	1,012	3,310	52	62	Distressed Exchange
Dec 2025	Saks Global Enterprises	Retail		2,694	2,694		5	Payment Default
Dec 2025	Springs Window Fashions	Consumer Products		288	288		87	Distressed Exchange
Dec 2025	Urban One	Broadcasting		488	488		52	Distressed Exchange

Source: Bank of America, J.P. Morgan, Bloomberg, and Aristotle Pacific Capital as of 12/31/2025. Not an endorsement or recommendation; clients of Aristotle Pacific Capital may maintain positions in securities referenced.

## SECTION 7

Returns and Composition

Yield and Spread

Issuance

Loan Fundamentals

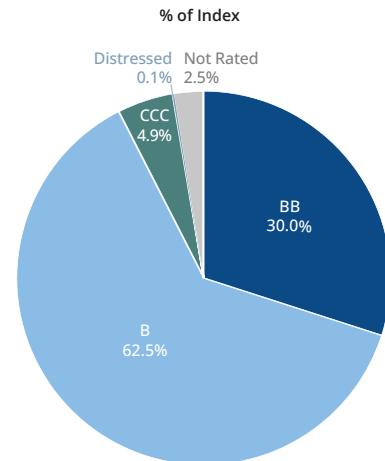
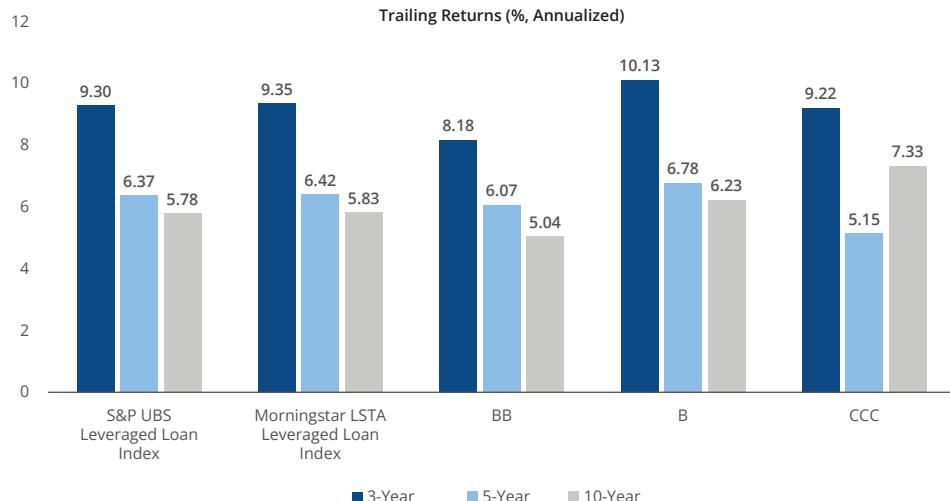
Defaults and Distressed Exchanges



BANK LOANS

# Bank Loans: Returns and Composition

## QUALITY, ANNUALIZED RETURNS AND TRAILING RETURNS

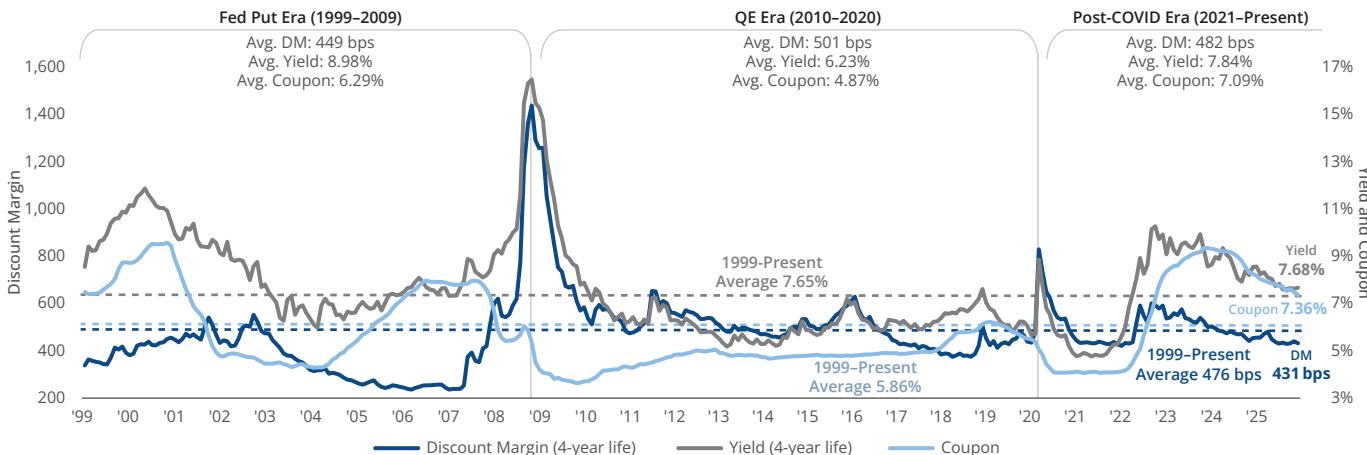


Annual Returns (%)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
S&P UBS Leveraged Loan Index	9.88	4.25	1.14	8.17	2.78	5.40	-1.06	13.04	9.05	5.94
Morningstar LSTA Leveraged Loan Index	10.16	4.12	0.44	8.64	3.12	5.20	-0.77	13.32	8.96	5.90
BB-Rated	7.33	3.44	-0.42	9.31	0.75	3.12	2.84	10.18	8.15	6.26
B-Rated	10.80	4.27	0.86	8.99	3.80	5.22	-1.23	14.82	9.55	6.18
CCC-Rated	29.05	10.73	2.35	3.41	4.35	12.45	-12.24	17.54	8.87	1.81
Distressed (CC, C, and Default)	27.04	-0.03	-12.41	-18.22	-31.71	7.31	-52.04	-9.74	-17.71	-43.52

**Past performance does not guarantee future results.** Source: Standard & Poor's, Morningstar, FactSet, eVestment, Bloomberg, and Aristotle Pacific Capital as of 12/31/2025.

# Bank Loans: Yield and Spread

## DISCOUNT MARGIN (DM), YIELD, COUPON AND PRICE

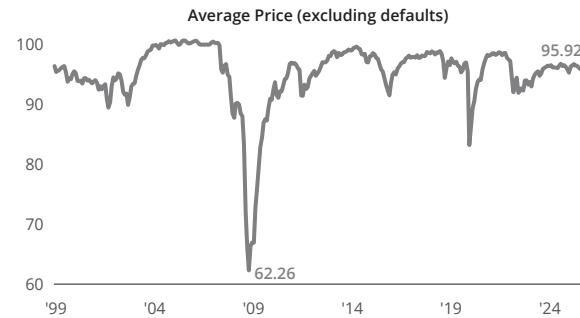


**Discount Margin (DM):** The market-determined yield-spread measuring the average expected return above the reference rate (e.g., SOFR), measured in basis points (bps)

- It measures the required compensation for credit risk and other factors. DM varies over the life of the loan as prices change.
- Price decrease (increase) → DM increase (decrease)

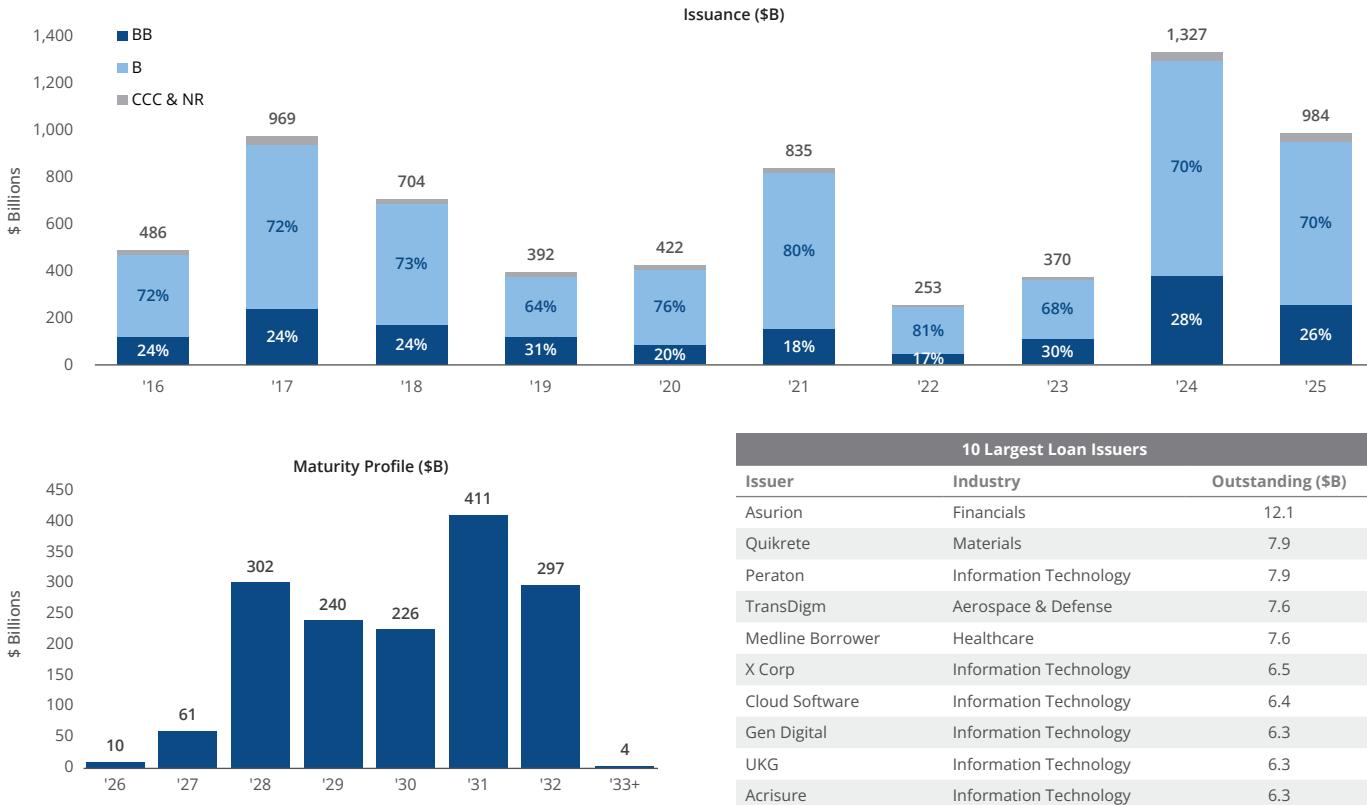
**Yield:** Measures the total return investors can expect to earn (reference rate + discount margin)

**Coupon:** The periodic interest payment that the loan borrower pays the lender, expressed as a %, usually based on a reference rate plus a fixed spread/margin (e.g., SOFR + 425)



# Bank Loans: Issuance

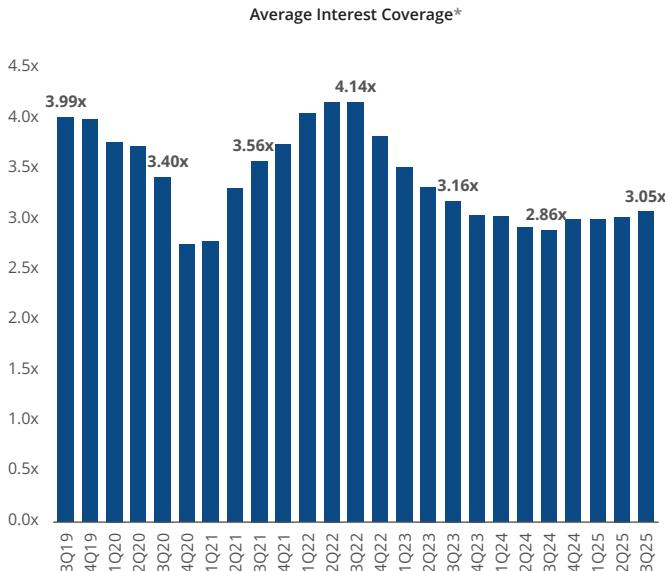
## ISSUANCE, MATURITY PROFILE AND TOP 10 ISSUERS



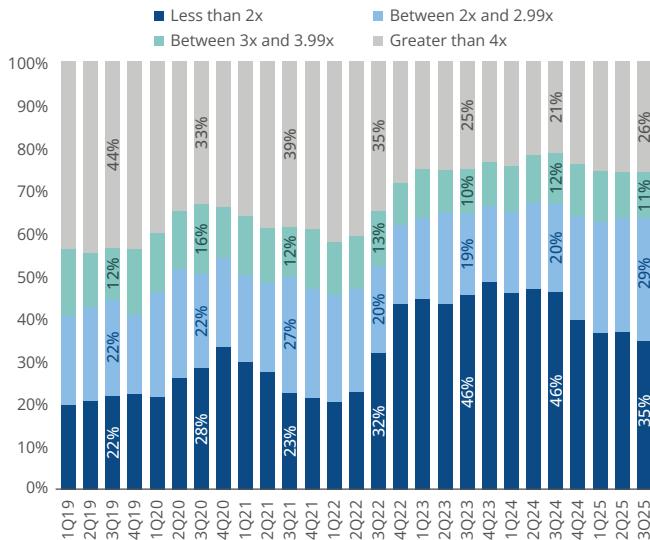
Source: Bloomberg and J.P Morgan as of 12/31/2025. Not an endorsement or recommendation; clients of Aristotle Pacific Capital may maintain positions in securities referenced.

# Bank Loans: Loan Fundamentals

## CREDIT METRICS



### Distribution of Interest Coverage\*



### Leverage (Debt/EBITDA)

By Rating	3Q25	2Q25	3Q24	Q/Q change	Q/Q % change	Y/Y change	Y/Y % change
BB	4.48x	4.47x	4.42x	0.01x	0.1%	0.06x	1.3%
B1	4.48x	4.76x	4.67x	-0.29x	-6.0%	-0.19x	-4.2%
B2	5.75x	5.68x	5.53x	0.07x	1.2%	0.23x	4.1%
B3	6.39x	6.58x	6.92x	-0.19x	-2.9%	-0.52x	-7.6%
CCC	7.60x	7.18x	6.91x	0.42x	5.9%	0.70x	10.1%

\*Interest Coverage = EBITDA / Interest Expense. Source: J.P. Morgan, Capital IQ, as of 12/31/2025.

# Bank Loans: Defaults and Distressed Exchanges

Date	Issuer	Industry	Loan (\$MM)	Bond (\$MM)	Total (\$MM)	Loan RR (%)	Bond RR (%)	Action
Jan 25	Aimbridge Acquisition	Travel	753		753	64		Distressed Exchange
Jan 25	Blue Ribbon LLC	Food Producers	308		308	68		Distressed Exchange
Jan 25	Brewco Borrower	Food Producers	362		362	68		Payment Default
Jan 25	City Brewing	Food & Beverage	886		886	35		Payment Default
Jan 25	Lumileds	Technology	324		324	40		Payment Default
Jan 25	Multiplan Corp	Healthcare	1,282	2,030	3,312	81	71	Distressed Exchange
Jan 25	Physician Partners (Better Health)	Healthcare	732		732	40		Distressed Exchange
Feb 25	Altisource Portfolio Solutions	Financials	233		233	48		Distressed Exchange
Feb 25	Galaxy US Opco	Services	947		947	88		Distressed Exchange
Feb 25	Mandolin Technology	Technology	205		205	70		Distressed Exchange
Feb 25	Oregon Tools	Capital Goods	826	113	939	55	41	Distressed Exchange
Feb 25	SVP Worldwide	Consumer Products	370		370	30		Distressed Exchange
Mar 25	Alvogen Pharma	Healthcare	727		727	90		Distressed Exchange
Mar 25	Employbridge Holdings	Services	895		895	57		Distressed Exchange
Mar 25	Mitel Networks	Telecommunications	900		900	26		Filed Chapter 11
Mar 25	MLN US Holdco	Telecommunications	1,181		1,181	15		Filed Chapter 11
Mar 25	Rugs USA	Consumer Products	486		486	30		Payment Default
Mar 25	Runner Buyer	Real Estate	486		486	35		Payment Default
Mar 25	Vialto Partners	Services	550		550	87		Distressed Exchange
Apr 25	Ascend Performance Materials	Chemicals	1,043		1,043	22		Filed Chapter 11
Apr 25	Cision	Technology	1,435	294	1,729	58	44	Distressed Exchange
Apr 25	Naked Juice LLC	Food Producers	2,322		2,322	36		Distressed Exchange

Source: J.P. Morgan, Bloomberg and Aristotle Pacific Capital as of 12/31/2025. Not an endorsement or recommendation; clients of Aristotle Pacific Capital may maintain positions in securities referenced.

# Bank Loans: Defaults and Distressed Exchanges

(CONTINUED)

Date	Issuer	Industry	Loan (\$MM)	Bond (\$MM)	Total (\$MM)	Loan RR (%)	Bond RR (%)	Action
Apr 25	Pathway Vet Alliance	Healthcare	1,503		1,503	81		Distressed Exchange
May 25	Aegis Toxicology	Healthcare	164		164			Missed Principal Payment
May 25	At Home	Retail	579	1,022	1,601	23	27	Payment Default
May 25	Castle Software	Media	1,435	300	1,735	64	44	Distressed Exchange
May 25	EOS Finco SARL	Telecommunications	783		783	38		Payment Default
May 25	Everstream (Midwest Fiber)	Broadcasting	495		495			Filed Chapter 11
May 25	Flexsys (Eastman Tire)	Automotive	461		461	51		Distressed Exchange
May 25	Ivanti Software	Technology	2,690		2,690	67		Distressed Exchange
May 25	Mountaineer Merger Corp	Retail	173		173	65		Payment Default
May 25	Weight Watchers Intl	Food & Beverage	945	500	1,445	24	23	Filed Chapter 11
Jun 25	Altice France	Cable	5,650	9,387	15,037	91	77	Distressed Exchange
Jun 25	Quest Software	Technology	3,498		3,498	49		Distressed Exchange
Jun 25	Radiate Holdco	Cable	3,309	1,900	5,209	87	74	Distressed Exchange
Jun 25	WellPet (Woof Holdings)	Retail	955		955	60		Distressed Exchange
Jul 25	Cubic Corp	Technology	288		288	72		Distressed Exchange
Jul 25	Del Monte Foods	Food/Beverages	864		864	58		Filed Chapter 11
Jul 25	Lifescan Global Corporation	Healthcare	780		780	51		Filed Chapter 11
Jul 25	Maverick Gaming	Gaming/Leisure	215		215	21		Filed Chapter 11
Aug 25	Anastasia Beverly Hills	Consumer Products	606		606	83		Missed Payment
Aug 25	Atlas CC Acquisition	Technology	1,704		1,704	72		Distressed Exchange
Aug 25	BW Holding Inc	Packaging/Paper	588		588	73		Distressed Exchange

Source: J.P. Morgan, Bloomberg and Aristotle Pacific Capital as of 12/31/2025. Not an endorsement or recommendation; clients of Aristotle Pacific Capital may maintain positions in securities referenced.

# Bank Loans: Defaults and Distressed Exchanges

(CONTINUED)

Date	Issuer	Industry	Loan (\$MM)	Bond (\$MM)	Total (\$MM)	Loan RR (%)	Bond RR (%)	Action
Aug 25	Claire's Stores	Retail	506		506	6		Filed Chapter 11
Aug 25	Genstar Capital Management	Packaging/Paper	588		588	73		Distressed Exchange
Aug 25	ModivCare	Healthcare	601	492	1,093	59		Filed Chapter 11
Sep 25	Astra Intermediate Holding	Technology	1,039		1,039	9		Payment Default
Sep 25	First Brands	Autos	4,402		4,402	37		Filed Chapter 11
Oct 25	Apex Tools & Orthopedics	Industrials	297		297	20		Distressed Exchange
Oct 25	Aspect Software (Alvaria)	Technology	629		629	15		Distressed Exchange
Oct 25	Cano Health	Healthcare	180		180	82		Distressed Exchange
Oct 25	Florida Food Products	Food Producers	702		702	61		Distressed Exchange
Oct 25	Jordan Health Services	Healthcare	1,037		1,037	68		Payment Default
Oct 25	KPS Capital Partners	Packaging/Paper	744		744	64		Distressed Exchange
Nov 25	Kleopatra Holdings	Packaging/Paper	694		694	42		Filed Chapter 11
Nov 25	New Fortress Energy	Energy	1,266	3,478	4,744	45	28	Payment Default
Nov 25	Packers Sanitation Services	Services	1,186		1,186	32		Payment Default
Nov 25	United Site Services	Services	2,261	328	2,588			Payment Default
Dec 25	Endurance International Group	Technology	2,298	1,012	3,310	52	62	Distressed Exchange

Source: J.P. Morgan, Bloomberg and Aristotle Pacific Capital as of 12/31/2025. Not an endorsement or recommendation; clients of Aristotle Pacific Capital may maintain positions in securities referenced.

## SECTION 8

Returns and Composition

Yield Profile

Issuance

Risk/Return

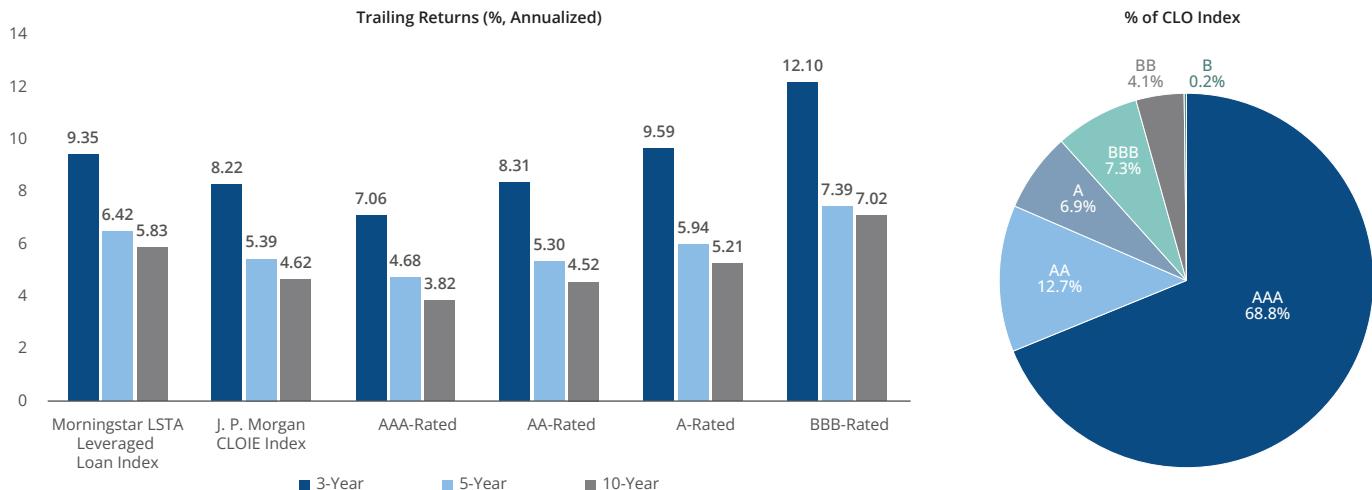
Impairment and Loss Rates

Ratings Actions



# CLOs: Returns and Composition

## QUALITY, ANNUALIZED RETURNS AND TRAILING RETURNS

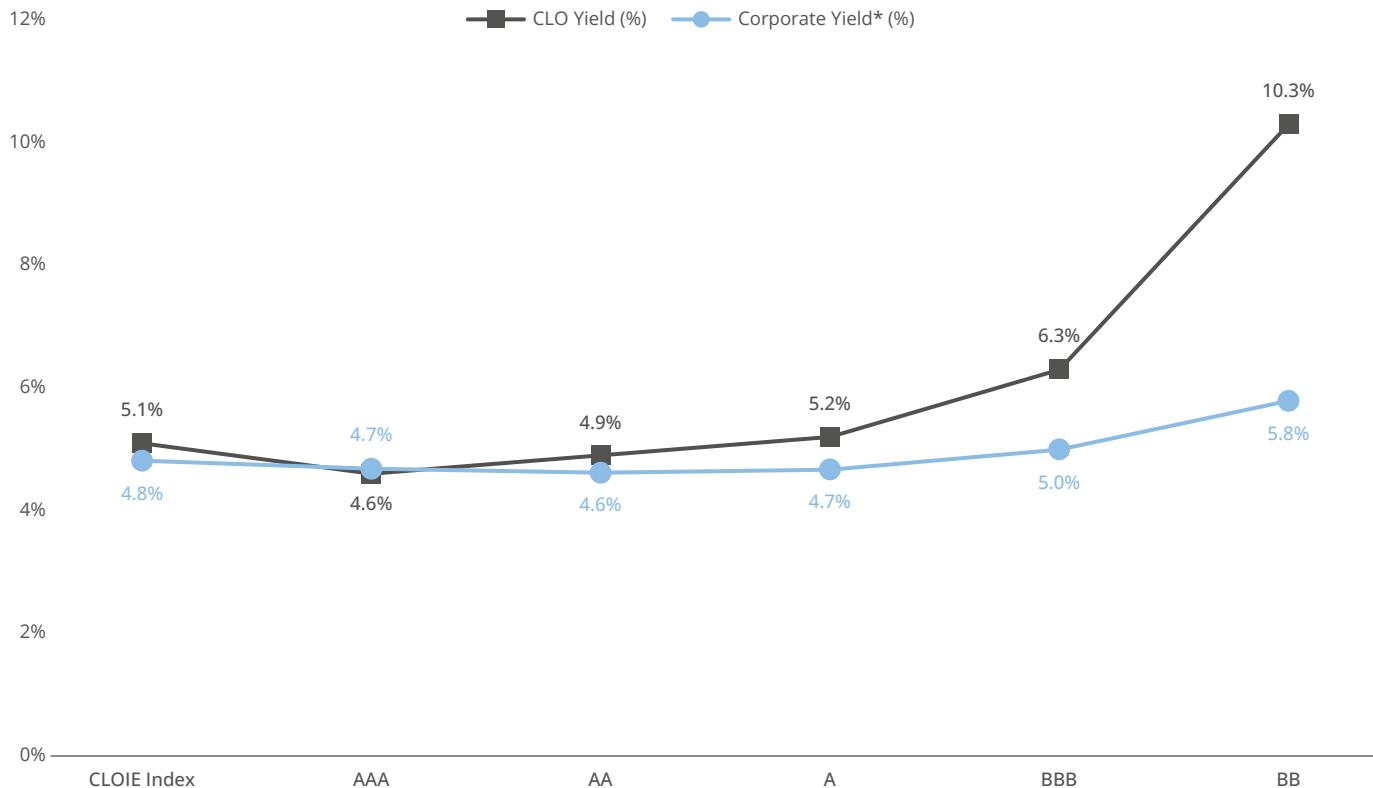


Annual Returns (%)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Morningstar LSTA Leveraged Loan Index	10.16	4.12	0.44	8.64	3.12	5.20	-0.77	13.32	8.96	5.90
J. P. Morgan CLOIE Index	5.19	4.29	1.27	5.50	3.11	2.37	0.21	10.54	8.31	5.86
AAA-Rated	3.19	2.78	1.66	4.61	2.54	1.40	1.05	8.68	7.06	5.45
AA-Rated	5.41	3.44	1.02	5.95	2.97	2.09	-0.17	10.86	8.18	5.93
A-Rated	6.89	4.36	-0.07	6.72	4.64	3.13	-1.67	13.35	9.25	6.28
BBB-Rated	11.18	8.78	-0.66	8.91	5.47	4.30	-2.77	17.66	11.79	7.09
BB-Rated	20.29	16.97	0.40	10.84	8.04	11.20	-3.82	24.52	19.16	9.11

**Past performance does not guarantee future results.** Source: Bloomberg, BofA Global Research, J.P. Morgan, Morningstar, Standard & Poor's, eVestment, Intex, Pitchbook LCD, and Aristotle Pacific Capital as of 12/31/2025.

# CLOs: Yield Profile

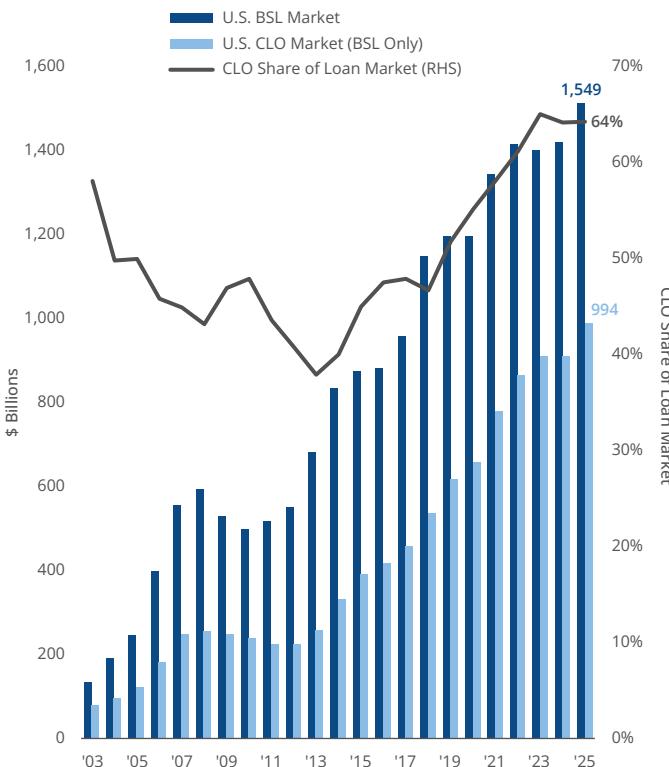
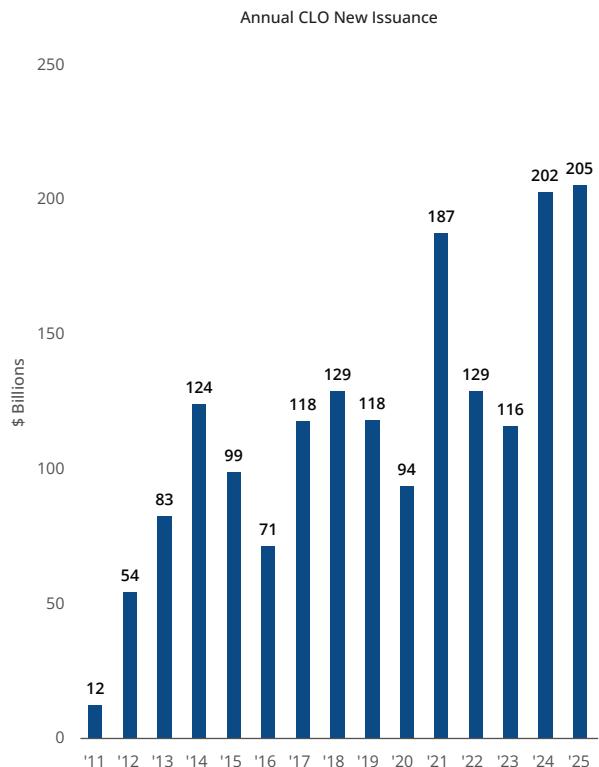
## CLO YIELD CURVE VS. COMPARABLE CORPORATE YIELD\*



**Past performance does not guarantee future results.** \*Corporate yield: Index, AAA, AA, A = YTW for the Bloomberg U.S. Corporate Bond Index and quality indices; BB = 3Y Yield on the S&P UBS Leveraged Loan Index BB Quality. Source: Bloomberg, Standard & Poor's, J.P. Morgan, and Aristotle Pacific Capital as of 12/31/2025.

# CLOs: Issuance

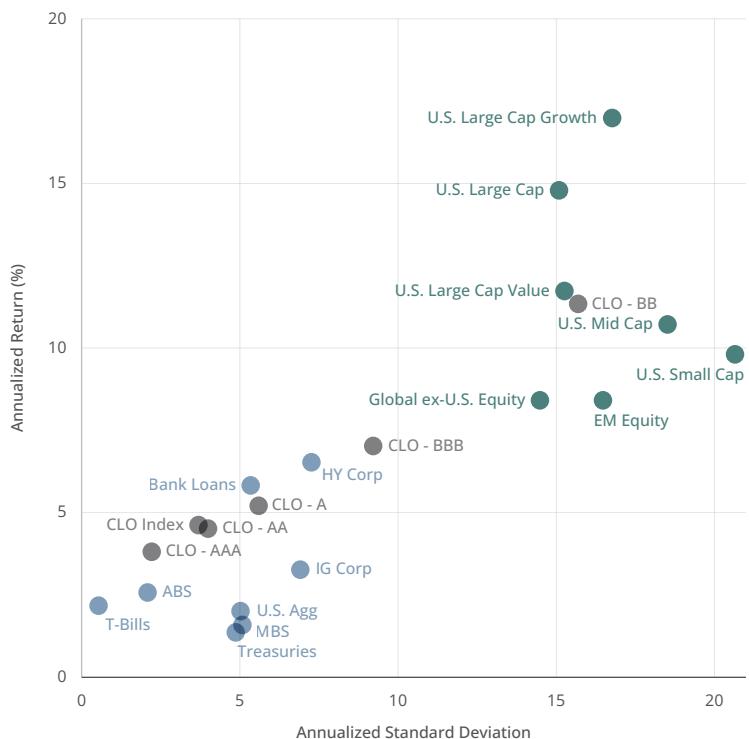
## ANNUAL CLO NEW ISSUANCE AND SHARE OF LOAN MARKET



Source: BofA Global Research, Standard & Poor's, J.P. Morgan, Pitchbook LCD, and Aristotle Pacific Capital as of 12/31/2025.

# CLOs: Risk/Return

## CROSS ASSET RISK/RETURN MATRIX (10-YEAR)



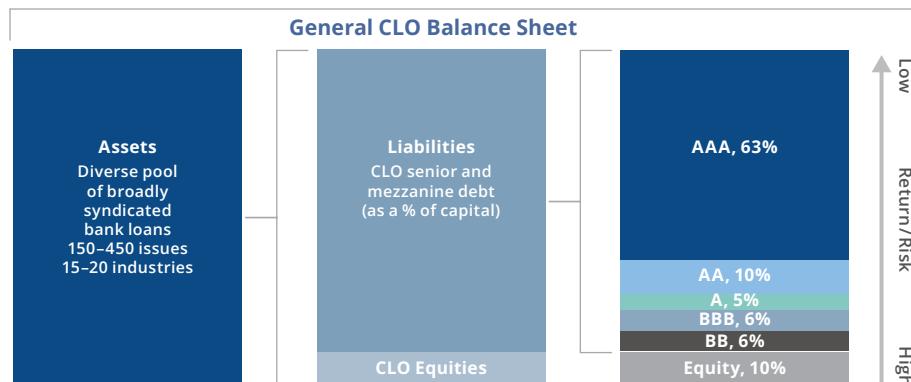
Index	Return % (10-Year)	Standard Deviation (10-Year)
CLO Index	4.62	3.72
CLO - AAA	3.82	2.25
CLO - AA	4.52	4.03
CLO - A	5.21	5.63
CLO - BBB	7.02	9.25
CLO - BB	11.35	15.73
T-Bills	2.18	0.57
Treasuries	1.36	4.89
U.S. Agg	2.01	5.05
MBS	1.59	5.11
ABS	2.58	2.11
IG Corp	3.27	6.94
HY Corp	6.53	7.29
Bank Loans	5.83	5.37
U.S. Large Cap	14.82	15.12
U.S. Mid Cap	10.72	18.56
U.S. Small Cap	9.81	20.69
U.S. Large Cap Growth	16.99	16.80
U.S. Large Cap Value	11.73	15.30
Global ex-U.S. Equity	8.41	14.52
EM Equity	8.42	16.51

**Past performance does not guarantee future results.** Source: eVestment, Bloomberg, FactSet, and Aristotle Pacific Capital as of 12/31/2025. CLOIE Indices: J.P. Morgan CLOIE Indices: J.P. Morgan CLOIE Indices; ABS: Bloomberg Asset-Backed Securities (ABS) Index; HY Corp: Bloomberg U.S. Corporate High Yield Bond Index; IG Corp: Bloomberg U.S. Corporate Bond Index; Bank Loans: Morningstar LSTA US Leveraged Loan Index; MBS: Bloomberg U.S. Mortgage-Backed Securities (MBS) Index; T-Bills: Bloomberg U.S. Treasury Bills 1-3 Month Index; Treasuries: Bloomberg U.S. Treasury Index; U.S. Agg: Bloomberg U.S. Aggregate Bond Index; U.S. Large Cap Growth: S&P 500 Growth Index; U.S. Large Cap Value: S&P 500 Value Index; U.S. Large Cap: S&P 500 Index; EM Equity: MSCI EM (Net); Global ex-U.S. Equity: MSCI ACWI ex US Index (Net); U.S. Mid Cap: S&P Midcap 400 Index; U.S. Small Cap: S&P 600 Index.

# CLOs: Impairment and Loss Rates

MOODY'S US CLO 10YR CUMULATIVE IMPAIRMENT AND LOSS RATES (1993–2024)

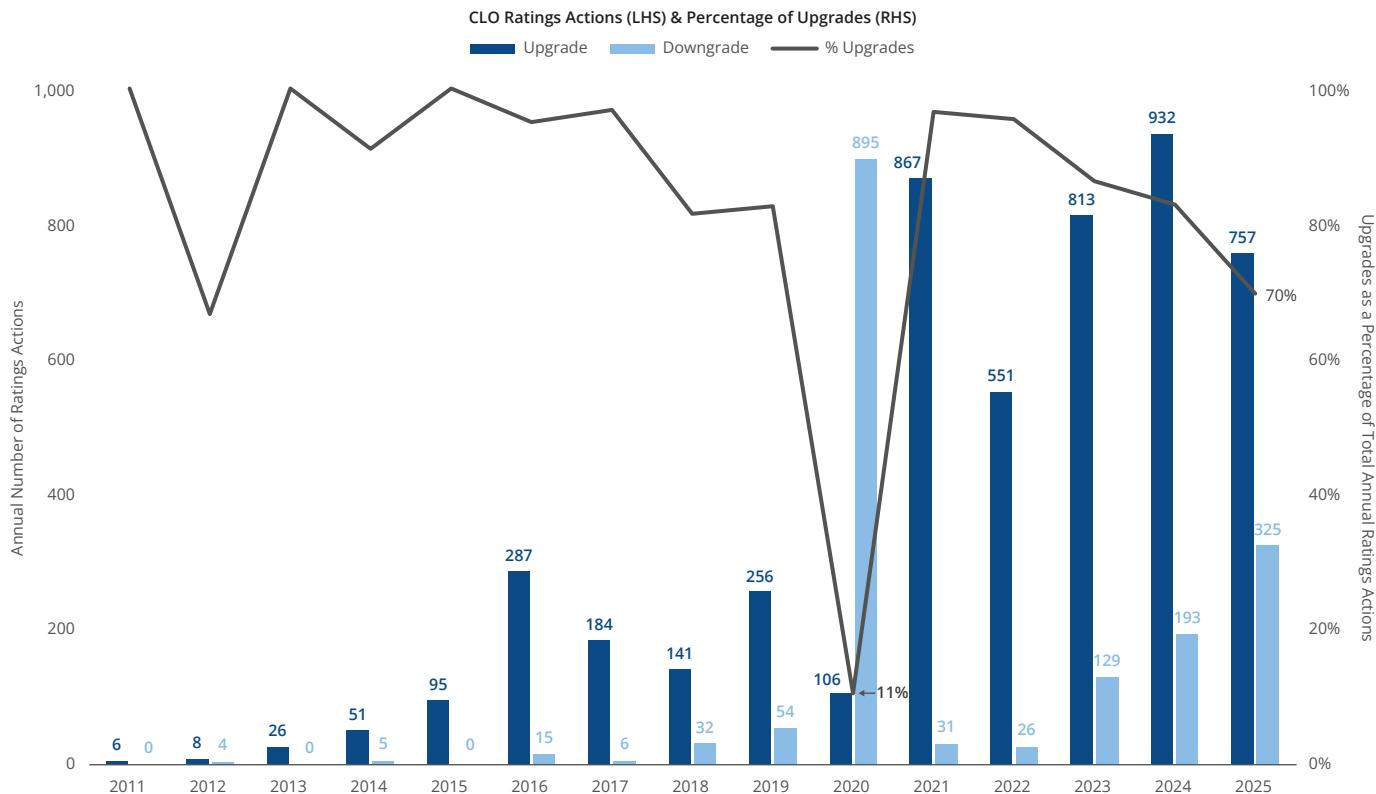
Cohort Rating	Impairment Rates		Loss Rates	
	10yr Cumulative	Annualized	10yr Cumulative	Annualized
AAA	0.0%	0.0%	0.0%	0.0%
AA	0.0%	0.0%	0.0%	0.0%
A	0.0%	0.0%	0.0%	0.0%
BBB	6.4%	0.6%	2.0%	0.2%
BB	13.2%	1.2%	7.6%	0.7%
B	18.4%	1.7%	8.1%	0.8%
CCC	16.6%	1.5%	8.4%	0.8%
Investment Grade	1.8%	0.2%	0.5%	0.1%
Speculative Grade	15.5%	1.5%	8.4%	0.8%
All	4.9%	0.5%	2.3%	0.2%



Source: Moody's, Aristotle Pacific Capital, latest available as of 12/31/2024.

# CLOs: Upgrades and Downgrades (Annual)

CLO RATINGS ACTIONS (LHS) AND PERCENTAGE OF UPGRADES (RHS)



Source: Moody's, Aristotle Pacific Capital as of 12/31/2025.

Prepared by Dominic Nolan, CFA, Ryan G. Horan, CFA, Whitney Bell, Lauren Liscinsky, Jeanne Kyle, Rachel Baldelli and Vanessa Nobre.

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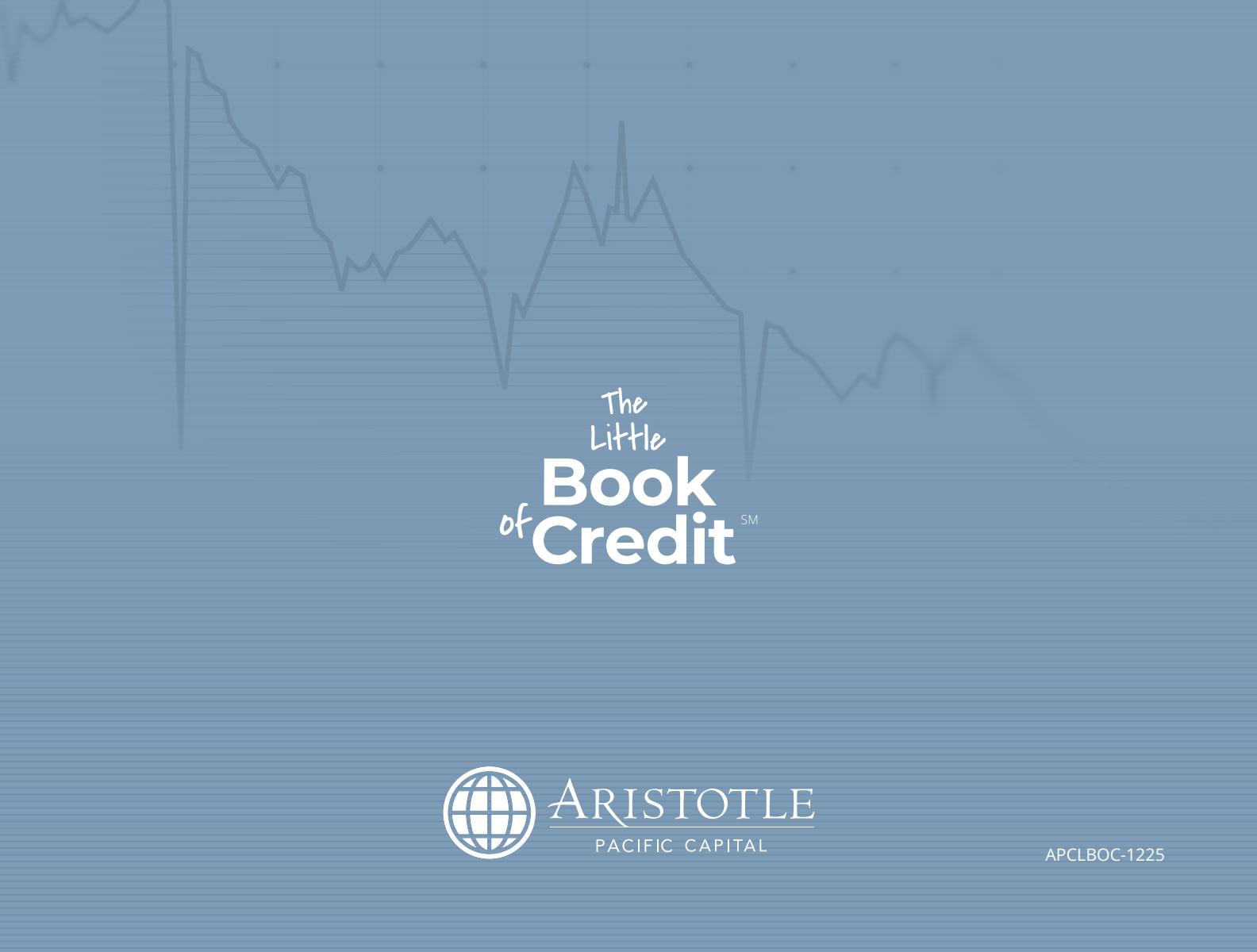
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