



Why Corporate Credit ?

January 2024

FOR INSTITUTIONAL INVESTOR USE ONLY

Aristotle Pacific Capital

- Founded in 2007
- \$24bn assets under management¹
- 24 investment professionals, 39 professionals
- Focused on corporate credit
- An affiliate of Aristotle Capital Management²
- Aristotle Capital Management comprised of ~\$85bn in assets under management and +200 professionals

¹ Preliminary data as of December 29, 2023. ² Effective April 17, 2023, Aristotle Capital Management, LLC (“Aristotle”) completed the previously announced acquisition of Pacific Asset Management LLC from Pacific Life Insurance Company (“Pacific Life”). Pacific Asset Management has been renamed Aristotle Pacific Capital, LLC.

Aristotle Pacific Capital

WHAT WE BELIEVE

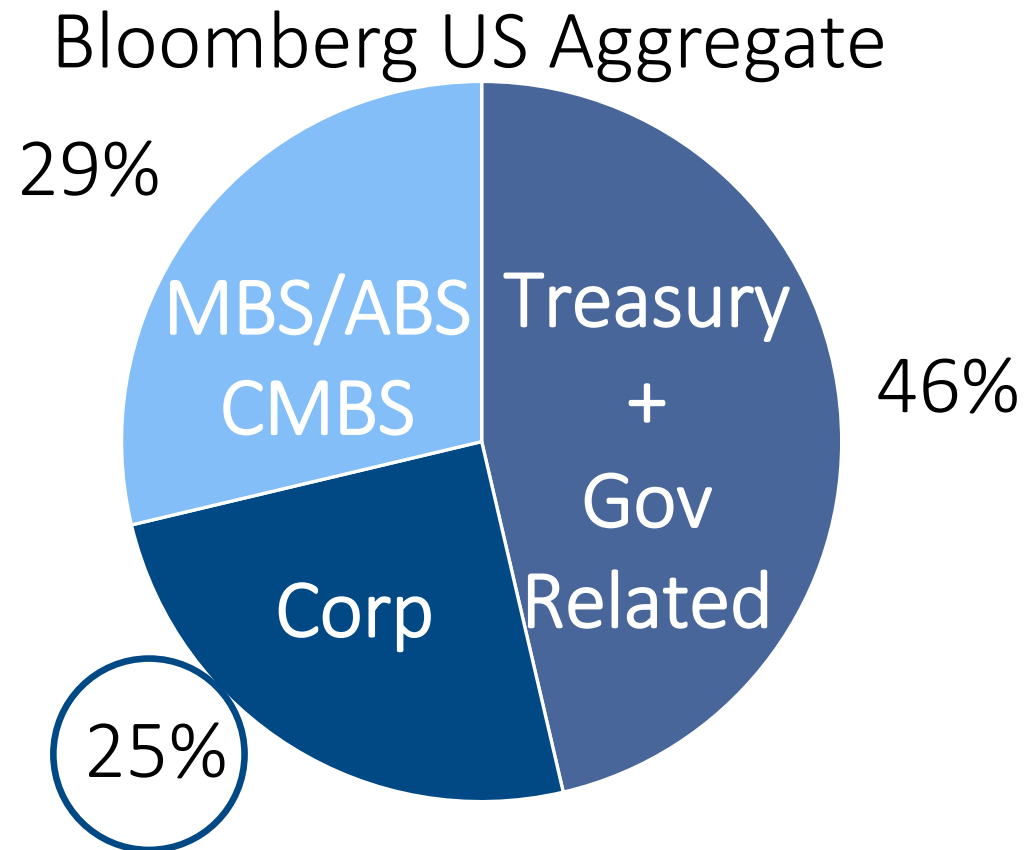
- Liquid credit is a highly attractive asset class within fixed income
- We are a premier liquid credit manager

OUR GOAL

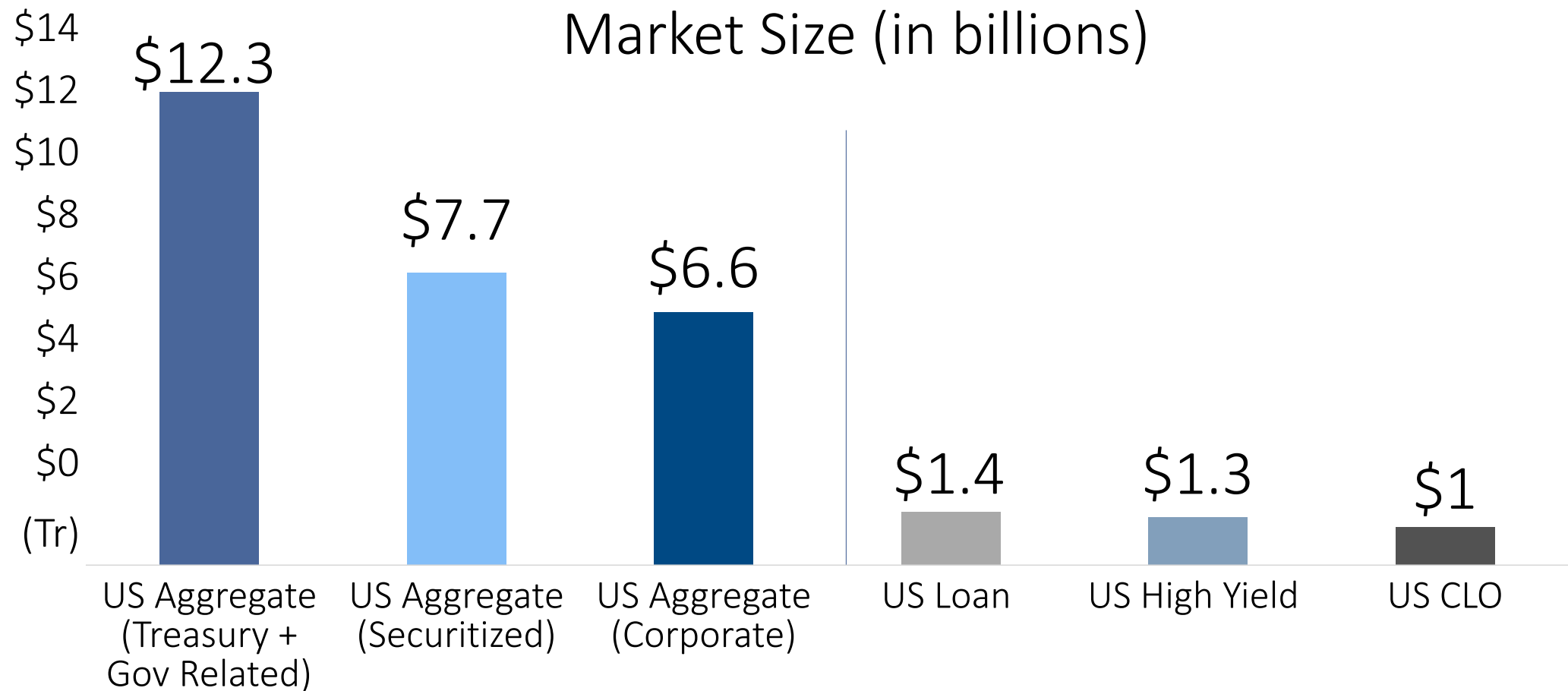
To highlight the potential opportunity set for investors within liquid credit

The US Aggregate Index

- Current size of the US Aggregate is ~\$26 trillion
- Currently, $\frac{1}{4}$ of the Aggregate Index is the corporate component

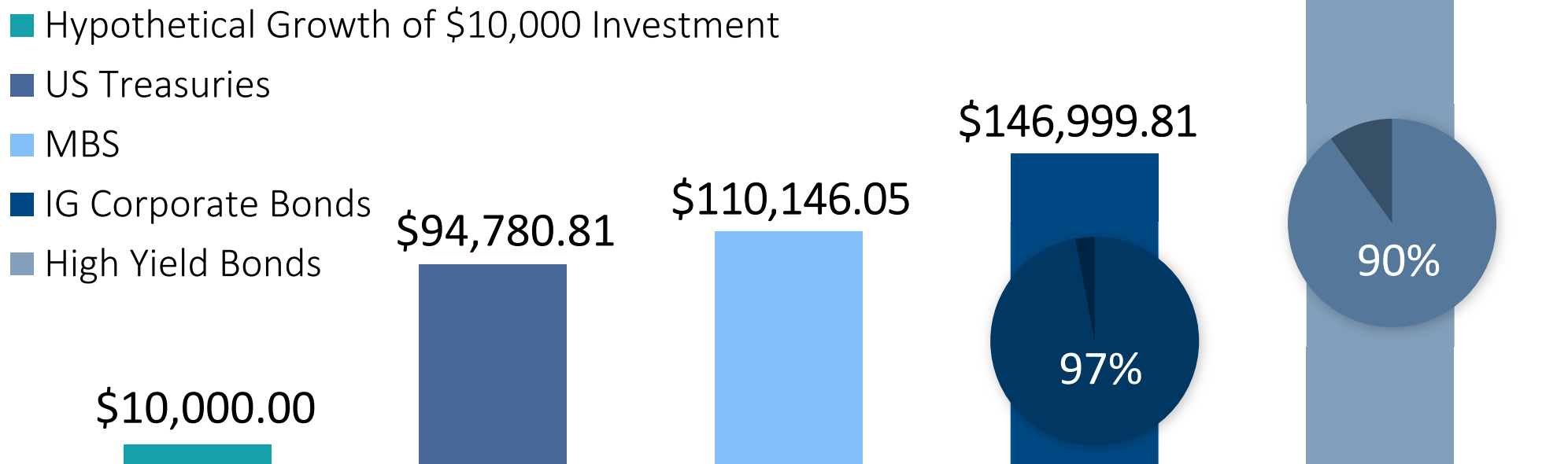


Market Sizes



Why Liquid Credit?

Corporate Debt vs. Treasuries and MBS Over Past 40 Years

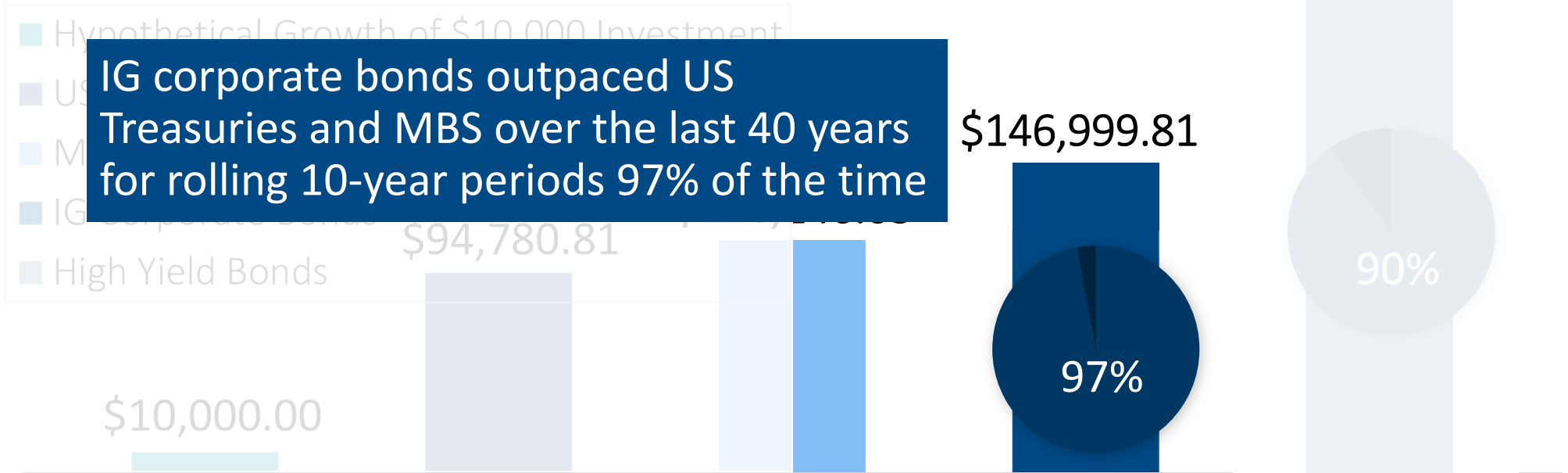


Sources: Source: Morningstar as of 7/1/1983 to 8/31/2023 **Past performance does not guarantee future results.**

U.S. Treasuries represent the Bloomberg US Treasury Index, which includes public obligations of the U.S. Treasury with a remaining maturity of one year or more. Mortgage-backed securities (MBS) represent the Bloomberg Mortgage-Backed Securities Index, which is a market value-weighted index composed of agency mortgage-backed pass-through securities of the Government National Mortgage Association (Ginnie Mae), the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac). Investment grade is represented by Bloomberg US Corporate Index, which covers performance for United States corporate bonds. High-yield bonds represent the Bloomberg US Corporate High Yield Index, which measures the USD-denominated, high-yield, fixed-rate corporate bond market. High-yield/high-risk bonds ("junk bonds") and floating-rate loans (usually rated below investment grade) have greater risk of default than higher-rated securities/higher-quality bonds that may have a lower yield.

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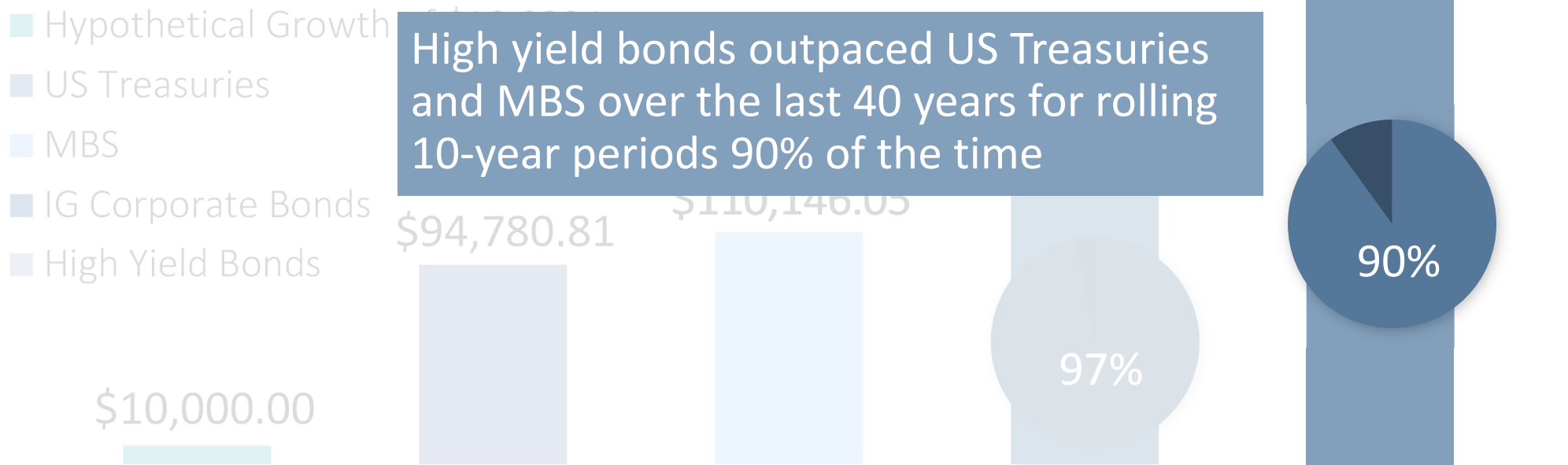


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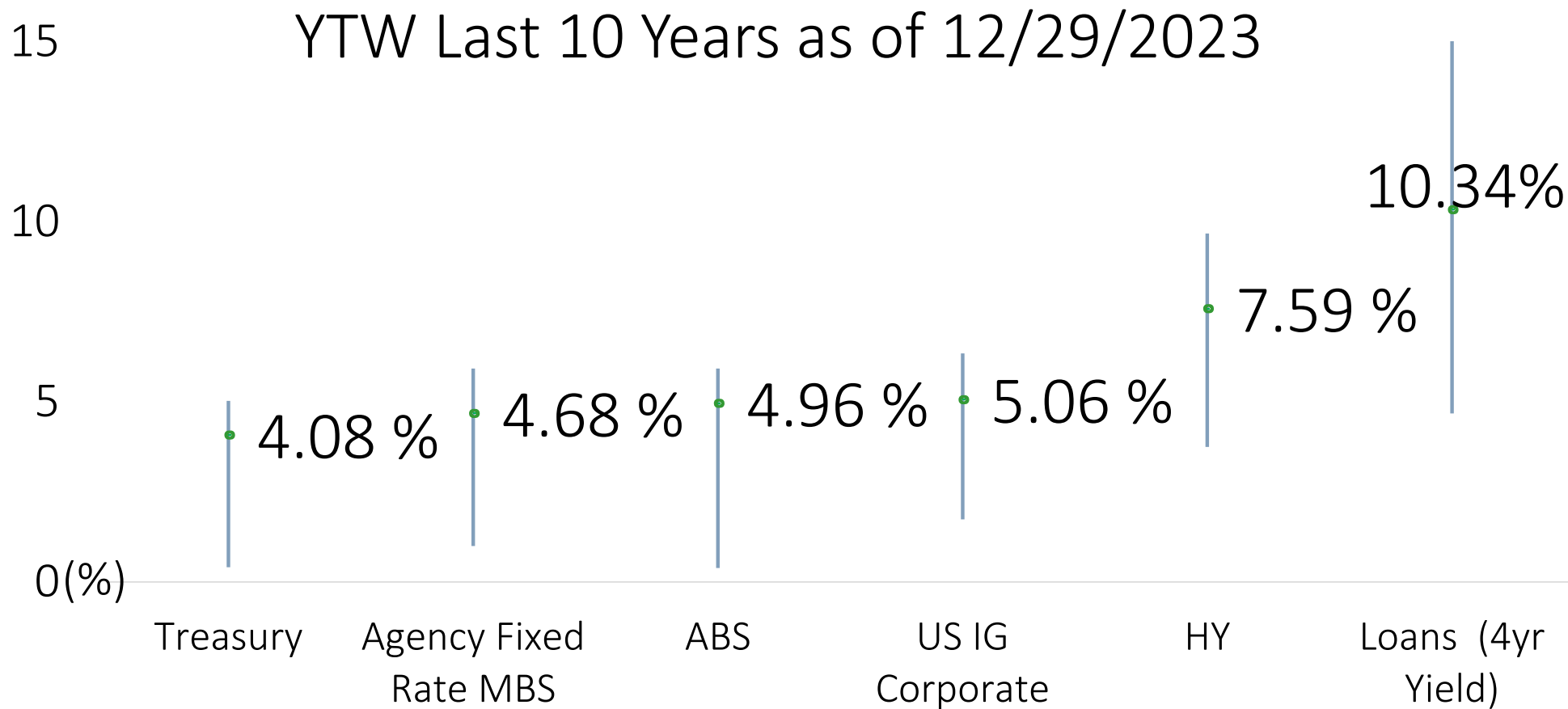
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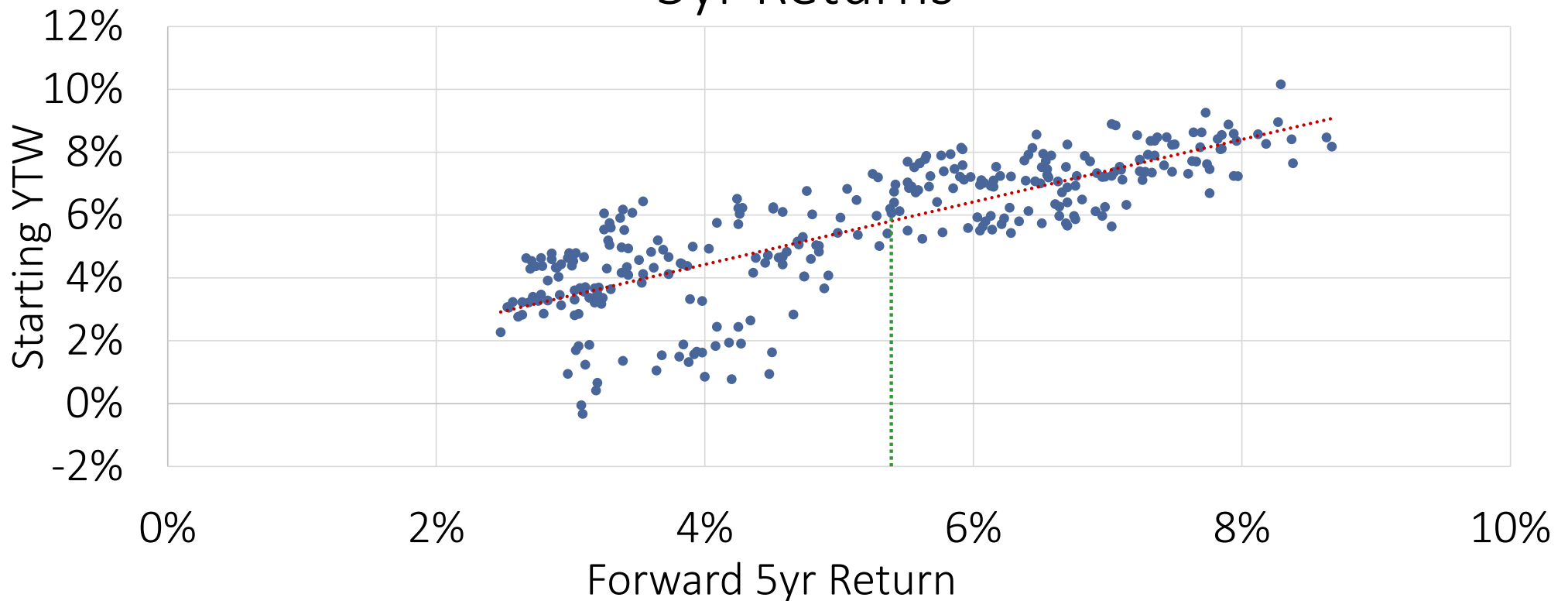
Why Liquid Credit?



Sources: Data as of 12/31/2013 – 12/29/2023. Data indices sourced include: Bloomberg U.S. Treasury, Bloomberg U.S. MBS - Agency Fixed Rate MBS, Bloomberg Asset Backed Securities, Bloomberg U.S. Corporate Investment Grade, Bloomberg U.S. Corporate High Yield, Credit Suisse Leveraged Loan Index.

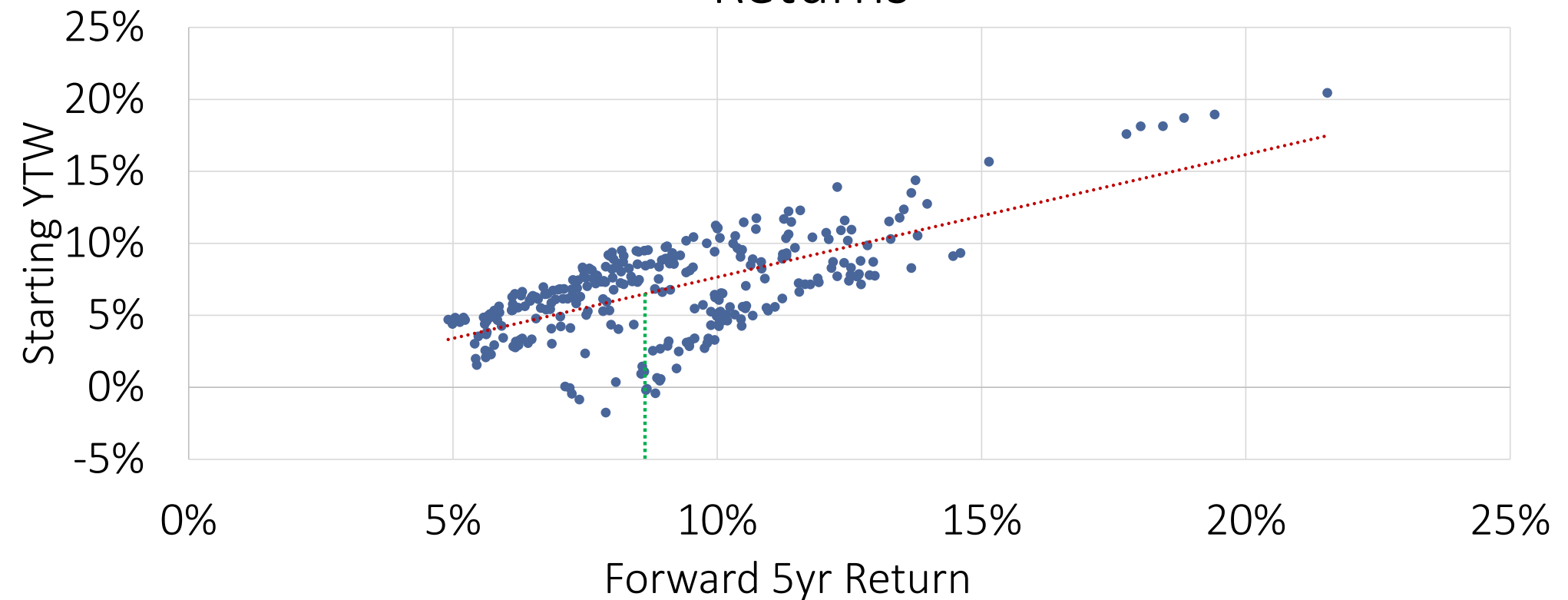
Why Liquid Credit?

Historical IG Credit Starting YTW vs. Forward 5yr Returns



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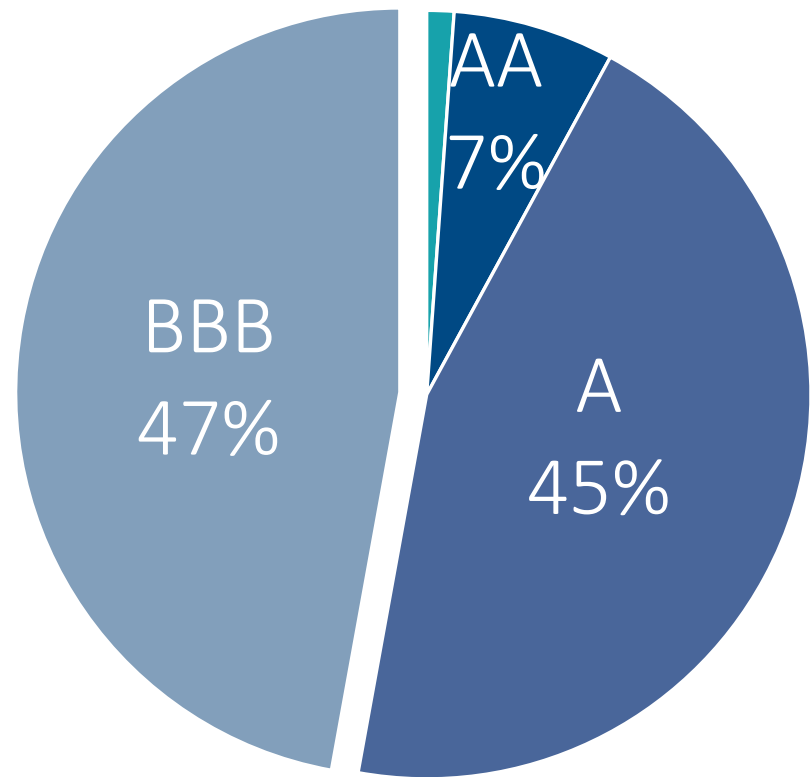
Historical HY Starting YTW vs. Forward 5yr Returns



IG Credit Downgrade Profile

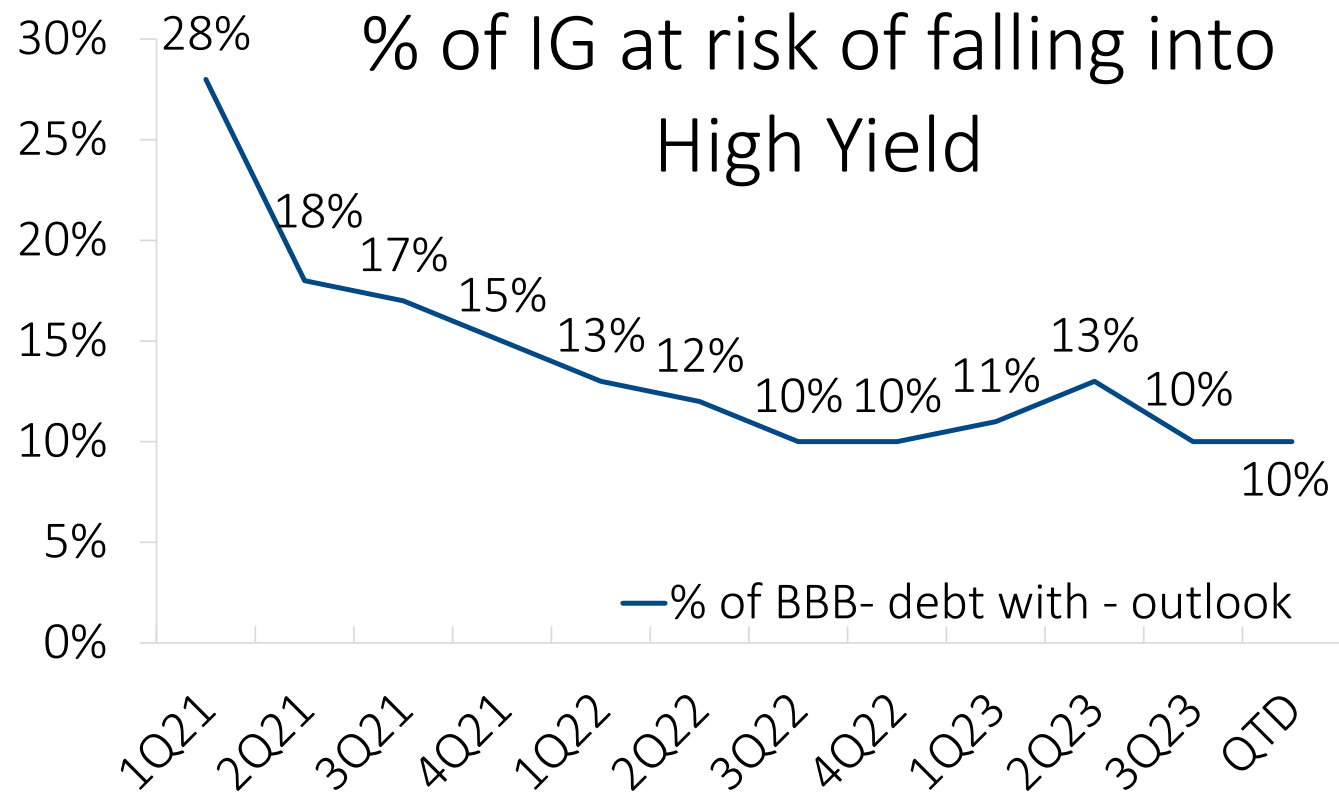
- BBBs account for nearly $\frac{1}{2}$ of the US Corporate Bond Index

% of US Corporate Index



IG Credit Downgrade Profile

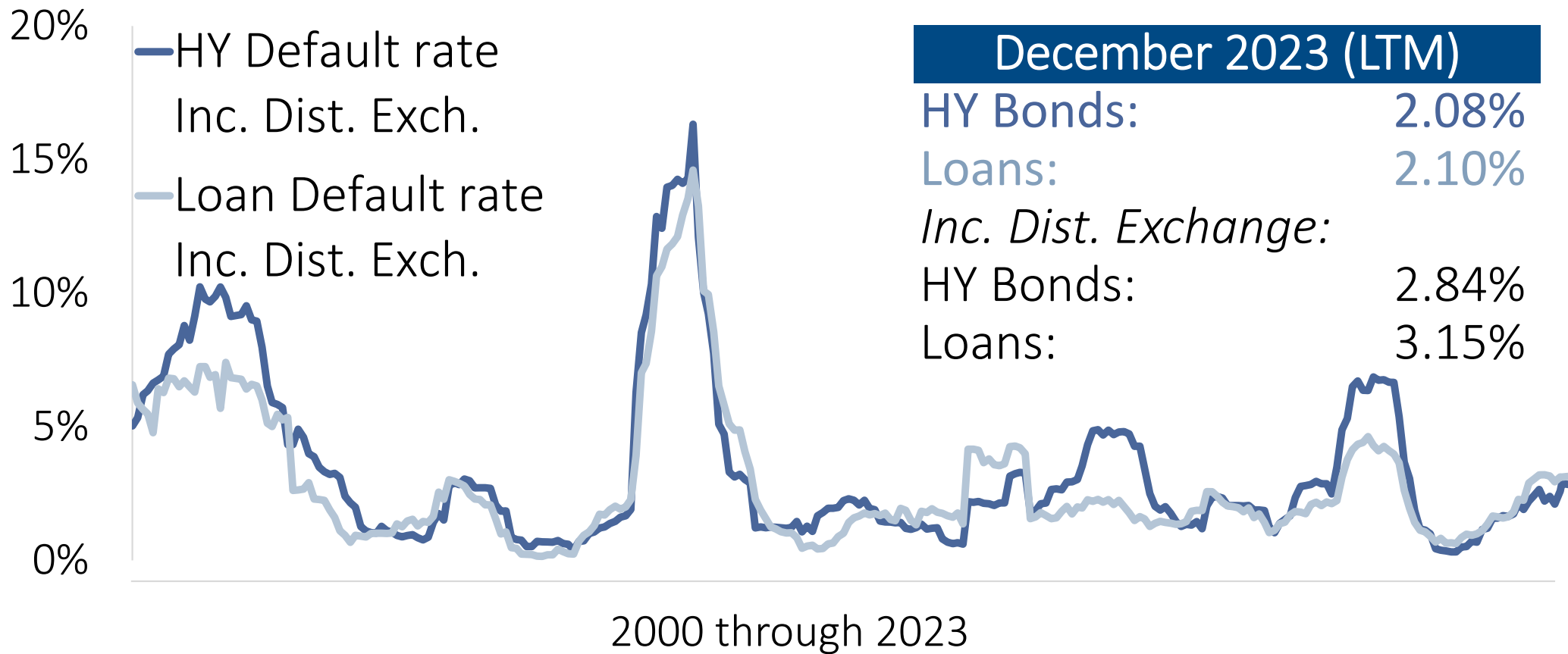
- The IG universe has consistently improved its downgrade profile over the last 2 years



Agg	Corp	BBB	- Watch
100%	25%	12%	1.2%

Non-IG Corporate Default Profiles

LTM High Yield and Loan Default History

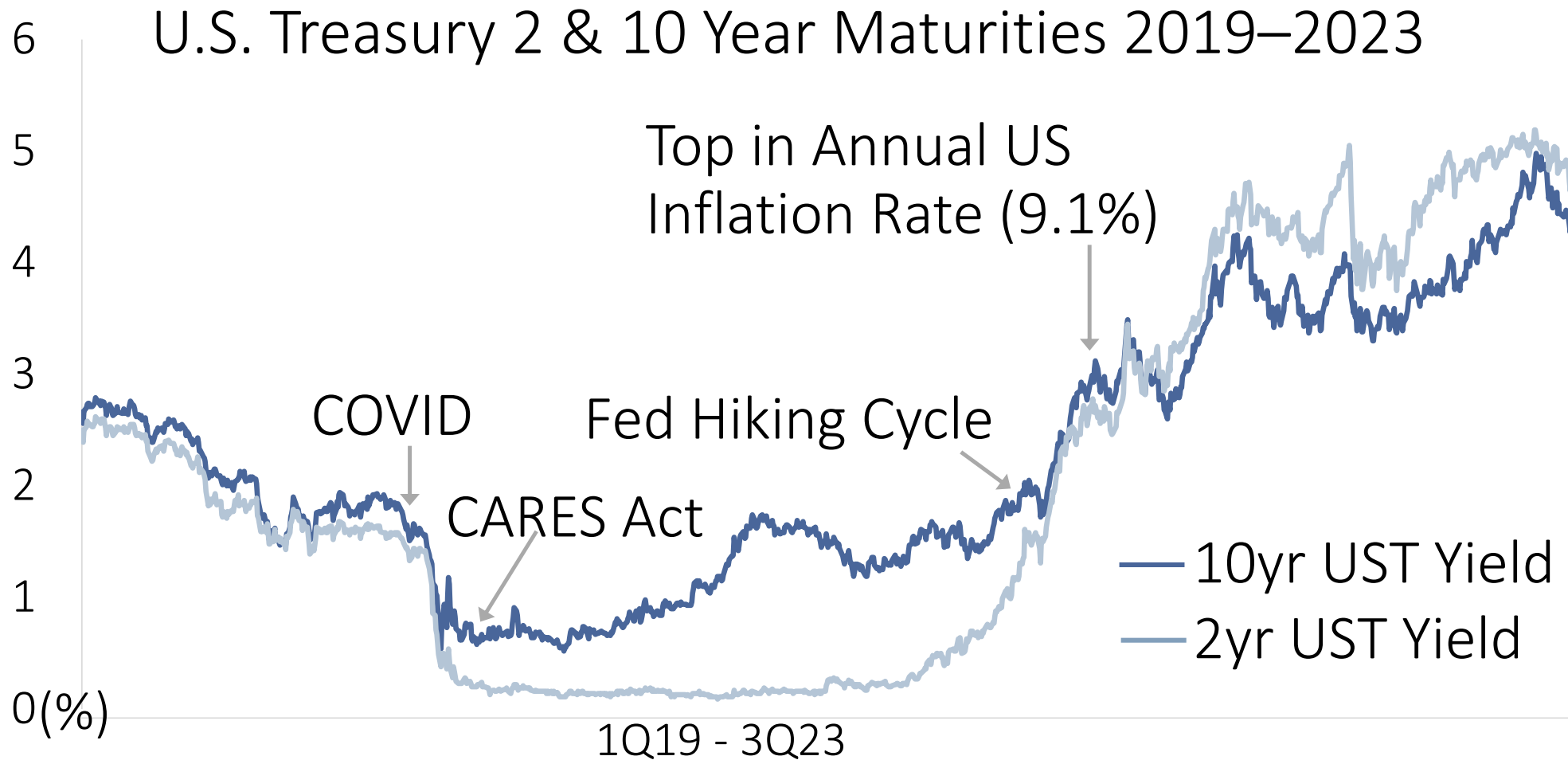


Source: JP Morgan as of December 29, 2023 JPM HY and Loan Indices reflected.

Key Takeaways

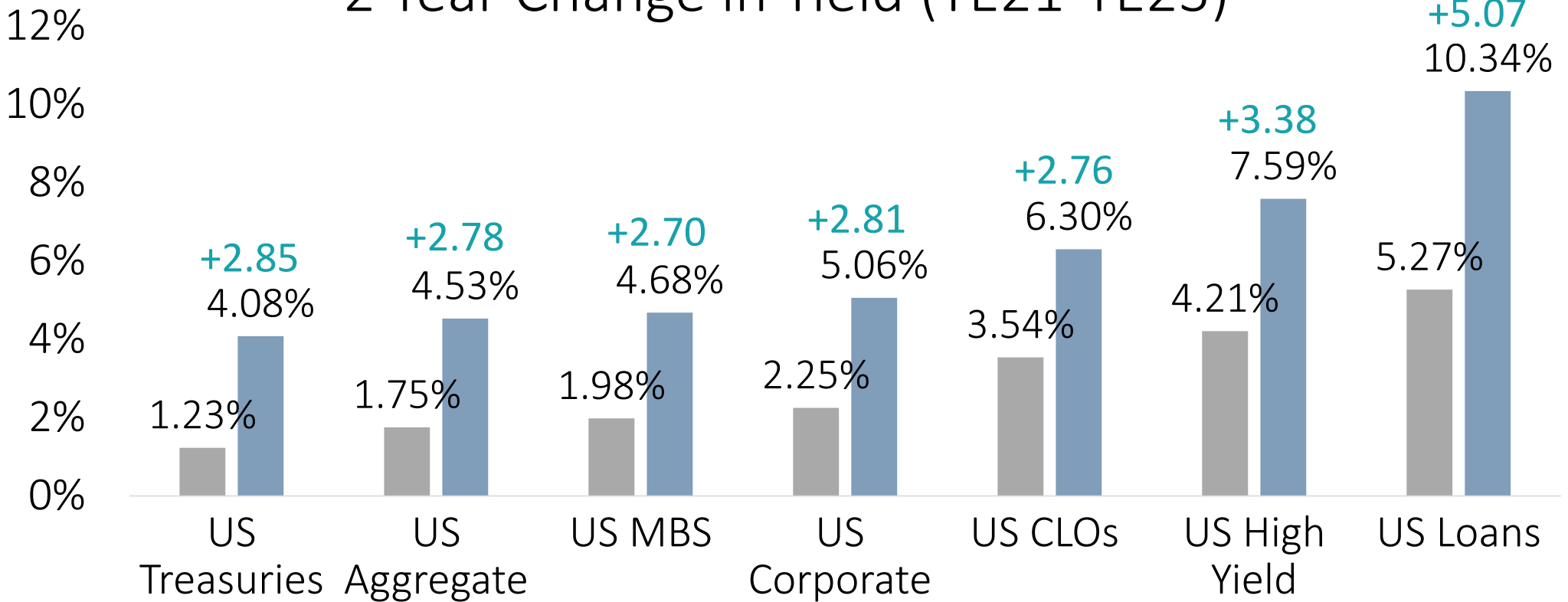
- Corporate credit asset size is roughly \$10.3tr
- Current yield advantage over the US Treasury market is:
 - IG Corporate 1%
 - US High Yield 3.51%
 - US Loans 6.25%
- The 25-yr avg High Yield and Loan default rates are 3.4% and 3.0%, respectively
- We believe investors have been rewarded for taking risk within liquid credit markets

Why Now?



An Attractive Entry Point

2 Year Change in Yield (YE21-YE23)



Source: Bloomberg, JP Morgan, and Credit Suisse; 12/31/2021 and 12/29/2023

Yield quoted is yield-to-worst, except for Bank Loans which represents 4-year effective yield. US Treasury represented by the Bloomberg US Treasury Index. US CLO represented by JP Morgan CLOI. US MBS represented by Bloomberg US MBS Index. Investment-grade corporate bonds are represented by the Bloomberg US Credit Index. Short term investment grade corporate bonds are the 1-3 year component of the Bloomberg US Credit Index. Bank loans are represented by the Credit Suisse Leveraged Loan Index and index components. High yield is represented by the Bloomberg US Corporate High Yield Index.

2024 Street Forecasts

	Forecast	Current		
Federal Funds Rate	4.68%	5.33% ³	IG Total Return ¹	6.23%
2yr UST	4.13%	4.33% ³	HY Return ²	7.03%
10yr UST	4.09%	3.95% ³	Loan Return ²	6.23%
30yr UST	4.43%	4.08% ³	HY Default Rate ⁷	4.07%
S&P 500	4467	4688 ³	Loan Default Rate ⁸	5.42%
Core PCE	2.52%	3.20% ⁴		

1. 5 forecasts accumulated with the highest and lowest forecasted return removed from average return expectation (includes Bank of America, Deutsche Bank, Goldman Sachs, JP Morgan, and Morgan Stanley). 2. 5 forecasts accumulated with the highest and lowest forecasted return removed from average return expectation (includes Bank of America, Deutsche Bank, Goldman Sachs, JP Morgan, and Morgan Stanley). 3. As of 1/2/2024. 4. As of 11/30/2023. 5. Average IG spread forecasts by Bank of America, Deutsche Bank, Goldman Sachs, JPM, Morgan Stanley; 6. Average HY spread forecasts by Bank of America, Citigroup, Deutsche Bank, Credit Suisse, Goldman Sachs, JPM, Morgan Stanley. 7. 6 forecasts accumulated with the highest and lowest forecasted return removed from average return expectation (includes Bank of America, Barclays, Citigroup, Deutsche Bank, Goldman Sachs, and Morgan Stanley); 8. 6 forecasts accumulated with the highest and lowest forecasted return removed from average return expectation (includes Bank of America, Barclays, Citigroup, Goldman Sachs, and Morgan Stanley).

Final Thoughts

- Liquid credit is a +\$10tr investible universe¹
- Entry yields are historically attractive and matter
- Liquid credit has historically offered strong levels of return
- We believe that active management is key within liquid credit

Source: As of 12/29/2023. US Treasury represented by the Bloomberg US Treasury Index. Investment-grade corporate bonds are represented by the Bloomberg US Credit Index. High yield is represented by the Bloomberg US Corporate High Yield Index. US loans are represented by the Credit Suisse Leveraged Loan Index and index components.



Thank You

Q&A

Important Disclosures

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Pacific Asset Management was initially established in 2007 as a business division of Pacific Life Fund Advisors LLC. As part of an internal corporate restructuring effort, Pacific Asset Management was reorganized on December 31, 2019, into Pacific Asset Management LLC, an indirect wholly-owned subsidiary of Pacific Life. Effective April 17, 2023, Aristotle Capital Management, LLC acquired the ownership interests of Pacific Asset Management LLC from Pacific Life. Pacific Asset Management LLC was renamed Aristotle Pacific Capital, LLC on April 17, 2023.

Any forward-looking statements and opinions expressed herein are based on current market conditions and are subject to change without notice.