Janus Henderson
INVESTORS

Q3 2025

ETF PULSE

Markets don't stand still — and neither should your ETF strategy. The Janus Henderson ETF team highlights timely ideas to help you navigate a market marked by new highs, persistent macro risks, and growing demand for active ETFs. Inside, you'll find actionable themes, supported by data and backed by strategies designed to help you remain flexible and diversified.

WELCOME TO ETF PULSE

As the Federal Reserve (Fed) lowered its benchmark interest rate to its lowest level in three years and the second since the end of 2024, markets have continued to hit all-time highs led by continued momentum in tech. This quarter's ETF Pulse highlights key themes we think investors may want to consider within their portfolios as we move toward year end.

- U.S. large caps: Diversifying opportunities in a concentrated index environment
- Emerging market debt: Potential income and diversification from a misunderstood market
- Securitized credit: High-quality income with resilience and diversification

We also look at the continued rise of active ETFs — now a dominant force in product development and investor flows.

Market snapshot

- U.S. equity markets reached all-time highs in the third quarter
- Macro risks remain elevated due to ongoing tariff rhetoric and geopolitical uncertainty
- Global yield curves have steepened amid growing fiscal and policy pressures
- Rate volatility remains high across regions
- The U.S. economic backdrop is a bit mixed, with five of our 10 key recession indicators crossing their threshold

Macro U.S. Landscape*

While we track dozens of economic indicators, below is a select subset of 10 key indicators we closely monitor, which suggest a mixed U.S. economic outlook.

Economic Indicator	Period	Status
Fed credit card	Quarter	🟢
Housing completions	Monthly	🔴
Yield curve (10y vs. 3m)	Daily	🟢
U.S. lending standards to large-medium firms	Quarterly	🟢
ISM services PMI	Monthly	🔴
Initial claims	Weekly	🟢
Non-farm payrolls	Monthly	🔴
Sahm rule	Monthly	🟢
NFIB hiring plans index	Monthly	🔴
Conference Board U.S. Consumer Confidence	Monthly	🔴

🟢 Outside of recession range threshold
🔴 Within recession range threshold

Source: Bloomberg as of September 30, 2025

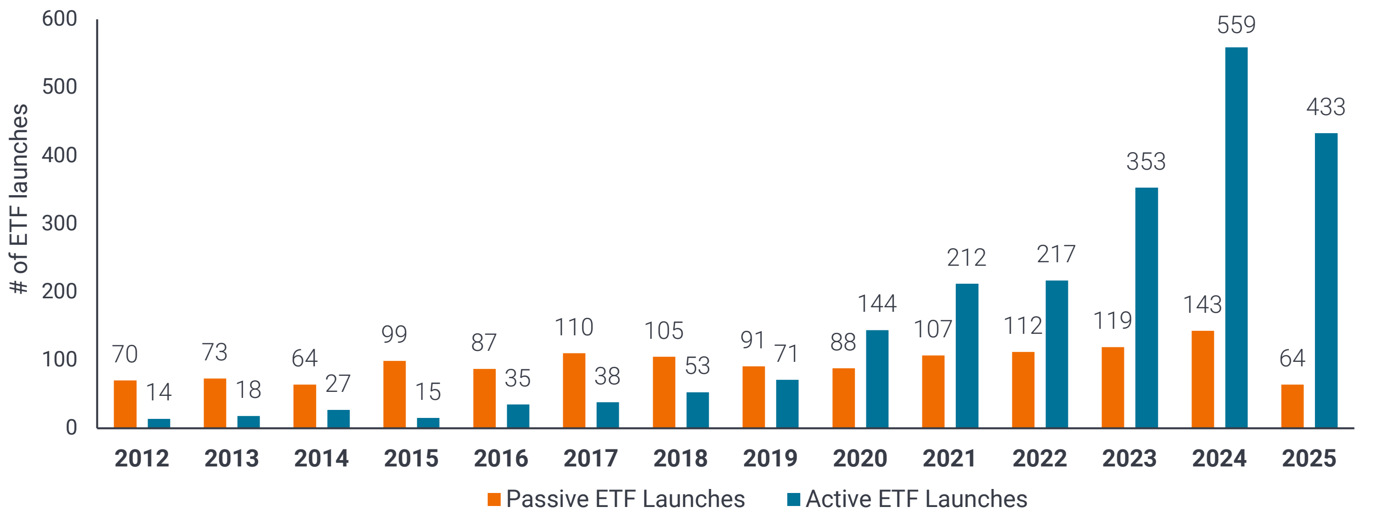
*Importantly, while 50% of these indicators are within our recession range threshold, this does not mean we assign a 50% probability of recession, which can be influenced by a number of other considerations not captured here.

Active ETF growth continues to accelerate in 2025

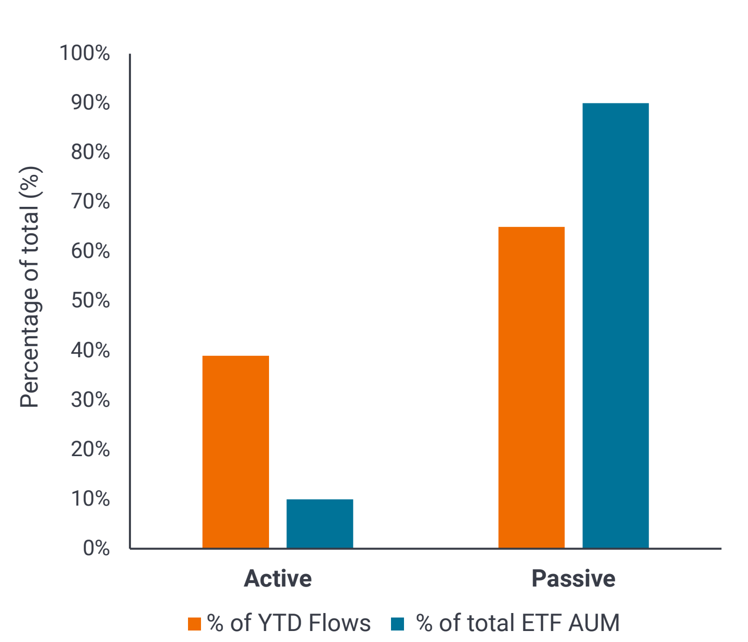
Third-quarter activity confirmed what we've seen building over the past several years: Active ETFs continue to drive innovation and flows, with active ETF AUM growing 38% YTD versus 6% for passive ETFs, albeit off a smaller AUM base ($1.35T active vs. $11.4T passive as of 9/30). Active ETF growth has been balanced between fixed Income (+40%) and equities (+36%).

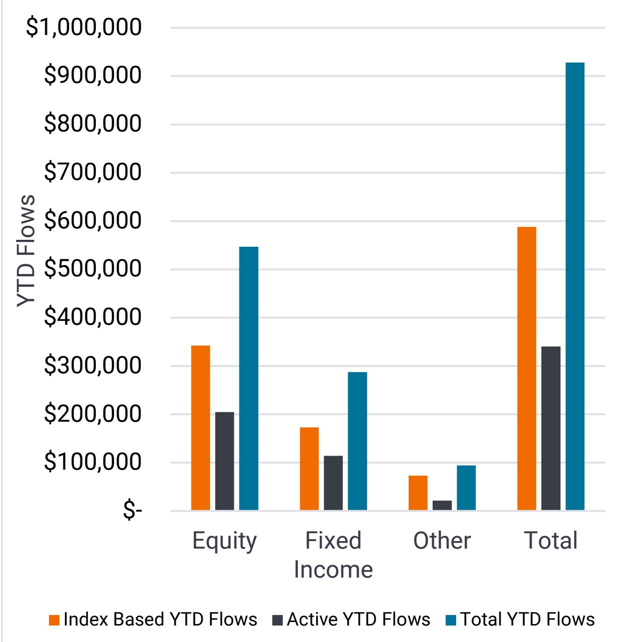
Despite the robust growth, the market has been discerning as to which active ETFs get those flows, with median AUM only $40M for ETFs between one to two years old, and $120M for ETFs between two and three years old.

Active ETFs now comprise more than 80% of YTD ETF launches



Active ETFs have punched above their weight in attracting flows





Source: Bloomberg as of September 30, 2025

Fixed income markets: Fed cuts & tightening spreads

The anticipated resumption of Fed cuts finally took place in September and October, and while the yield curve has shifted lower YTD, the bull steepening we saw at the start of the year stalled in Q3, with 2Y and 10Y Treasury yields remaining in the 50 basis point (bps) range.

When looking across fixed income sectors, duration has been a modest tailwind, while carry/income has continued to be a stabilizing force. While the two-year already reflects several potential Fed cuts, we still feel the front end of the curve offers solid risk-adjusted value for income-oriented investors.

Spreads across broader fixed income have continued to grind tighter following Liberation Day's short-lived spike, with corporate credit close to all-time tights. We continue to favor securitized assets given their combination of structural resiliency, diversification from traditional fixed income, and relative value opportunities.

Fixed Income Relative Value Monitor

	Fixed Income (USD)	Index	Duration	Yield to Worst	Price	Spread							Total Returns		
						Current	% Tile	MTD Δ	YTD Δ	Avg	MIN	MAX	MTD	YTD	1yr
Corporates	Investment Grade	Investment Grade	6.9	4.8	95.4	74	0%	-5	-6	117	74	272	1.50	6.88	3.31
		AAA	10.4	4.6	84.4	30	2%	-1	-2	59	28	122	2.09	6.29	-0.38
		AA	7.8	4.6	91.2	41	0%	-3	-4	65	41	163	1.61	6.24	1.72
		A	6.9	4.7	95.5	61	0%	-5	-7	94	61	211	1.46	6.85	2.98
		BBB	6.7	5.0	96.3	92	0%	-6	-5	147	92	353	1.52	7.03	3.95
		0-3yr	1.4	4.2	99.9	44	11%	-2	-12	65	34	263	0.43	4.27	4.72
		Industrials	7.6	4.9	94.0	72	0%	-5	-6	118	72	276	1.66	6.81	2.84
		Financial	5.3	4.7	98.4	74	2%	-6	-8	114	71	268	1.13	6.98	4.34
	High Yield	High Yield	2.8	6.7	98.0	267	2%	-5	-20	404	261	880	0.82	7.22	7.40
		BB	3.1	5.7	99.8	168	2%	-2	-11	264	156	654	0.82	7.40	6.87
		B	2.6	6.7	100.3	263	2%	-3	-14	406	250	856	0.83	6.76	7.12
		CCC & Below	2.4	10.9	86.1	696	20%	-30	-7	898	491	1852	0.75	7.79	10.19
		BB/B	2.9	6.1	100.0	206	2%	-3	-13	326	195	735	0.83	7.14	6.98
	Bank Loans	Bank Loans	<0.25	8.3	97.0	430	23%	-3	-5	502	382	1002	0.45	4.60	7.10
		BB	<0.25	6.5	99.7	250	7%	0	18	304	227	612	0.47	4.73	6.97
		B	<0.25	8.0	98.6	398	4%	-7	-9	493	391	1033	0.44	4.91	7.58
		CCC & Below	<0.25	19.9	73.3	1,588	76%	1	240	1435	811	2634	-0.34	2.33	4.70
		BB/B	<0.25	7.5	98.6	352	5%	-5	-9	435	340	904	0.44	4.82	7.38
Securitized	CLOs	CLOs	<0.25	5.8	100.0	184	8%	-2	-12	229	157	405	0.53	4.54	6.43
		AAA	<0.25	5.3	100.2	131	12%	-1	-6	161	110	302	0.49	4.17	5.81
		AA	<0.25	5.7	100.2	177	6%	-1	-11	220	157	388	0.51	4.50	6.25
		A	<0.25	6.1	100.2	212	3%	-2	-18	284	190	514	0.55	4.81	6.71
		BBB	<0.25	7.3	100.3	334	12%	-3	-19	422	283	796	0.69	5.47	8.10
		BB	<0.25	11.0	96.9	701	22%	-5	-23	796	496	1567	0.99	7.98	12.53
	Agency MBS	Agency MBS	5.8	4.7	91.5	31	39%	-4	-12	37	7	75	1.22	6.76	3.04
	ABS	ABS	2.1	4.6	100.3	88	47%	1	8	98	56	343	0.32	4.46	4.79
		AAA	1.7	4.2	100.6	53	49%	0	6	60	29	259	0.38	4.20	4.69
		AA to BBB	3.1	5.4	99.5	165	26%	2	3	203	128	599	0.20	5.06	5.01
	CMBS	CMBS	3.6	4.9	96.7	129	51%	-5	-20	138	77	263	0.40	6.21	5.01
		AAA	3.6	4.5	97.8	89	48%	-4	-10	95	53	197	0.41	6.08	4.75
		AA to BBB	3.8	5.6	94.8	195	33%	-7	-39	295	155	702	0.39	6.42	5.81
EM	Sovereigns	Emerging Markets	6.7	7.1	95.8	284	1%	-14	-42	379	264	626	1.78	10.66	8.23
		Investment Grade	7.5	5.3	97.9	95	0%	-8	-27	171	95	329	1.86	9.14	3.82
		High Yield	5.8	9.2	91.7	508	15%	-16	-50	635	389	1077	1.70	12.14	12.63

Source: Janus Henderson Investors, Bloomberg, JP Morgan and Bank of America as of September 30, 2025. See appendix for additional disclosure.

Past performance is no guarantee of future results.

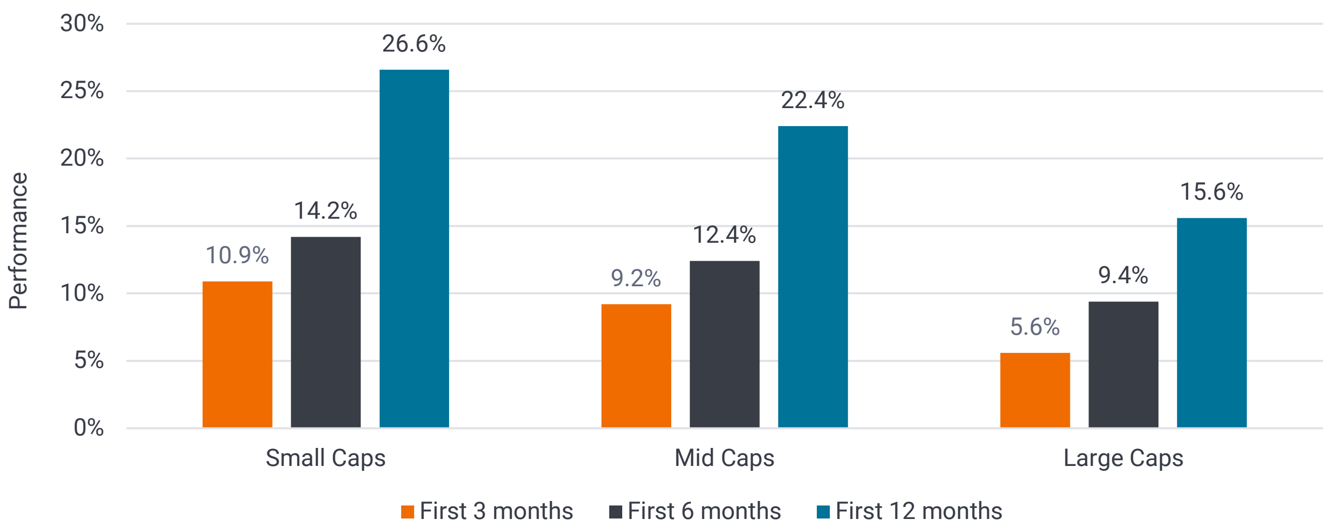
Equity markets: Continued resilience despite headline noise

We believe artificial intelligence (AI) may be the greatest economic multiplier in history, and those who don't have exposure to the theme may potentially underperform in the future. However, market-cap weighted indices reward the winners of the past, and while the top stocks have outperformed over the past 10 years, by historical standards that is an anomaly. We feel there are concrete steps investors can take within U.S. large cap to retain exposure to secular growth drivers while being mindful of valuations. For example, it's important to scrutinize whether all past winners can continue to drive growth going forward or are at risk of being disrupted.

Down-in-cap performance has been strong in the second half of 2025, and we see continued opportunities in U.S. small/mid cap with the resumption of potential Fed cuts, especially for growth-oriented companies with greater sensitivity to monetary easing (see Exhibit 1). We continue to focus on quality companies generating free cash flow – critical among small-cap stocks given ~40% of Russell 2000 Index constituents are currently unprofitable.

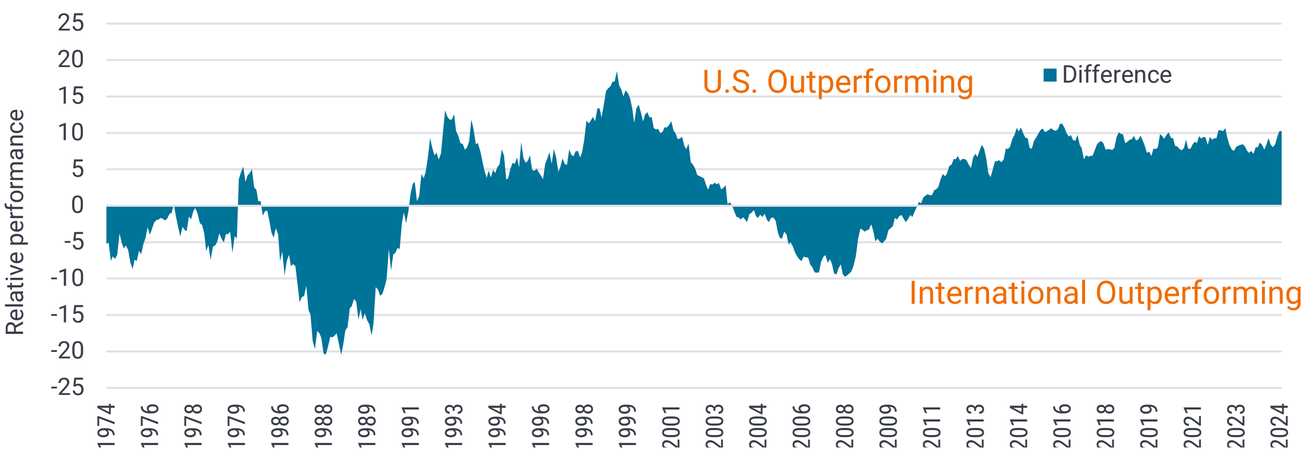
We remain constructive on international equities as recent shifts in U.S. trade policy have triggered a global realignment and structural European reforms and Asia stimulus are unlocking new growth potential. As capital flows respond to policy changes and local reforms and trade deals reaccelerate non-U.S. growth, international equities may drive returns for global investors in the coming quarters.

Exhibit 1: Performance of U.S. small caps after the first Fed rate cut (%)



Source: Federal Reserve Board, Haver Analytics, Center for Research in Security Prices (University of Chicago Booth School of Business), Jefferies. Data as of June 30, 2024. **Past performance is no guarantee of future results.**

Exhibit 2: Relative 5-year performance



Source: Janus Henderson Investors, Morningstar as of September 30, 2025. U.S. equity is represented by the S&P 500. International equity is represented by the MSCI World ex USA. Rolling 5-year trailing total return.

QUARTERLY INVESTMENT THEMES

Theme 1 | U.S. large-cap opportunities

Beyond the top holdings: Rethinking diversification within U.S. large-cap

Large-cap dominance is creating unintended risk

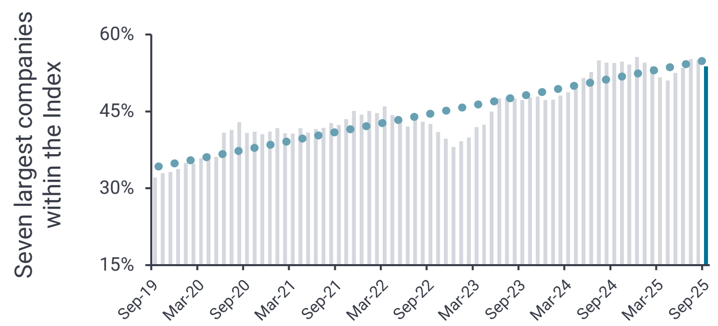
Insight:

Investor portfolios are overweight large caps, with much of that allocation concentrated in a handful of mega-cap growth stocks.

Implication:

While many of these largest companies are very profitable and have wide moats, finding other opportunities outside of the largest names while staying in large caps may mitigate index-driven volatility and broaden return drivers.

Seven companies make up 52% of the Russell 1000 Growth Index



Source: Janus Henderson Investors, index and ETF data as of September 30, 2025

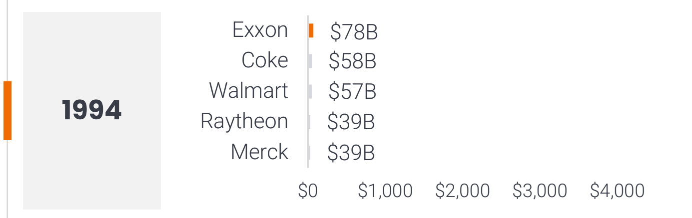
Last decade's dominant performers may not replicate that success

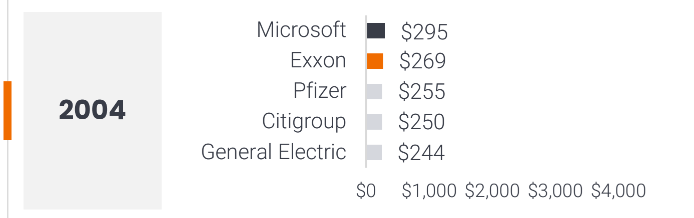
Insight:

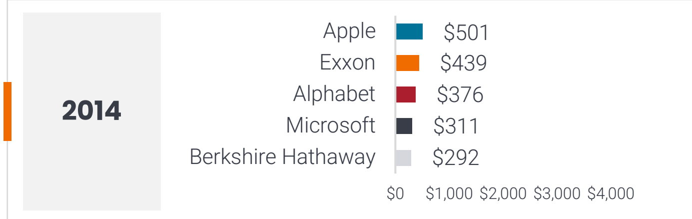
While current market leadership may persist into the future, historically this has been more of the exception than the rule.

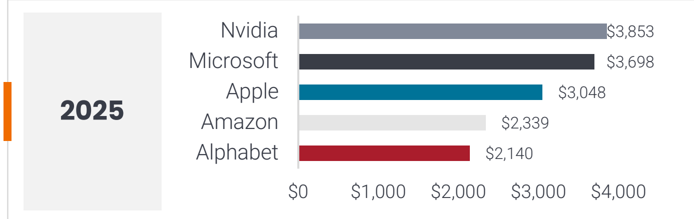
Implication:

Understanding the key secular growth drivers is certainly important, but equally important is identifying those companies that can be disrupters, while avoiding those that are more likely to be disrupted over time.









Source: charts, Bloomberg.com, Fortune.com and Yahoo Finance, via Finhacker.com. Market capitalization as of January 1 of respective year, 2025 market capitalization as of June 30, 2025. References made to individual securities do not constitute a recommendation to buy, sell or hold any security, investment strategy or market sector, and should not be assumed to be profitable. Janus Henderson Investors, its affiliated advisor, or its employees, may have a position in the securities mentioned.

Theme 1 | U.S. large-cap opportunities (continued)

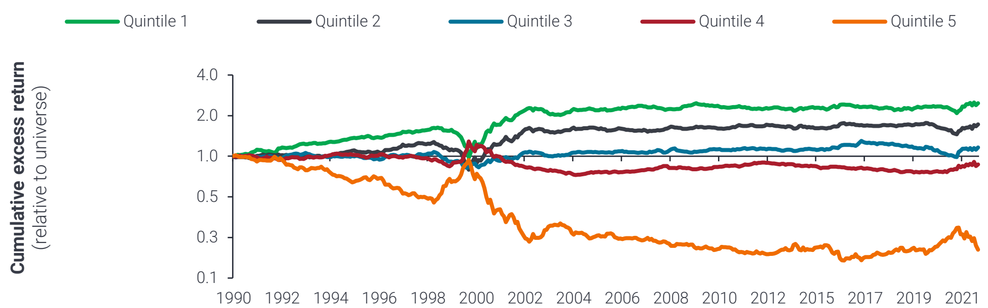
Quality bias can help avoid the biggest losers

Insight:
A disciplined quality screen can help filter out speculative, capital-destructive businesses, especially in a higher-cost-of-capital world.

Implication:
Focusing on fundamental factors such as return on invested capital (ROIC), earnings stability, and valuations can help investors stay invested through changing market cycles.

High return on invested capital (ROIC) -growth companies have led market performance over 20 years

Returns of U.S. growth companies with a market cap of >$1B, broken out into quintiles by ROIC



Source: Credit Suisse HOLT database. Date range: January 1990 – December 2021 (inclusive). Rebalance Frequency: Monthly.

PUT THE THEME TO WORK

JXX: Transformational Growth ETF

- Focuses on **secular themes**, investing in companies benefiting from **durable trends transforming society**
- **Highly active diversification:** Focused portfolio provides **thoughtful diversification away from the index** by generally avoiding the 5-10 largest companies
- **Designed to complement** – The portfolio focuses on 20-30 companies and **seeks to capture growth equity upside** while mitigating index-driven volatility

QUARTERLY INVESTMENT THEMES

Theme 2 | Emerging market (EM) debt's underrated appeal
EM Hard Currency Debt (EMD HC) can offer attractive risk-adjusted yields and structural mispricing

Fundamentals stronger than the "EM" label implies

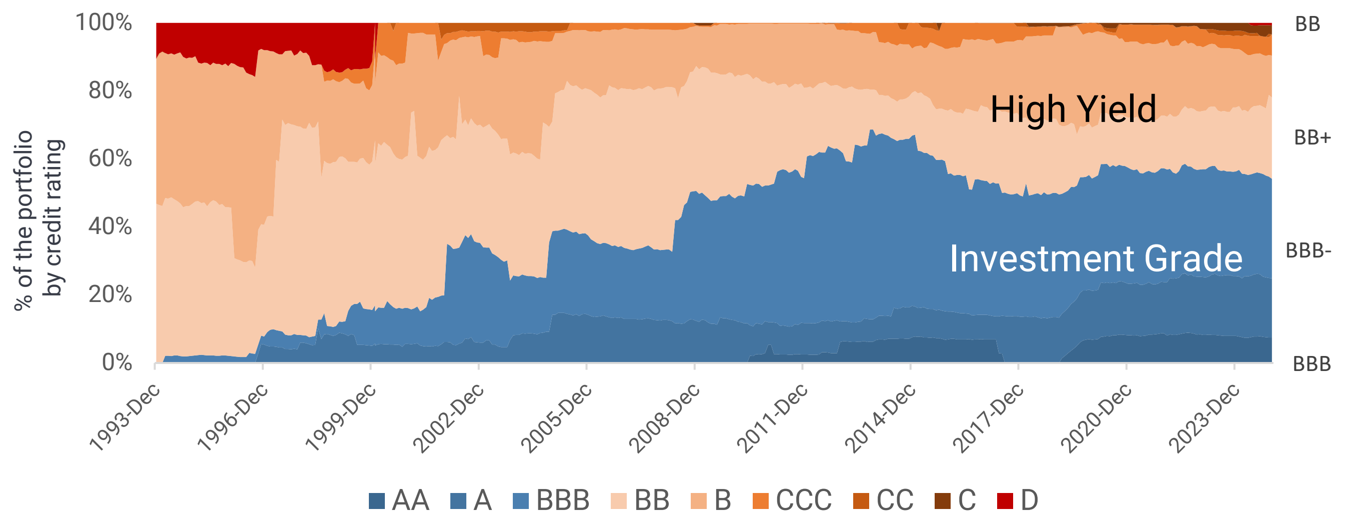
Insight:

Roughly 50% of the EM hard currency universe is investment grade. Much of the 2022 drawdown was driven by rising U.S. rates, not deteriorating credit quality.

Implication:

The "emerging market" label masks material credit differentiation. Many sovereigns in the index maintain solid fiscal profiles and benefit from International Monetary Fund backstops, which can provide a meaningful anchor in volatile periods.

EMD HC breakdown by credit rating over time



Source: Janus Henderson Investors, JP Morgan EMBI Global Diversified Index, as of December 31, 2024

U.S. dollar exposure may help reduce complexity and volatility

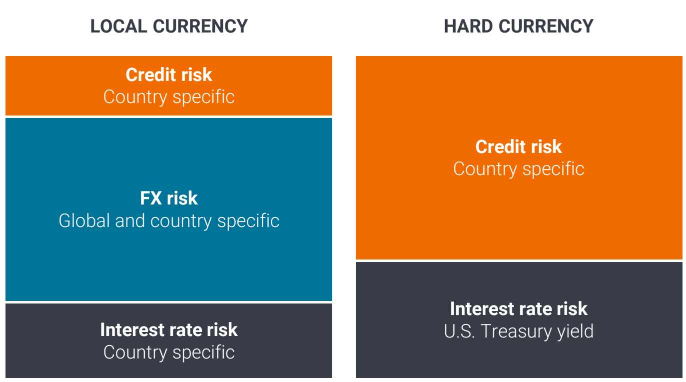
Insight:

Unlike local-currency EM bonds, EM hard currency debt is denominated in U.S. dollars and priced off the U.S. Treasury curve – offering potential yield without introducing foreign exchange (FX) risk.

Implication:

Investors can get global diversification and competitive income while staying anchored to a familiar rate structure and avoiding currency-related drag.

Return drivers in EM sovereign bonds



Source: Janus Henderson Investors

Theme 2 | Emerging market debt's underrated appeal (continued)

U.S. investors are under-allocated to EM debt

Insight:

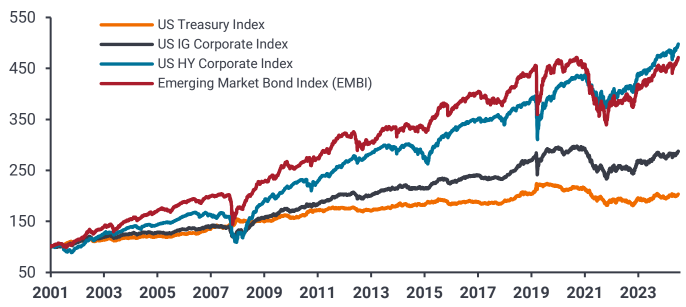
The sovereign hard currency EM debt market is $1.5T (larger than U.S. HY) and has provided similar returns to HY over time, along with portfolio diversification benefits. Yet U.S.-based advisor portfolios are currently less than 1% allocated to the EM debt asset class*.

Implication:

For investors seeking income with geographic diversification, EM debt provides a compelling complement, with historical returns and Sharpe ratio improved when incorporating into client portfolios.

*Source: JHI PCS team—2025 YTD Advisor Models run

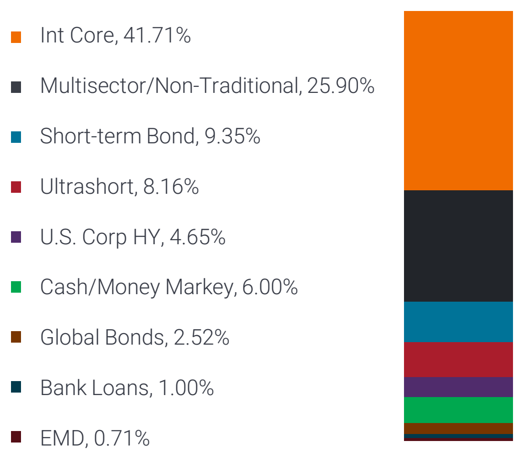
Growth of $100 over more than two decades



Source: Janus Henderson Investors, Bloomberg, as of December 31, 2001 to December 31, 2024. Note: Past performance does not predict future returns. Emerging market investments have historically been subject to significant gains and/or losses. As such, returns may be subject to volatility.

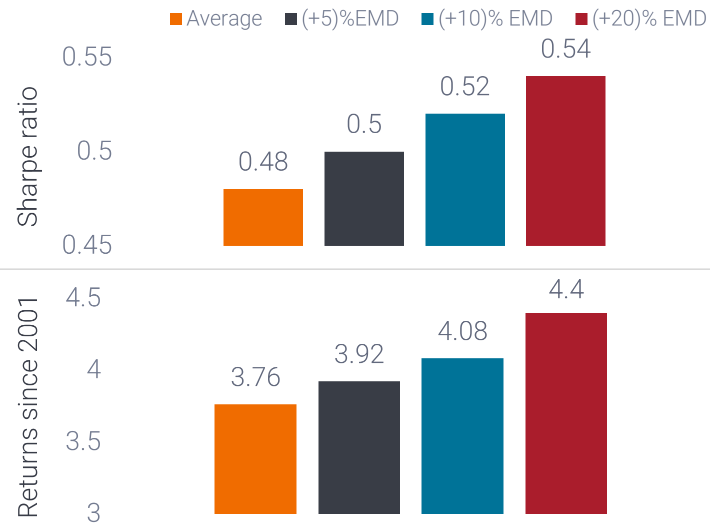
Comparable yield to U.S. high yield, with lower spread volatility

Industry average fixed income client portfolio in U.S.



Source: Janus Henderson industry portrait data as of September 30, 2025.

Impact on Sharpe ratio and return of adding EMD



Source: Janus Henderson Edge as of September 30, 2025. Indices used: Bloomberg US Agg Bond TR USD, Bloomberg U.S. Universal TR USD, Bloomberg US Govt/Credit 1-5 Yr, Bloomberg Govt/Corp 1 Yr Duration, ICE BofA U.S. High Yield TR USD, ICE BofA USD 3M Dep OR CM Tr, Bloomberg Global Aggregate TR, Morningstar LSTA U.S. LL TR USD and JPM EMBI Global TR USD.

PUT THE THEME TO WORK

JEMB: Emerging Market Debt ETF

- A single strategy focus that has remained **unchanged** since strategy inception*. The team have a **proven track record**, and full autonomy over the investment process and decisions.
- **An empirically founded analytical framework** to assess sovereign credit risk systematically across the investment universe.
- Focus on risk-adjusted returns by emphasizing **diversification** and **active management** of credit risk, rather than global macroeconomic factors.

*The Emerging Market Debt Hard Currency team joined Janus Henderson on September 1, 2022. The investment team, investment philosophy and process of the strategy remains unchanged since August 1, 2013. Any risk management process discussed includes an effort to monitor and manage risk which should not be confused with and does not imply low risk or the ability to control certain risk factors.

QUARTERLY INVESTMENT THEMES

Theme 3 | Securitized credit: High-quality fixed income with resilience & diversification

A $5T asset class reflecting the broader economy, yet largely ignored by fixed income benchmarks

Outside of agency MBS, other securitized sectors have less than 3% Agg exposure

Insight:

Securitized credit is a complex and often misunderstood asset class, despite financing much of the U.S. economy (e.g., mortgages, auto loans, student loans).

Implication:

Securitized credit's lack of inclusion in the largest fixed income benchmarks may provide opportunities for active managers to drive alpha via security selection while also providing fixed income investors diversification benefits within their fixed income portfolios.

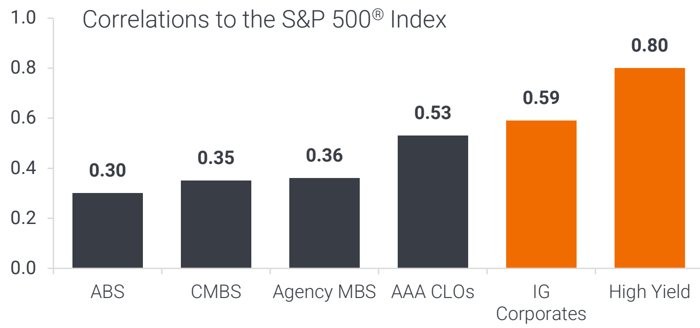
Securitized credit: Potentially higher carry with higher credit quality

Insight:

Securitized credit structures are heavily weighted toward investment-grade credit yet often provide spreads similar to or higher than comparably-rated corporate credit.

Implication:

Securitized credit may dampen overall portfolio duration and increase average credit quality while potentially offering superior risk-adjusted forward returns given current spread levels and decade-high yields.

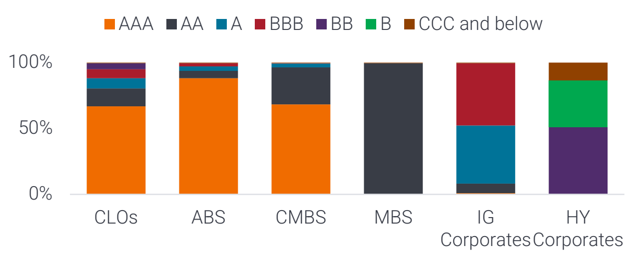


Source Janus Henderson Investors, Bloomberg, JP Morgan, as of September 30, 2025.

01 Manage duration and improve credit quality

Securitized indices generally exhibit stronger credit quality than corporate bonds

Fixed income sectors broken down by credit rating (%)



02 Securitized spreads provide more attractive relative value

Option-adjusted spread (OAS) and yield to worst (YTW) percentile ranking

Source: Bloomberg, Janus Henderson Investors, Morningstar as of September 30, 2025.

PUT THE THEME TO WORK

JSI: Securitized Income ETF

- Offers **direct access to the growing and complex securitized market** often underrepresented in fixed income benchmarks
- Helps **diversify a traditional fixed income portfolio** by potentially reducing credit risk, dampening overall duration, and increasing average credit quality
- Rigorous yield per unit of risk analysis designed to **identify best ideas across the securitized opportunity set**

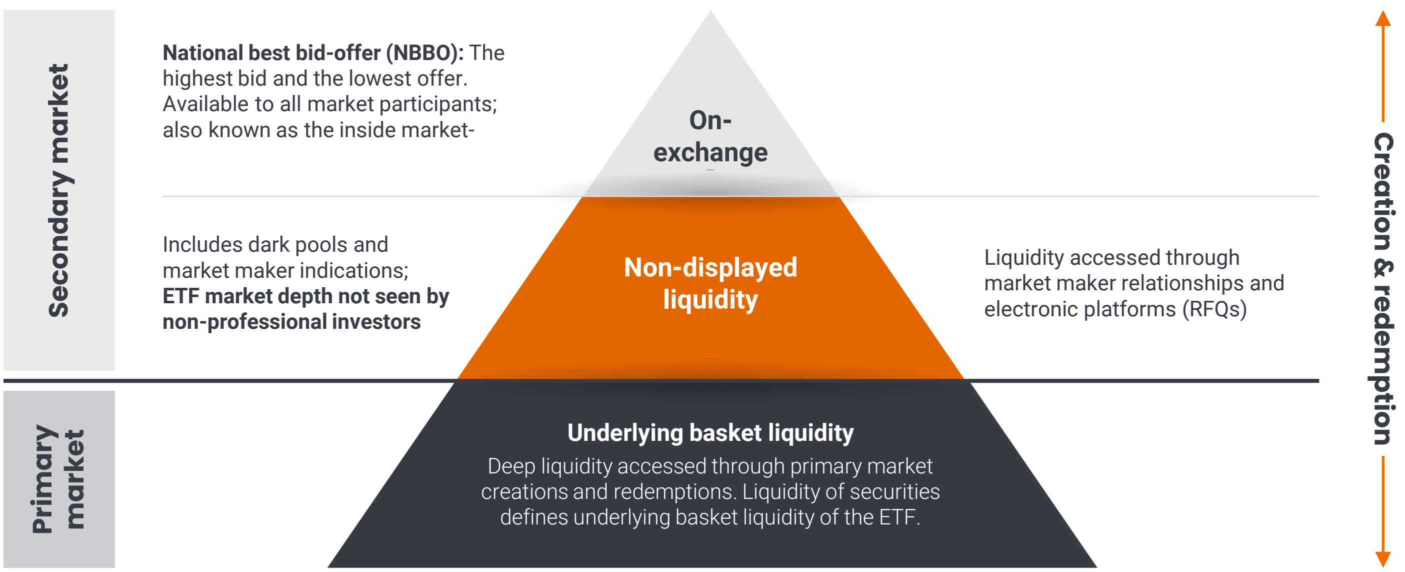
EDUCATIONAL CORNER

As innovation continues across the ETF landscape, our Educational Corner is here to help. Each edition breaks down a key topic — with minimal jargon — so you can feel more confident using ETFs in your practice and addressing client questions with ease.

Low trading volume doesn’t mean low liquidity

ETF shares are just the tip of the iceberg

- Investors often judge an ETF’s liquidity by how much it trades. But volume only tells part of the story.
- ETF liquidity comes in three layers:
  - **On-exchange trading** (visible volume)
  - **Non-displayed liquidity** (requests for quotes and block trades)
  - **Underlying basket liquidity** (the real driver)
- Thanks to the creation/redemption process, market makers can access the liquidity of the ETF’s underlying securities. This means they can facilitate large trades even if the ETF itself doesn’t trade frequently.



Curious to learn more?

This topic is covered in more detail in our **ETF Structure and Liquidity Fundamentals white paper.** Reach out to your local Janus Henderson representative or a member of our ETF Specialist Team to request a copy.

Our strategists

With a deep understanding of exchange-traded funds, our ETF Client Product Specialists can provide strategic guidance on implementation and portfolio construction.

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How we can support you

1. **Comprehensive education on our strategies**
Gain a clear understanding of each strategy, its objectives, risk/return profile, and current positioning in today's market environment.

2. **Insights into the ETF ecosystem**
Learn the mechanics behind ETF creation and redemption, tax considerations, liquidity characteristics, and how these factors impact portfolio construction.

3. **Proactive outreach by strategy**
Benefit from the most requested updates and actionable market insights to strengthen your client conversations.

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For a complete list of Janus Henderson's ETFs please visit
janushenderson.com/ETFs

Please consider the charges, risks, expenses and investment objectives carefully before investing. Please see a prospectus or, if available, a summary prospectus containing this and other information. Read it carefully before you invest or send money.

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There is no assurance the stated objective(s) will be met.

10-Year Treasury Yield is the interest rate on U.S. Treasury bonds that will mature 10 years from the date of purchase.

Alpha compares risk-adjusted performance relative to an index. Positive alpha means outperformance on a risk-adjusted basis.

A yield curve plots the yields (interest rate) of bonds with equal credit quality but differing maturity dates. Typically bonds with longer maturities have higher yields.

Basis point (bp) equals 1/100 of a percentage point. 1 bp = 0.01%, 100 bps = 1%.

Correlation measures the degree to which two variables move in relation to each other. A value of 1.0 implies movement in parallel, -1.0 implies movement in opposite directions, and 0.0 implies no relationship.

Credit Spread is the difference in yield between securities with similar maturity but different credit quality. Widening spreads generally indicate deteriorating creditworthiness of corporate borrowers, and narrowing indicate improving.

Duration measures a bond price's sensitivity to changes in interest rates. The longer a bond's duration, the higher its sensitivity to changes in interest rates and vice versa.

Free cash flow (FCF) yield is a financial ratio that measures how much cash flow a company has in case of its liquidation or other obligations by comparing the free cash flow per share with the market price per share and indicates the level of cash flow the company will earn against its share market value.

Option-Adjusted Spread (OAS) measures the spread between a fixed-income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option.

Quantitative Easing (QE) is a government monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market.

Return On Invested Capital (ROIC) is a measure of how effectively a company used the money invested in its operations.

Yield to worst (YTW) is the lowest yield a bond can achieve provided the issuer does not default and accounts for any applicable call feature (i.e., the issuer can call the bond back at a date specified in advance). At a portfolio level, this statistic represents the weighted average YTW for all the underlying issues.

Actively managed portfolios may fail to produce the intended results. No investment strategy can ensure a profit or eliminate the risk of loss. **Collateralized Loan Obligations (CLOs)** are debt securities issued in different tranches, with varying degrees of risk, and backed by an underlying portfolio consisting primarily of below investment grade corporate loans. The return of principal is not guaranteed, and prices may decline if payments are not made timely or credit strength weakens. CLOs are subject to liquidity risk, interest rate risk, credit risk, call risk and the risk of default of the underlying assets. **Concentrated investments** in a single sector, industry or region will be more susceptible to factors affecting that group and may be more volatile than less concentrated investments or the market as a whole. **Derivatives** can be more volatile and sensitive to economic or market changes than other investments, which could result in losses exceeding the original investment and magnified by leverage. **Diversification** neither assures a profit nor eliminates the risk of experiencing investment losses. **ESG Integration Risk.** There is a risk that considering ESG Factors as part of the Fund's investment process may fail to produce the intended results or that the Fund may perform differently from funds that have a similar investment style but do not formally incorporate such considerations in their strategy. Information related to ESG Factors provided by issuers and third parties, which portfolio management may utilize, continues to develop, and may be incomplete or inaccurate, use different methodologies, or be applied differently across issuers and industries. **Fixed income securities** are subject to interest rate, inflation, credit and default risk. The bond market is volatile. As interest rates rise, bond prices usually fall, and vice versa. The return of principal is not guaranteed, and prices may decline if an issuer fails to make timely payments or its credit strength weakens. **Foreign securities** are subject to additional risks including currency fluctuations, political and economic uncertainty, increased volatility, lower liquidity and differing financial and information reporting standards, all of which are magnified in emerging markets. **Growth stocks** are subject to increased risk of loss and price volatility and may not realize their perceived growth potential. **High-yield or "junk" bonds** involve a greater risk of default and price volatility and can experience sudden and sharp price swings. **Funds classified as "nondiversified"** can take larger positions in a smaller number of issuers than "diversified" funds, which could lead to greater volatility. **Securitized products**, such as mortgage- and asset-backed securities, are more sensitive to interest rate changes, have extension and prepayment risk, and are subject to more credit, valuation and liquidity risk than other fixed-income securities. **Sovereign debt securities** are subject to the additional risk that, under some political, diplomatic, social or economic circumstances, some developing countries that issue lower quality debt securities may be unable or unwilling to make principal or interest payments as they come due. The Fund will typically enter into **"to be announced" or "TBA" commitments** when purchasing MBS, which allows the Fund to agree to pay for certain yet-to-be issued securities at a future date and which may have a leveraging effect on the Fund. **Increased portfolio turnover** may result in higher expenses and potentially higher net taxable gains or losses.

Source: Janus Henderson Investors, Bloomberg, JP Morgan and Bank of America as of September 30 2025. Spread data (percentile ranking, avg, min and max) spans of the past 10 years and is based on month-end data. "Investment Grade" represents the Bloomberg US Corporate Bond Index, "High Yield" represents the Bloomberg US High Yield Index,"Bank Loans" represents the JP Morgan Leveraged Loan Index, "CLOs" represents the JPM CLOIE Index, "MBS" represents the Bloomberg MBS Index, "ABS" represents the ICE BofA US Fixed Rate Asset Backed Securities Index, "CMBS" represents the ICE BofA CMBS Fixed Rate Index and "Sovereigns" represents the EMBI Global Diversified Index. Floating rate assets, Bank Loans and CLOs, spreads are over 3M SOFR while traditional fixed income spreads are over US Treasuries. There is no guarantee that past trends will continue, or forecasts will be realized. It is not possible to invest directly into an Index. Investors must not make investment decisions solely on the information above as it does not take into consideration all of the risks and market dynamics impacting each asset class such as issuer fundamentals, new issuance, pricing, liquidity, credit risk, etc. CLO spreads (Discount Margin) experienced a one day spread widening of 26bps on June 28th 2023 when J.P. Morgan Transitioned the reference rate from LIBOR to SOFR. We retroactively added 26bps to the historical spreads prior to this date. CLO spreads shifted from Discount Margin-to-Worst to Discount Margin-to-Maturity on 1/31/2024. This transition was prompted by the average price of AAA CLOs exceeding par. Consequently, the index started to price CLOs based on their next call date, with an expectation of them being called, resulting in spreads being understated.

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