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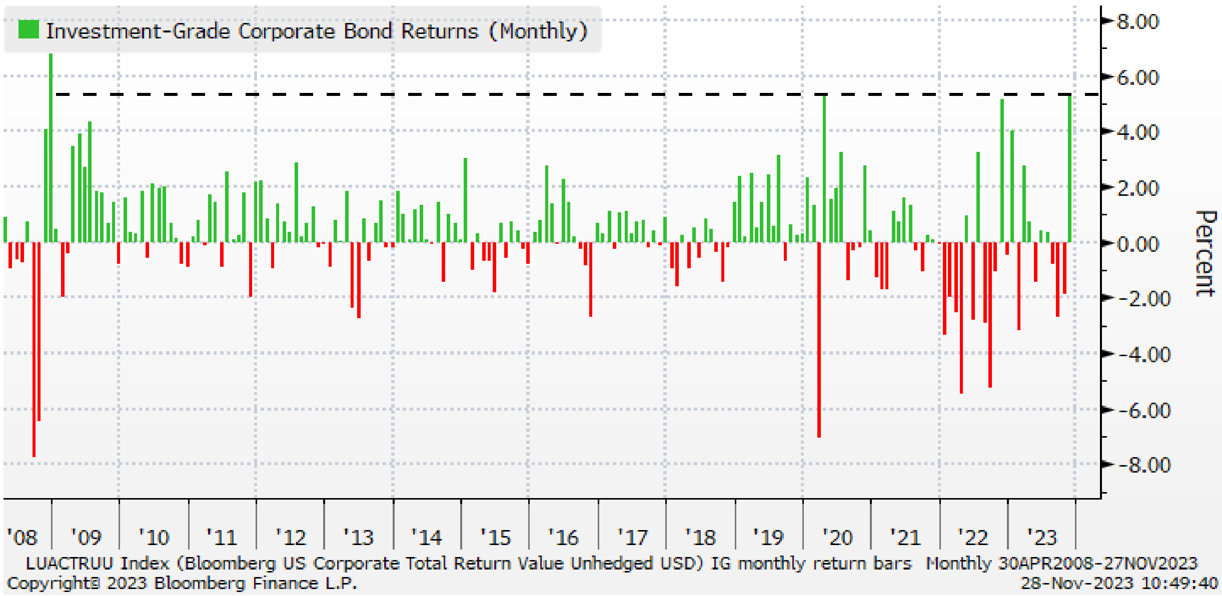
Christmas has Arrived Early for Corporate Bonds



- Through market close on 11/27/23, the Bloomberg investment-grade corporate bond index has returned +5.26% for the month. If this performance holds, it would be the best monthly return for the index since December 2008.

- Performance has been driven by the dual tailwinds of lower U.S. Treasury yields and a decline in risk premiums (aka credit spreads).

- **We continue to find value in investment-grade corporate bonds**. However, specific industries and issuers have been left with noticeable scars after the Federal Reserve raised interest rates by more than 500 basis points since March 2022.

- In aggregate, liquidity positions have seen significant erosion and as new, more expensive debt replaces older, cheaper debt, the average cost of funding will also start to increase. The speed and magnitude of this increase will vary between issuers.

- **These factors highlight the importance of security selection – and avoidance – over the coming quarters.** We are emphasizing more defensive sectors and companies with the ability to generate cash flow over a variety of economic environments. Conversely, we are avoiding issuers where the impact of higher interest rates is having the most negative effect.

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