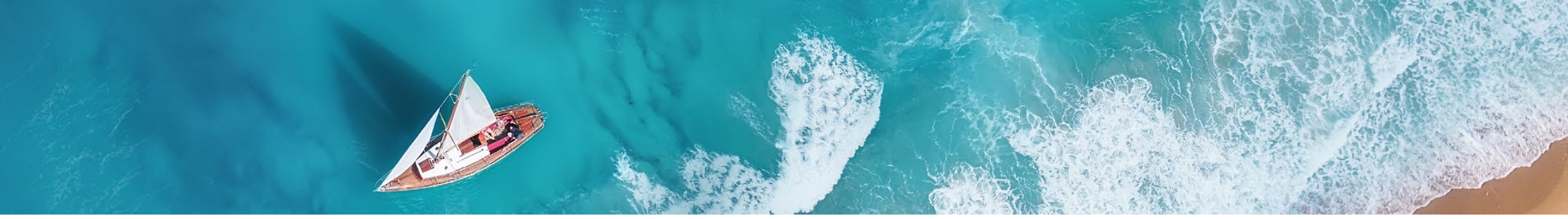

Top Three Credit Themes for 2023

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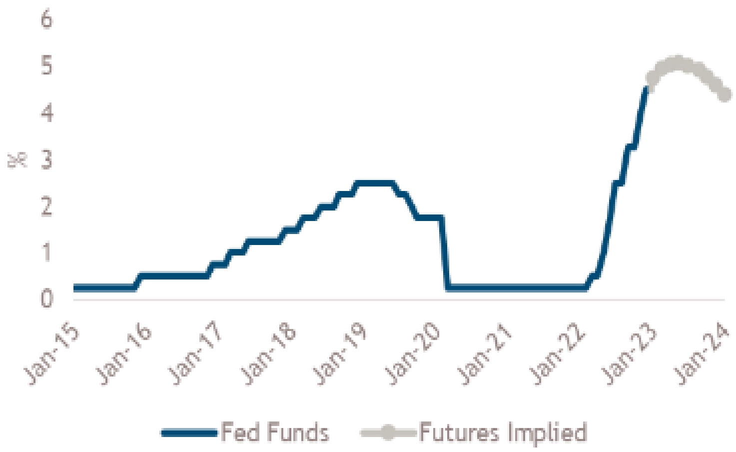
In what is shaping up to be a very different investment environment to 2022, three key themes are underpinning our multi-asset credit strategies.

1. Increasing Exposure to Longer Duration Assets

2022 was a difficult year for all credit markets given inflationary pressures and subsequent rises in interest rates. Longer duration assets sold off notably. However, rates have rallied within the last three months and the forward curve is no longer moving higher as future rates moves are priced in; we could see an end to central bank rate hikes by the middle of this year.

Given the improving rates backdrop, we believe there are increasing short term opportunities in longer duration (c. 8-10 years), higher quality (investment grade rated) credits which tend to have lower volatility and maintain their relationships with yields. We believe this sub-section of corporate credit is likely to rebound in line with falling rates.

Fig. 1 – Market Implying Fed is Close to the End of Rate Hiking Cycle



Source: Bloomberg as of January 23, 2023. For illustrative purposes only, not to be construed as investment advice.

2. Opportunities in Higher Yielding Short Duration

Given the large moves in yields at the short end of the curve, we are also seeing opportunities in higher yielding, short duration assets. Bonds in the BBB and BB ratings categories have a very compelling yield per unit of duration. Due to the relatively flat yield curves, investors are being compensated for taking the same level of risk in short and long duration assets.

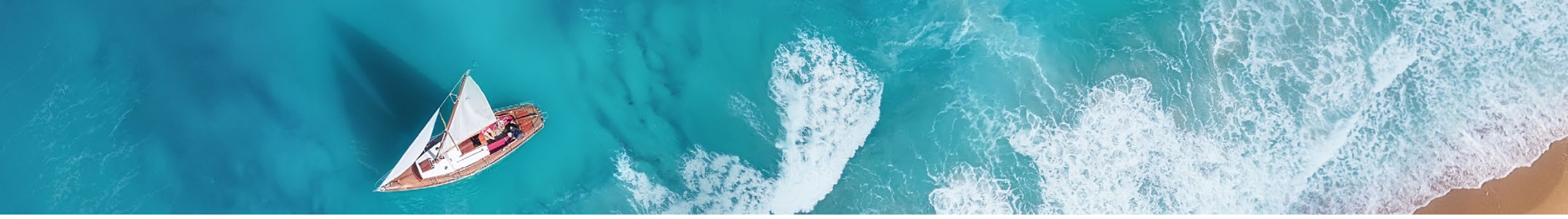
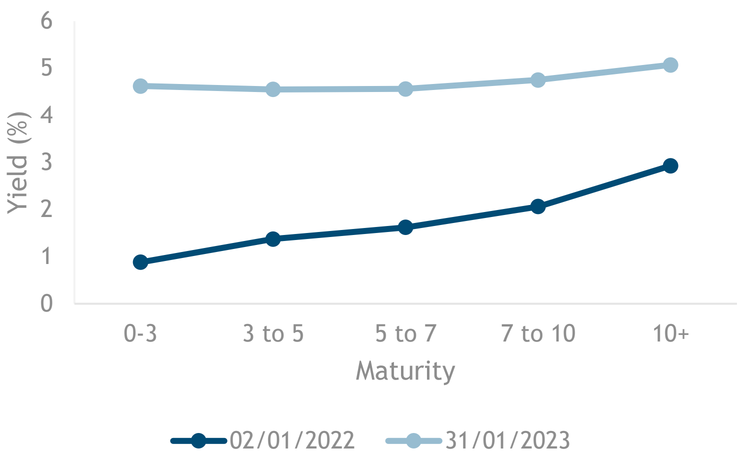


Fig. 2 – Short Duration Investment Grade Yields Appear Compelling

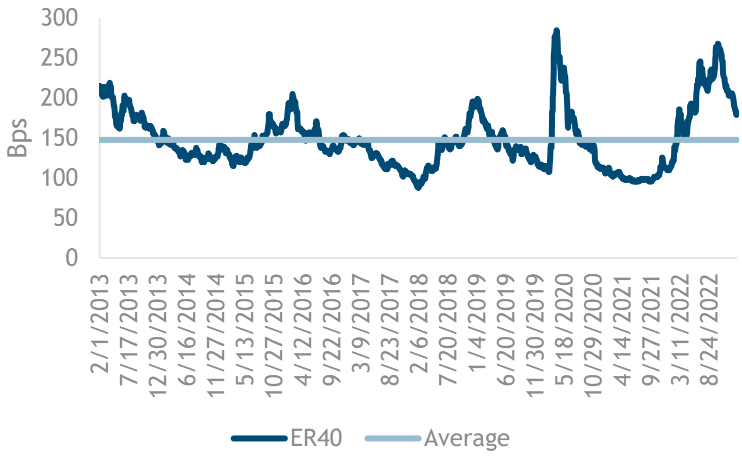


Source: ICE Data Platform, as of 31st January 2022. ICE BofA Global Corporate Index (G0BC). For illustrative purposes only, not to be construed as investment advice.

3. European Credit

European and Euro-denominated assets were hard hit by last year's Russian invasion of Ukraine. However, we are now seeing value in Euro assets and have increased our exposure within the shorter duration BBB rated segment of the market. We also see value in European financials, both within senior bonds and subordinated (lower-tier 2) debt as we believe European banks are in good financial health; they're supported by the European Central Bank and their securities have repriced significantly, especially within the subordinated segment where yields are very appealing.

Fig. 3- European BBBs Wide to 10-Year Average



Source: ICE Data Platform, as of 31st January 2023. ICE BofA ML BBB Euro Corporate Index (ER40). For illustrative purposes only, not to be construed as investment advice.

Conclusion

Multi-asset credit strategies can navigate across sub-asset classes, ratings and regions to find the most compelling valuations while reducing risk exposure during periods of increased volatility. Although valuations have tightened considerably over the last few months, we remain constructive on credit.

Index Descriptions

G0BC – The ICE BofA Global Corporate Index tracks the performance of investment grade corporate debt publicly issued in the major domestic and eurobond markets. Qualifying securities must have an investment grade rating (based on average of Moody's, S&P and Fitch), have at least one year remaining term to final maturity as of the rebalancing date, at least 18 months to maturity at point of issuance and a fixed coupon schedule.

ER40 – The ICE BofA ML BBB Euro Corporate Index is a subset of the ICE BofA ML Euro Corporate Index (ER00) including all securities rated BBB1 through BBB3, inclusive.

Important Information