

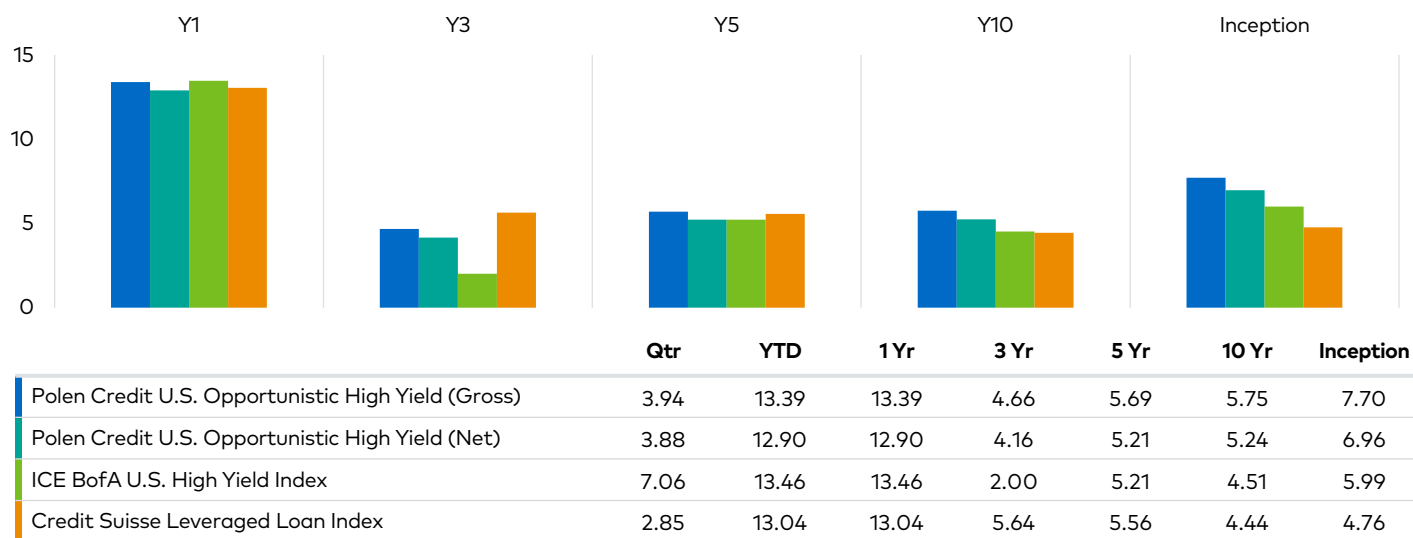
# Polen U.S. Opportunistic High Yield

Portfolio Manager Commentary – December 2023

## Summary

- During the fourth quarter, the U.S. Opportunistic High Yield Composite generated positive returns yet underperformed the ICE BofA U.S. High Yield Index (the "Index").
- High yield bonds and leveraged loans produced gains in the fourth quarter, with high yield bonds outperforming their floating rate peers. Milder inflation and dovish Fed rhetoric helped drive interest rates meaningfully lower, which benefited high yield bonds.
- Although default activity increased in Q4 relative to the previous quarter, it remains below historical averages.
- Sector allocation effects for the Opportunistic High Yield representative portfolio (the "Portfolio") were negative for Q4, largely driven by an overweight to Capital Goods. However, positive security selection in the Automotive sector provided some offset.
- Polen Capital did not make any significant changes to portfolio positioning during the quarter. Notably, however, we initiated a position in Forgital, a leading manufacturer for the aerospace industry, and exited our position in Ford Motor Company.
- Although we anticipate volatility during the upcoming year, we believe current yield levels are attractive and more than compensate investors for the increased risk.

## Seeks Growth & Capital Preservation (Performance (%) as of 12-31-2023)



The performance data quoted represents **past performance and does not guarantee future results**. Current performance may be lower or higher. Periods over one-year are annualized. Performance figures are presented gross and net of fees and have been calculated after the deduction of all transaction costs and commissions, and include the reinvestment of all income. Please reference the GIPS Report which accompanies this commentary.

The commentary is not intended as a guarantee of profitable outcomes. Any forward-looking statements are based on certain expectations and assumptions that are susceptible to changes in circumstances. Opinions and views expressed constitute the judgment of Polen Capital as of the date herein, may involve a number of assumptions and estimates which are not guaranteed, and are subject to change.

All company-specific information has been sourced from company financials as of the relevant period discussed.

The Polen Credit U.S. Opportunistic High Yield representative portfolio is an account within the Composite that Polen Capital has deemed the most representative of the Composite strategy of all the accounts managed by Polen Capital within the Composite. Contractual investment guidelines and length of track record are the most important factors in determining a representative account for the Composite strategy.

## Market Commentary

High yield bonds and leveraged loans produced gains in the fourth quarter, with high yield bonds outperforming their floating rate peers. During the quarter, benign inflation and dovish Fed rhetoric helped drive interest rates meaningfully lower, which benefited high yield bonds in particular. In addition, credit spreads tightened in both asset classes as earnings were generally better than expected and economic growth remained resilient.

In Q4 2023, all of the sectors in the high yield bond market produced a gain. The top performing sectors were Banking, Retail, and Insurance. Conversely, the biggest laggards were Transportation, Energy, and Capital Goods. Similarly, all sectors in the leveraged loan market produced a gain. The top performing sectors were Forest Products & Containers, Financial, and Consumer Non-Durables. Meanwhile, Consumer Durables, Retail, and Chemicals were the biggest laggards.

Following Q3's decrease, capital market activity for high yield bonds increased modestly in Q4, with over 75% of that total used to refinance existing debt. Close to 20% of the quarter's new bonds were used to finance leveraged buyouts ("LBOs") or acquisitions. Conversely, leveraged loan new issue activity decreased when compared to the prior quarter. Like high yield bonds, refinancings represented the largest use of proceeds, accounting for close to 55% of the quarter's total. For the full year 2023, primary market activity for high yield bonds and leveraged loans was ahead of the total issued during the previous calendar year.

Lastly, default activity increased in Q4 relative to the previous quarter. At the end of Q4, the trailing twelve-month default rates for high yield bonds and leveraged loans were 2.1% and 2.1%, respectively. These levels remain below their historical averages of approximately 3%.

## Portfolio Performance & Attribution

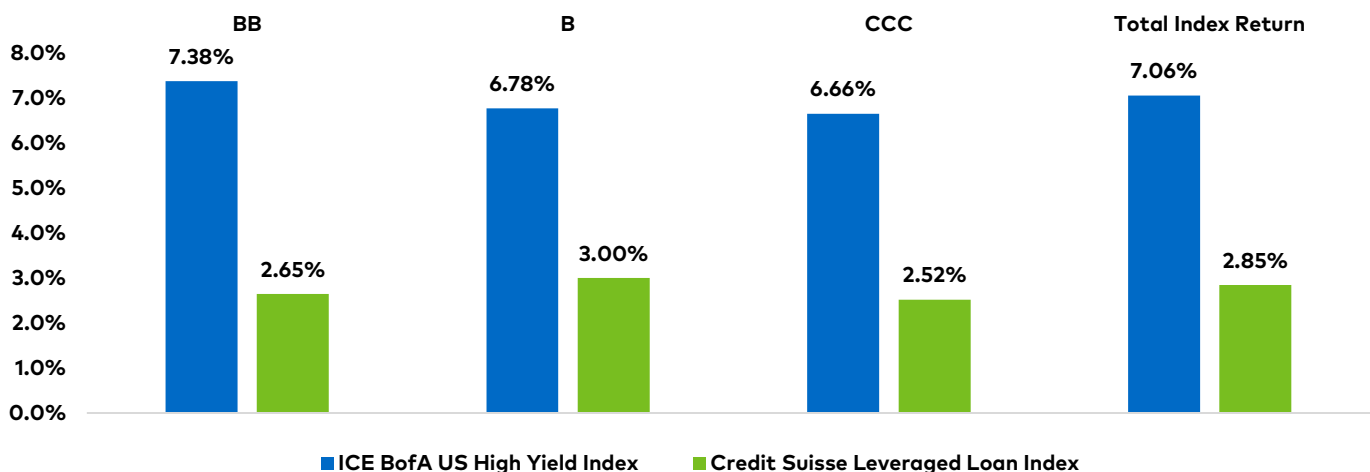
During the fourth quarter, the U.S. Opportunistic High Yield composite returned 3.94% gross and 2.88% net of fees, respectfully, compared to the 7.06% return of the ICE BofA U.S. High Yield Index (the "Index").

In Q4, U.S. Treasury yields moved materially lower. The Portfolio maintained a shorter duration relative to the Index, which resulted in a negative duration effect. Further, the Portfolio's income advantage compared to the Index contributed to the Portfolio's relative performance. Lastly, the Portfolio's restructured private equity holdings in the aggregate detracted modestly from relative returns.

Turning to quality attribution, the quality allocation effect was negative and driven primarily by the Portfolio's overweight to CCC1-rated and CCC3-rated issues. These negative effects were partially offset from the Portfolio's overweight to CCC2-rated issues, which contributed to relative performance. In addition, the Portfolio's security selection effect by quality rating was negative. Specifically, the Portfolio's CCC2-rated and CC-rated holdings lagged those of the Index and detracted from relative performance. These negative effects were partially offset by the positive security selection effects generated by the Portfolio's CCC1-rated and CCC3-rated holdings, which outperformed those of the Index.

From a sector perspective, sector allocation was negative and detracted from relative performance. This negative effect was primarily driven by the Portfolio's overweight in the Capital Goods sector. In addition, the sector security selection effect was negative. The Portfolio's holdings in the Basic Industry and Healthcare sectors underperformed those of the Index and detracted from relative performance. These negative effects were partially offset by the positive security selection effects produced by the Portfolio's holdings in the Automotive sector, which outperformed those of the Index.

Q4 2023 Total Returns by Quality Rating



From a sector perspective, sector allocation was negative and detracted from relative performance. This negative effect was primarily driven by the Portfolio's overweight in the Capital Goods sector. In addition, the sector security selection effect was negative. The Portfolio's holdings in the Basic Industry and Healthcare sectors underperformed those of the Index and detracted from relative performance. These negative effects were partially offset by the positive security selection effects produced by the Portfolio's holdings in the Automotive sector, which outperformed those of the index.

A notable issuer that detracted from the Portfolio's total return for the quarter is set forth below.

- **Cano Health** – Cano Health operates primary care centers and supports affiliated medical practices. The Company specializes in primary care for seniors, and its business model is aligned with improving the health of its patients and lowering overall healthcare costs through preventative care. Cano underperformed Polen's expectations due to a variety of factors since the position was initiated, and the Portfolio's investment in the Company's 6.25% Senior Notes due 2028 depreciated in value during the quarter. During November 2023, Polen opted to exit its entire position in Senior Notes at a substantial loss. Polen's research indicated that the Company's remaining liquidity was dwindling and that there would be a high likelihood of a comprehensive restructuring in the next six months. With approximately \$1bn of First Lien debt ahead of the Senior Notes, in a restructuring, the holders of the Notes would be in a disadvantaged negotiating position. Polen believes would result in a de minimis recovery for the holders of the Senior Notes. As such, Polen believed that exiting the position, even at a substantial loss, was the best course of action.

## Portfolio Activity

Polen Capital did not make any significant changes to the positioning of the Portfolio during the quarter. However, we increased positions in certain existing holdings, and initiated several new positions. Lastly, we executed the credit sale of Cano Health described above, while other sales that we executed, such as the one described below, were relative value transactions.

- **Purchase** –Forgital SPA ("Forgital") is a leading manufacturer of open die rings used in aerospace engine construction as well as other broad industrial purposes worldwide. The Company's products include rolled and forged rings, fan cases, valves and related products, which are used to create the external structure for products like airplane engines, transmissions and power generation fluid transfer equipment. Forgital benefits from long-term contracts with many major engine manufacturers. The Company is benefitting from a substantial backlog in aerospace work as the projected ramp in aircraft deliveries, particularly wide body planes, begins to come to fruition. Given the stringent specifications of the Company's products, Forgital's products are critical to their customer base, which greatly reduces product competition or substitution risk. During the quarter, funds and accounts managed by Polen Capital (including the Portfolio) initiated a position in the Company's 7.375% First Lien Notes due 2026. Polen Capital believes the strong earnings trajectory of the business, combined with a modest loan-to-value, may lead to a refinancing of the First Lien Notes in the near term.
- **Relative Value Sale** - Ford Motor Company is an automotive manufacturer producing and selling over five million cars annually in the U.S. as well as certain other international markets. Funds and accounts managed by Polen Capital, including the Portfolio, originally purchased certain Senior Notes issued by Ford after its downgrade into the high yield market in March 2020. At that time, Polen Capital's view was that the Company's credit metrics would improve over the ensuing 2-3 year timeframe to levels in-line with other investment grade issuers. As a result of strong operations, a favorable auto pricing environment and Ford's industry leading product portfolio, including the F-150 (which is the best-selling vehicle in the U.S.), the Company's fundamental profile improved. This improvement ultimately resulted in the ratings agencies upgrading the Company, returning it to Investment Grade status in Q4 2023. Given the less attractive yield offered on the Senior Notes following the upgrade, Polen Capital eliminated its exposure to Ford and redeployed the proceeds to higher yielding opportunities.

## Outlook

Leveraged credit markets ended 2023 on a high note. The recent rally among risky assets, including high yield bonds and leveraged loans, erased some of the memories of what was a tumultuous year. Both markets shrugged off concerns about the banking sector in U.S., which resulted in higher U.S. Treasury yields, as well as growing domestic and geopolitical angst. While banking woes appear subdued for now, the upcoming Presidential election in the U.S. will likely be the topic du jour for 2024.

Regardless, the end of year decline in yields that spurred the November-December rally may help leveraged credit issuers capitalize on lower interest costs to refinance existing debt in the new year. This dynamic, if it comes to pass, would be especially helpful for lower-rated credits that have been largely sidelined for most of the last two years. Assuming a lower-yield environment persists, we would anticipate an uptick in borrowers coming to market to price new issues.

Aside from lower financing costs, lower-rated borrowers would also benefit from a "soft landing" for the economy, the likelihood of which continues to grow. As we have noted repeatedly, fundamentals in the high yield market have proven resilient and would only be aided by a situation where rates drop while economic activity continues to remain positive. Although loan fundamentals are more challenged than those of their high yield bond peers, this type of macroeconomic environment would also benefit issuers in this market. Ultimately, in our view, this outcome would likely keep default rates at or around long-term averages.

As we head into 2024, while the recent rally has resulted in a tightening of spreads, we maintain a constructive view of the high yield bond and leveraged loan markets. Although we anticipate volatility during the upcoming year, we believe that current yield levels are attractive and more than compensate investors for the increased risk. Although leveraged credit market fundamentals in the aggregate remain healthy, careful credit selection remains paramount. We continue to identify attractive opportunities amongst issuers across each segment of the leveraged credit market. Accordingly, we view the current environment as favorable for an active manager like Polen Capital to potentially generate significant alpha for its clients.

### Indices:

**ICE BofA U.S. High Yield Index:** The ICE BofA U.S. High Yield Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. The index data referenced herein is the property of ICE Data Indices, LLC, its affiliates ("ICE Data") and/or its Third Party Suppliers and has been licensed for use by Polen Capital Credit, LLC. ICE Data and its Third-Party Suppliers accept no liability in connection with its use. Please contact Polen Capital Credit for a full copy of the applicable disclaimer.

**Credit Suisse Leveraged Loan Index:** The Credit Suisse Leveraged Loan Index (CS Leveraged Loan Index) is designed to mirror the investable universe of USD institutional leveraged loans, including U.S. and international borrowers.

Thank you for your interest in Polen Capital and the U.S. Opportunistic High Yield strategy. Please feel free to contact us with any questions and comments.

Sincerely,

Dave Breazzano, Ben Santonelli, and John Sherman

## Experience in High Yield Investing



**Dave Breazzano**

Head of Team, Portfolio Manager  
43 years of experience



**Ben Santonelli**

Portfolio Manager  
19 years of experience



**John Sherman**

Portfolio Manager  
19 years of experience

## GIPS Report

### Schedule of Investment Performance – Polen Credit U.S. Opportunistic High Yield Composite

March 31, 1998 to December 31, 2022

Year End	Total Gross Return (%)	Total Net Return (%)	Benchmark Return (%)	Number of Portfolios	Composite Assets at End of Period (\$Millions)	Firm Assets at End of Period (\$Millions)	Composite Dispersion (%)	Composite 3 Yr. Annualized Std. Dev. (%)	Benchmark 3 Yr. Annualized Std. Dev. (%)
2022	-8.02%	-8.52%	-11.22%	21	4,331	6,854	1.47%	11.33%	11.25%
2021	9.91%	9.42%	5.36%	20	5,465	8,314	1.70%	10.90%	9.27%
2020	8.36%	7.89%	6.17%	22	5,521	7,987	1.25%	11.06%	9.52%
2019	6.18%	5.73%	14.41%	24	6,041	7,861	0.64%	4.31%	4.19%
2018	0.88%	0.40%	-2.26%	25	6,345	8,207	1.75%	4.16%	4.70%
2017	12.13%	11.56%	7.48%	18	5,643	7,831	0.54%	4.92%	5.68%
2016	17.53%	16.96%	17.49%	21	5,584	7,589	1.40%	4.96%	6.11%
2015	-3.82%	-4.28%	-4.64%	21	5,091	7,401	0.88%	4.04%	5.35%
2014	3.68%	3.12%	2.50%	15	4,091	8,028	1.84%	3.10%	4.50%
2013	10.16%	9.55%	7.42%	15	3,456	7,145	1.01%	4.54%	6.51%
2012	17.61%	16.92%	15.58%	13	2,475	5,032	1.51%	5.27%	7.13%
2011	3.57%	3.04%	4.38%	14	2,459	3,653	1.50%	8.37%	11.15%
2010	19.30%	18.63%	15.19%	10	2,455	3,985	2.86%	14.34%	17.16%
2009	58.52%	57.51%	57.51%	11	2,657	3,414	3.32%	14.19%	17.02%
2008	-29.22%	-29.51%	-26.39%	8	1,231	2,333	1.64%	11.13%	13.50%
2007	3.77%	3.27%	2.19%	7	1,517	2,791	-	3.72%	4.55%
2006	12.15%	11.52%	11.77%	5	1,450	2,835	-	3.85%	3.86%
2005	5.79%	5.32%	2.74%	3	1,425	2,617	-	5.89%	5.47%
2004	13.59%	12.18%	10.87%	2	1,158	2,220	-	7.44%	8.48%
2003	39.51%	34.18%	28.15%	2	914	1,675	-	8.82%	10.63%
2002	10.10%	9.23%	-1.89%	1	468	1,173	-	8.65%	10.30%
2001	7.17%	6.55%	4.48%	1	397	1,166	-	7.40%	7.93%
2000	-7.59%	-8.17%	-5.12%	1	355	1,126	-	-	-
1999	4.68%	4.04%	2.51%	1	363	1,111	-	-	-
1998*	-3.43%	-3.89%	-0.02%	1	347	1,040	-	-	-

#### Performance % as of 12-31-2023:

(Annualized returns are presented for periods greater than one year)

	1Yr	5Yr	10 Yr
Polen U.S. Opportunistic High Yield (Gross)	13.39	5.69	5.75
Polen U.S. Opportunistic High Yield (Net)	12.90	5.21	5.24
Custom Benchmark Return (%)	13.46	5.21	4.51

\*Partial year, inception 03-31-1998

Polen Capital Credit, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Polen Capital Credit, LLC has been independently verified for the periods March 1, 1996 to December 31, 2022.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Polen Credit U.S. Opportunistic High Yield Composite has had a performance examination for the periods January 1, 2005 to December 31, 2022. The verification and performance examination reports are available upon request.

# U.S. Opportunistic High Yield Disclosures – GIPS Report

Polen Capital Credit, LLC ("the Firm", "Polen Credit") is an investment adviser, registered with the Securities and Exchange Commission, which specializes in high yield securities and special situations investing. Polen Credit was formerly known as DDJ Capital Management, LLC. On January 31, 2022, Polen Credit was acquired by Polen Capital Management, LLC. Polen Credit's investment team and investment process were not affected by these changes.

The Polen Credit U.S. Opportunistic High Yield Composite ("the Composite") was created in August 2007. The U.S. Opportunistic High Yield strategy seeks to generate capital appreciation and income by investing in high yield securities or higher rated securities that offer yields similar to those available in the high yield market. The strategy focuses on investments in high yield bonds and has a bias toward lower tier securities. Opportunistic High Yield portfolios not denominated in U.S. dollars, where currency hedging is a significant component of the strategy, are excluded from the Composite. Derivatives may be used for hedging purposes only; however, certain credit derivatives may be used in limited circumstances subject to client guidelines. Portfolios within the Composite will be permitted to invest in lower-rated debt securities, equity securities, bank debt, small issues and direct private investments, but allocations to these security types will vary. Portfolios within the Composite will generally invest at least 25% of assets in bank loans, hold no fewer than 50 issuers and will invest in illiquid securities. In January 2021, a lower limit on issuers held was added.

Gross returns do not reflect the deduction of investment management fees, but are net of trading expenses, deal-related legal expenses and foreign withholding tax. Net returns reflect the application of actual management and, if applicable, performance-based fees to gross returns. Composite dispersion is the equal-weighted standard deviation of annual gross returns of all accounts included in the Composite for the entire year. Composite dispersion is not applicable for composites which contain five accounts or fewer for the entire year. The three-year annualized standard deviation measures the variability of the Composite gross returns, and the benchmark returns over the preceding 36-month period. A

list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds as well as policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

At 12/31/2022, 16% of Composite assets were valued using subjective, unobservable inputs.

The ICE BofA U.S. High Yield Index, which is used for comparative purposes only, is a broad high yield index that tracks the performance of U.S. dollar-denominated below investment grade corporate debt publicly issued in the U.S. domestic market. Like the investments of the benchmark, the Composite consists primarily of bonds and notes rated BB or lower. However, the benchmark is an unmanaged index and does not include any private (non-144A) obligations, convertible bonds, preferred and common equity, and certain other securities and obligations. Investments made by Polen Credit on behalf of the portfolios managed according to the strategy will differ from those of the benchmark and will not have an identical investment strategy. Accordingly, investment results for the Composite will differ from those of the benchmark. In March 2023, the Composite benchmark was changed, for all periods 1/1/13 to present, to the ICE BofA U.S. High Yield Index. Prior to 3/31/2023, the Composite was shown against a custom index comprising (x) the ICE BofA U.S. High Yield Index (the current benchmark) from inception until 12/31/2013, and (y) the ICE BofA U.S. Non-Financial High Yield Index from 12/31/2013 until 3/31/2023. Given the Composite investment strategy, Polen Credit believes that the ICE BofA U.S. High Yield Index is an appropriate benchmark for all historical periods.

## Separate Account (Management Fee)

First \$100 million	60 bps
Next \$150 million	55 bps
Next \$250 million	50 bps
> \$500M is negotiable	

## Private Fund (All-In Fee)\*\*

Founders Share Class***	45 bps
Operating Share Class	55 bps

## Collective Investment Trust (All-In Fee)\*\*

All Assets	60 bps
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\*\* The All-in Fee, which is also the total expense ratio for both the collective investment trust and the private fund, includes all administrative and operational expenses of each fund, as well as the management fee paid to Polen Credit.

\*\*\* The Founders Share Class is honored until the applicable fund reaches \$250 million in assets.

As of December 31, 2022, 0.06% of the Composite comprises one non-fee-paying portfolio, which is the private fund. Net-of-fees returns for such non-fee-paying portfolio has been calculated by accruing the model fee of 0.55%.

Performance-based fee schedules are available for separate accounts. Management and performance-based fees may vary according to the specific mandate of the account, investment performance, and assets under management.

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**Past performance is not an indication of future results.**