



SiM U.S. High Yield Opportunities

Morningstar Rating ★★★★★

Online update 14-09-2023



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Strategic Income Management (SiM)

High Yield is a Resilient Asset Class



Don't time the market. As of 7/31/2023, JPM Index HY spread was 408 bps vs 502 bps average over the last 10 years.

On average, spreads have tightened post a pause in Fed policy hikes.

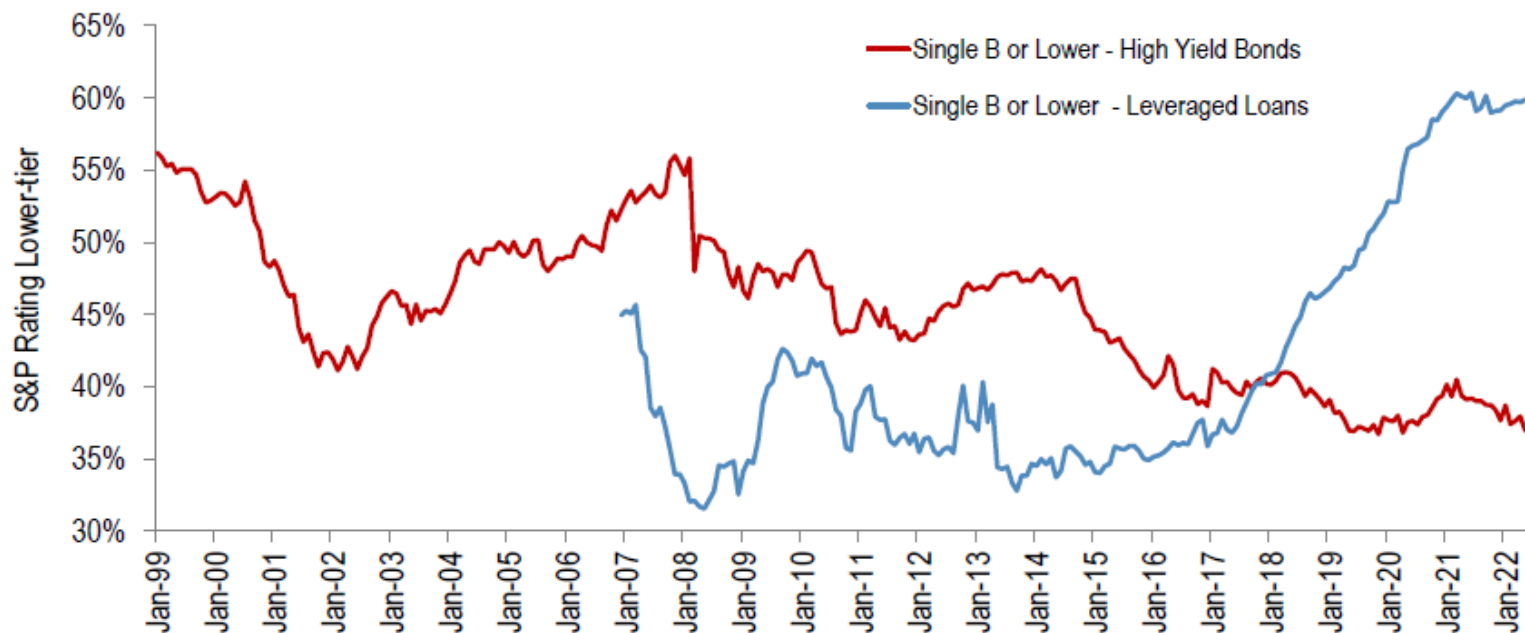
Month of last hike	Fed Funds Terminal Rate	HY Spreads at end of hiking cycle	HY Forward Returns	HY Forward Spread Change
			12 mo.	12 mo.
Dec-18	2.50%	567bp	14.08%	-143bp
Jun-06	5.25%	359bp	11.83%	-35bp
May-00	6.50%	661bp	3.33%	81bp
Mar-97	5.50%	325bp	15.72%	-7bp
Feb-95	6.00%	437bp	16.51%	-28bp
Average		470bp	12.30%	-26bp

Source: J.P.Morgan





High-Yield Bonds have Structurally Improved over Time Vs. Loans



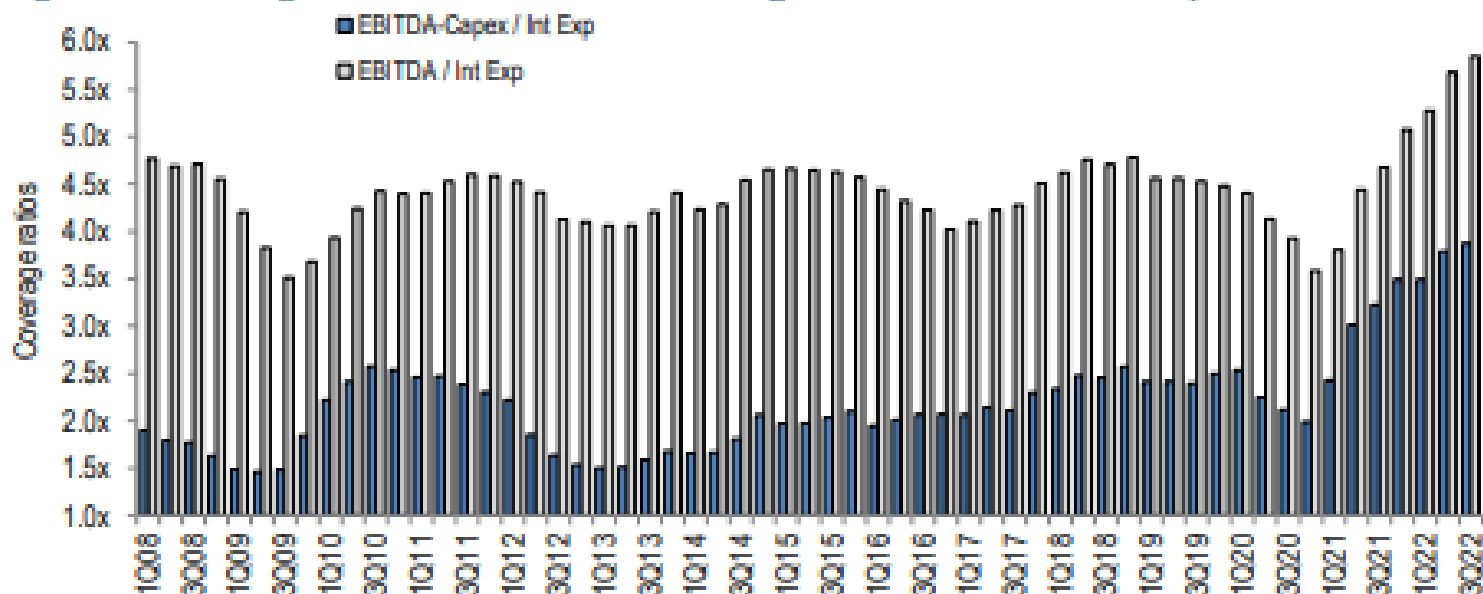
Source: J.P. Morgan.





High-Yield Bonds are very strong structurally

Figure 10: Coverage ratio increased to a record high in a fourth consecutive quarter



Sources: J.P. Morgan; Capital IQ.

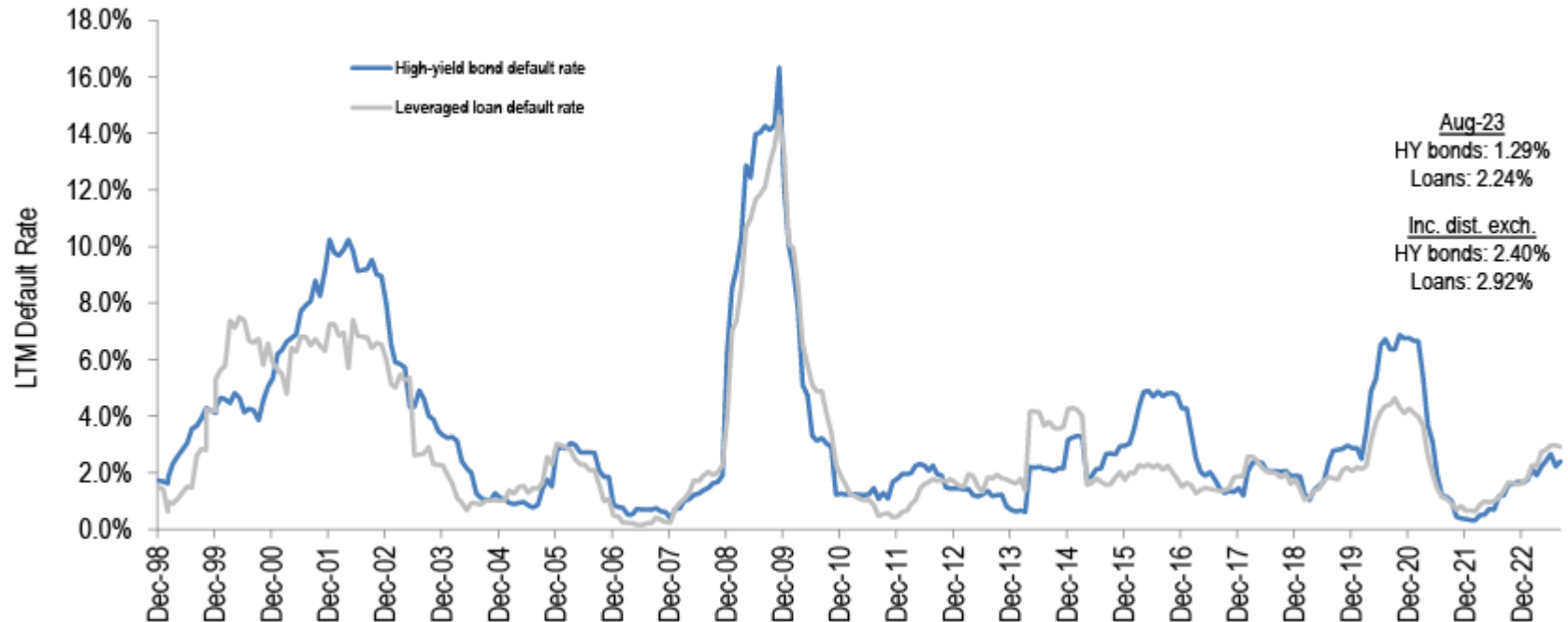


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High Yield is a Resilient Asset Class



As of 8/31/2023, the par weighted default rate, including distressed exchanges, was 2.4% vs LT average of 3.2%.
JPM forecasts HY default rates of 3.0% (2023) & 3.25% (2024) vs 3.25% (2023) & 4.0% (2024) for leveraged loans.



Strategic Income Management (SiM)

High Yield is a Resilient Asset Class



HY YTW offers a return higher than average historical global equities

Global High Yield yield-to-worst vs average global equity 1990-

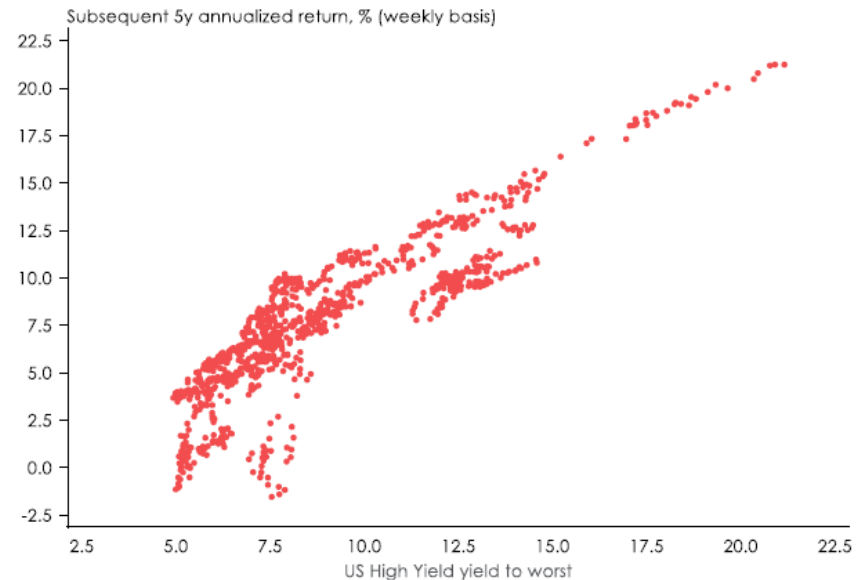
Global High Yield yield-to-worst vs historical global equity returns



Sources: Clarksons Securities AS, Macrobond, Bloomberg

Correlation between yield to worst and annual returns next 5yrs.

Global HY yield-to-worst annualized return subsequent 5 years



Sources: Clarksons Securities AS, Macrobond, Bloomberg

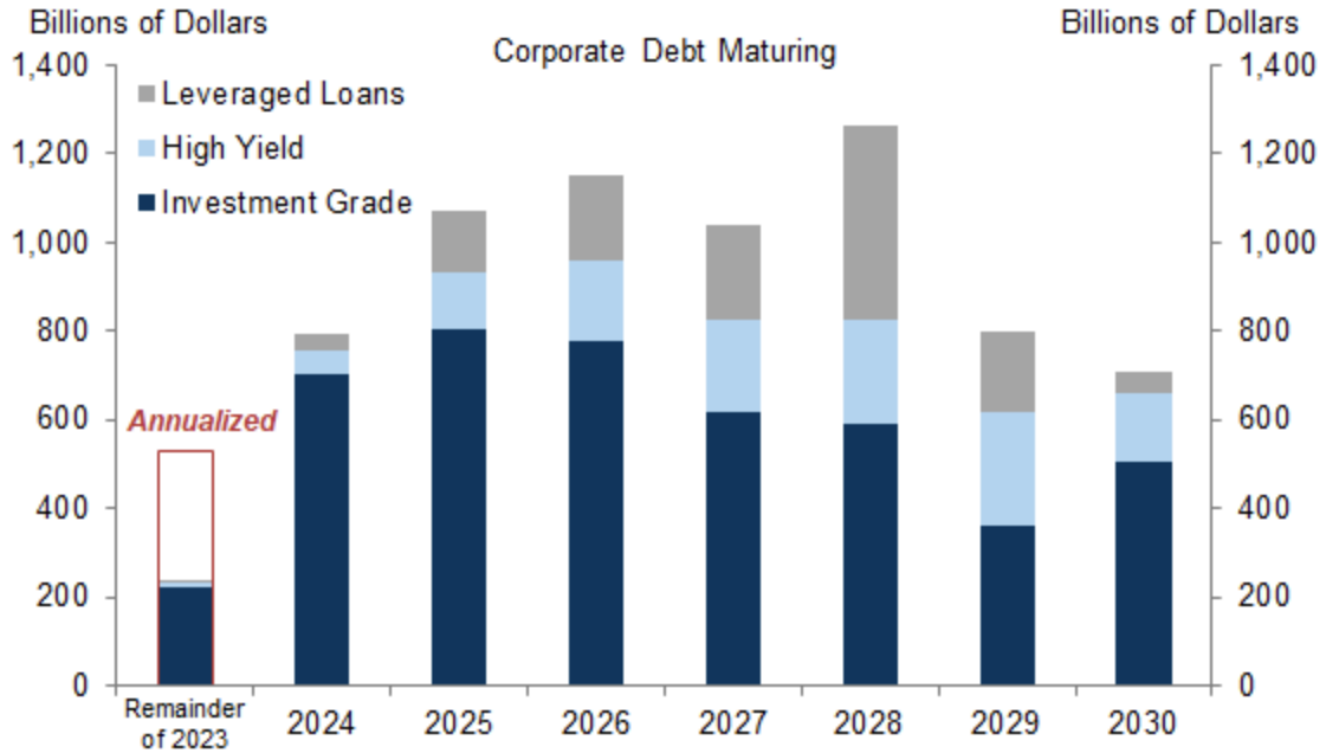


Strategic Income Management (SiM)

Value Driven, Income Focused



US HY Maturity Wall Further Out



Source: Bloomberg, Goldman Sachs Global Investment Research



Strategic Income Management (SiM)

Portfolio Characteristics

UCITS Portfolio Characteristics

8/31/2023

Characteristics Summary		
	SiM	ICE BofaML US HY Index
Price	90.1	90.8
Yield To Worst	8.4%	8.4%
Option Adjusted Spread	393	381
Coupon	5.7%	5.9%
Rating	B+	B+
Current Yield	6.2%	6.6%
Yield To Maturity	8.4%	8.5%
Effective Duration	3.5	3.5

CORE: 60%

Out Of Favor: 40%





History of Team

- **Same strategy for 24 years** managing dedicated high yield portfolios
- Previously managed high yield portfolio for 11 years at Principal achieving top decile performance across 3-, 5-, and 10-year periods, as ranked by Morningstar
- Foster talent from within the firm/Institutionalize Philosophy & Strategy
- Ryan Larson Co-equal Portfolio Manager with 12 years under SiM strategy
- Key personnel compensation structure heavily weighted towards Client success - Performance bonuses and firm income





Firm & Product Overview

- **Total firm AUM: ~\$1.7 Billion**
 - AB Mutual Fund AUM: ~\$1.2 Billion
 - UCITs AUM: ~\$200mm
 - Separately Managed Accounts AUM: ~\$260mm

- Client types: Public Pension Funds, Insurance Companies, sub-advisor for US '40 Act registered Mutual Fund and UCITs Fund



What makes SiM US High Yield unique?

A distinctive approach to High Yield investing



Typical US High Yield Manager:

- Closet indexers + or minus 1-2% of an industry
- 250+ Issuers/Names
- Diluted by Large Teams
- Match index performance as a goal

The SiM Approach:

- Differentiated
- Unique Strategy
 - Core - Appropriate Companies for HY
 - Out-of-Favor - Exploit Greed and Fear
 - Small Cap - Extra 100 bps Coupon
- Index Agnostic
- High Conviction ~80 Issuers/Names
- Portfolio Managers are Analysts first
- Differentiation has allowed SiM to consistently outperform



Strategic Income Management (SiM)

Portfolio

3 x 3

Core

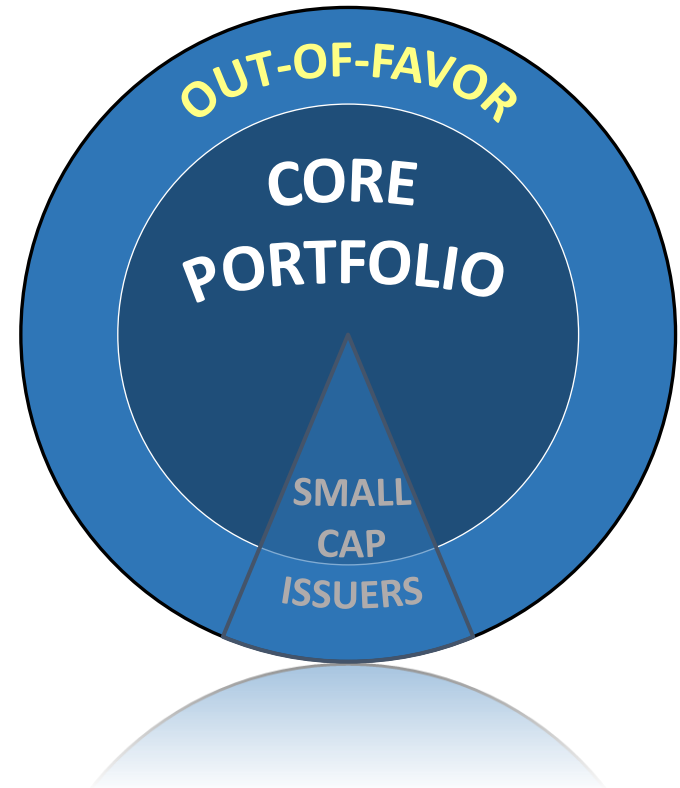
- Long-term secular trends
- Suitable Industries
- Good Businesses

Out of Favor

- Viable Industry
- Catalyst for Change
- Long Runway

Small Cap

- Yield Advantage
- Rating Agency
- Neglected by larger peers



Performance SiM US High Yield Opportunities

Historical Performance



GIPS Compliant Gross Composite Performance

Data as of 30-06-2023	YtD	1 Year	3 Year	5 Year	Since Inception
US High Yield (in USD)					
SiM US High Yield (Inception - Feb 11)	4.94%	9.12%	7.36%	5.17%	6.78%
BofA ML US High Yield Master II	5.41%	8.87%	3.21%	3.19%	4.93%
Outperformance BofA ML US High Yield Master II	-0.47%	+0.25%	+4.15%	+1.98%	+1.85%

Performances in the table above is annualized

Data quoted is past performance gross of fee and current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate.

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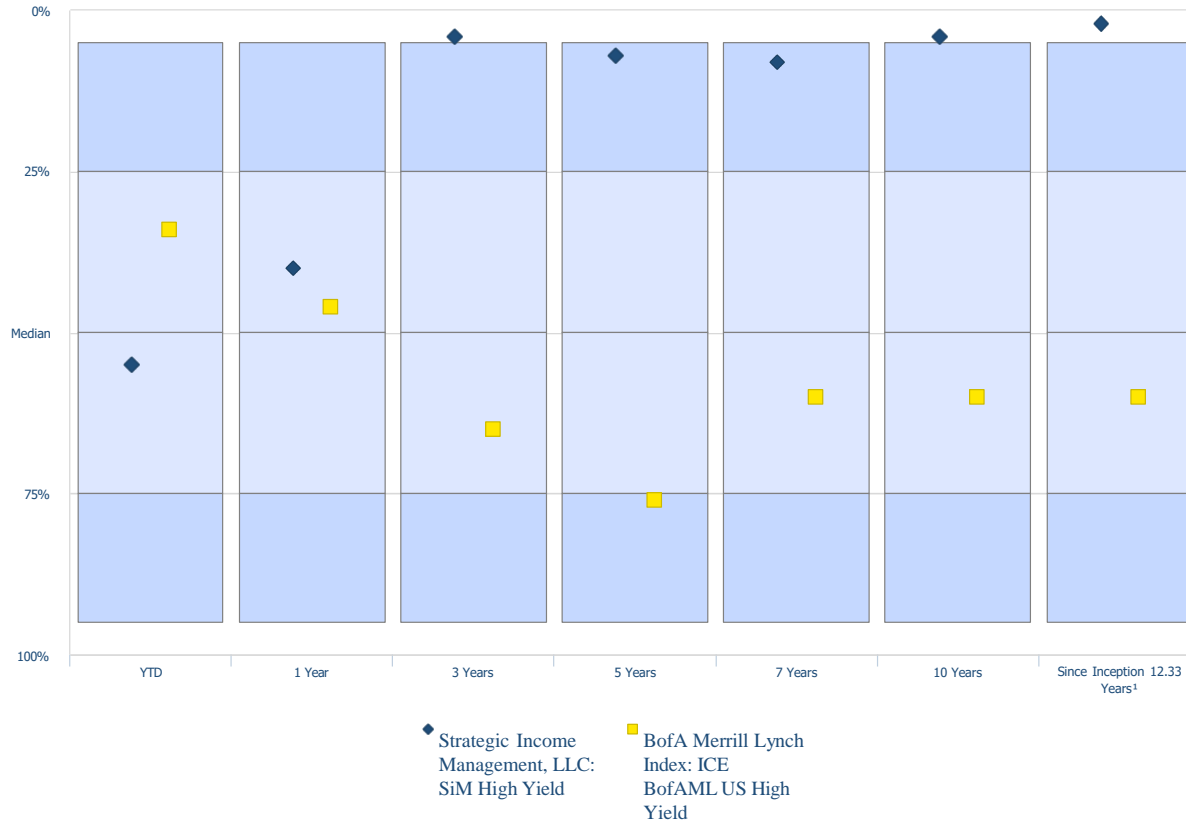


Candoris

Access to the world's best investment strategies.

Returns

SiM US High Yield Opportunities v. Benchmark & Peers



Universe: [eVestment US High Yield Fixed Income](#)

Results displayed in USD using Spot Rate (SR).

¹03/2011 - 06/2023

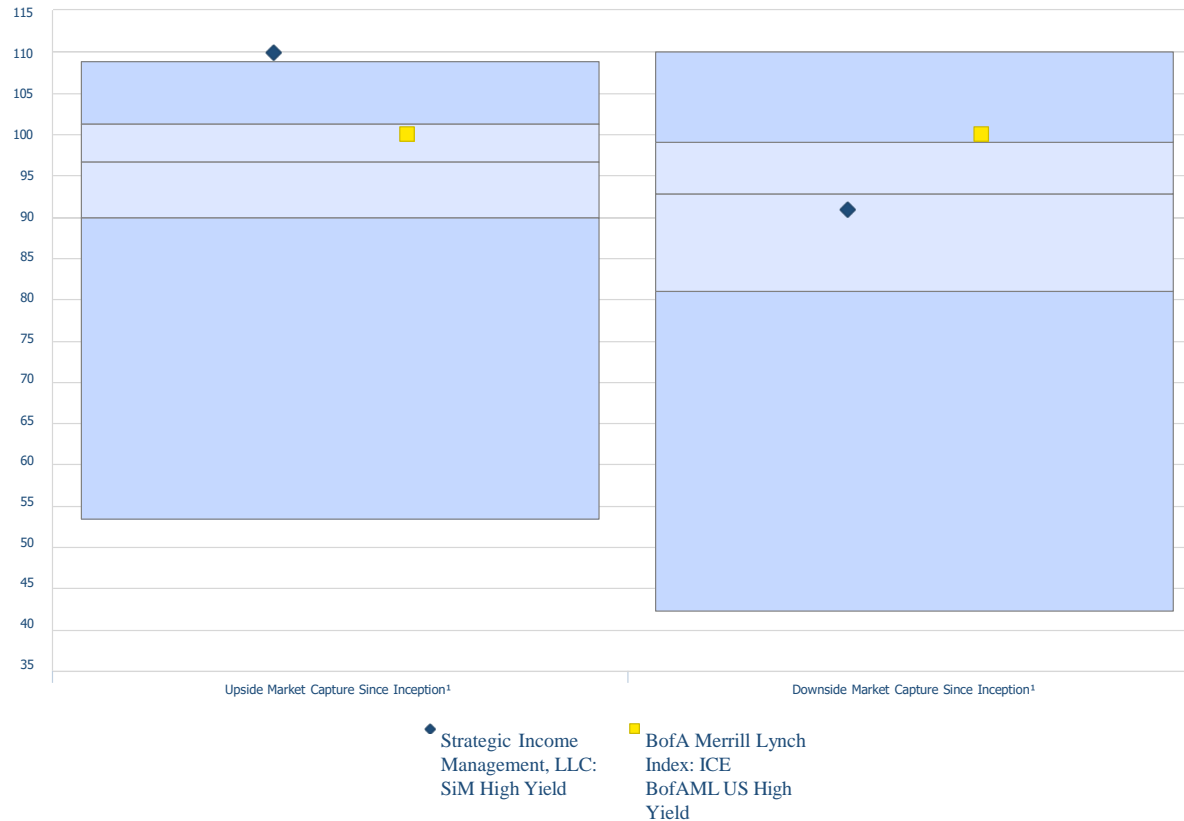
Source: eVestment; based on GIPS Compliant Composite Performance
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Upside/Downside Market Capture

SiM US High Yield Opportunities v. Benchmark & Peers



Universe: eVestment US High Yield Fixed Income

Results displayed in USD using Spot Rate (SR).

¹03/2011 - 06/2023

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Strategic Income Management (SiM)

Value Driven, Income Focused

Performance

20+ years of unmatched *Top Decile Performance*
11-Years American Beacon, 10-Years Principal/WM

	5/31/1999 - 4/30/2009			
	<i>Peer Group Ranking</i>			
	1yr	3yr	5yr	10yr
Principal High Yield Inst (PHYTX)	27	5	2	3

	06/30/2013 - 06/30/2023			
	<i>Peer Group Ranking</i>			
	1yr	3yr	5yr	10yr
American Beacon SiM High Yld Opps R5 (SHOYX)	46	3	6	3

Biographies

Gary J. Pokrzywinski, CFA

Mr. Pokrzywinski is lead High Yield Portfolio Manager for SiM. He has 30+ years of experience in the fixed income financial markets. He currently manages the Morningstar 5-star*, American Beacon SiM High Yield Opportunities mutual fund, and prior to founding SiM managed the Morningstar 5-star**, Principal High Yield mutual fund from its inception in April 1998 to May 2009. Prior to SiM, He was the CIO and a High Yield Portfolio Manager for Edge Asset Management (and its predecessor), an affiliate of Principal Financial Group. He worked for Edge and its predecessor from 1992 to 2009. Prior, Mr. Pokrzywinski was an investment officer/portfolio manager for Firstar Investment Services Co. He received a bachelor's degree in finance and management information systems from the University of Wisconsin - Milwaukee. Mr. Pokrzywinski earned the right to use the Chartered Financial Analyst designation in 1989 and is a member of the CFA Society of Seattle.

Ryan C. Larson, CFA, CAIA

Mr. Larson is a Portfolio Manager for the SiM High Yield Team. Mr. Larson is responsible for portfolio management, investment research and analytics. He has 14 years of experience in investments. Mr. Larson worked under the direction of a Managing Director at Wells Fargo in Seattle, Washington from 2008 to 2009. Mr. Larson earned the right to use the Chartered Financial Analyst designation in 2012 and is a member of the CFA Society of Seattle. Mr. Larson has also earned the right to use the Chartered Alternative Investment Analyst Association (CAIA) designation in 2012. Mr. Larson graduated with honors in Commerce, Organization and Entrepreneurship from Brown University.

Kevin Power, CFA

Mr. Power is a high yield analyst for SiM High Yield Team. Prior to joining SiM in 2016, Mr. Power worked as a business loan officer at Business Impact NW, a non-profit Community Development Financial Institution, where he underwrote and serviced business loans. Prior to Business Impact NW, from 2006-2015, Mr. Power worked at Bank of America, in various roles, but most recently as a Banking Center Manager. Mr. Power holds a B.S. in Economics from the University of Washington.

**Data provided by Morningstar. SHOIX (institutional class) **CPHYX (load waived) 5-star ranking from 11/05 to 5/09. CPHYX 4- or 5-star rating from 4/03 to 5/09. Past performance is no guarantee of future results.*



Biographies (cont.)

Tim Black, JD

Mr. Black is the Chief Operating Officer and Chief Compliance Officer for SiM and is responsible for day to day operations and SEC compliance matters. Mr. Black has 20+ years of experience in regulatory and compliance matters in various roles in the investment industry. He is a former partner of Integra Ventures, a federally licensed Small Business Investment Company (SBIC), where Mr. Black was responsible for regulatory compliance and oversight management for the firm. Mr. Black is an attorney whose prior practice focused on corporate and securities matters, including issues relating to investment advisers and broker dealers. Mr. Black holds a BA from Colorado College and a JD, with honors, from Seattle University.

Roger Landes

Mr. Landes is a Compliance Officer here at SiM. Mr. Landes has a 20+ year history in the Investment Advisory Industry. Prior to joining the firm in 2023, Mr. Landes was an Associate Director of Compliance at SLC Management, a Boston based Registered Investment Advisor where he was responsible for compliance oversight and testing. Prior to SLC Management, Mr. Landes was Chief Compliance Officer for Prime Advisors, Inc. a locally based Fixed Income Advisor. Mr. Landes was responsible for all aspects of the compliance program. Roger attended Washington State University where he studied Business and Economics.

Greg Holmes, CFA

Mr. Holmes is a high yield trader for SiM. Prior to joining SiM in 2022, Mr. Holmes was a wealth manager for Heritage Bank where he provided investment management and financial planning for individuals and businesses. Mr. Holmes holds a BA in Finance from Washington State University.

Lauren Reese, MBA

Ms. Reese is an Operations and Reporting Associate for SiM and is responsible for day-to-day high yield portfolio operations and reporting. Prior to joining SiM in 2023, Ms. Reese received her MBA from Oregon State University studying Corporate Finance.



Appendix Exhibit 1 (Continued)

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