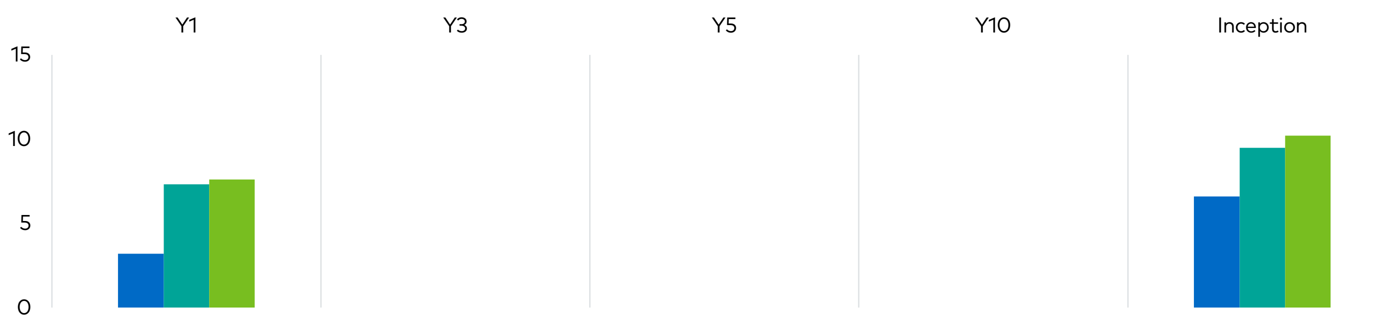
Polen Credit Opportunities Fund

Portfolio Manager Commentary – March 2025

Summary

- In Q1 2025, the Polen Credit Opportunities Fund (the "Fund") returned -0.57% versus the 0.78% return of the 50% ICE BofA U.S High Yield Index / 50% S&P UBS Leveraged Loan Index and the 0.94% return of the ICE BofA U.S. High Yield Index (the "Index")
- Declining yields and spread widening led to mixed results for below investment grade credit with positive performance front loaded in January and February. Leveraged loans experienced some weakness in the first quarter, underperforming high yield bonds.
- SportsNet New York and Baffinland Iron Mines Corporation were the top contributors to total returns, while Resource Label Group and Truck Hero detracted the most significantly.
- Polen Capital did not make any meaningful changes to fund positioning in the first quarter.
- As we enter 2025, our primary concerns today include continued market volatility, spread widening, and the Fed's policy moves, potentially in response to ongoing trade wars and geopolitical risks.
- In our view, remaining patient and not overreaching for yield will leave our portfolios well positioned to take advantage of compelling opportunities in this period of instability.

Seeks Growth & Income (Performance (%) as of 3-31-2025)



	3 M	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception (08-28-2023)
Polen Credit Opportunities Fund (Net)	-0.57	-0.57	3.20	-	-	-	6.61
50% ICE BofA U.S. High Yield Index/50% S&P UBS Leveraged Loan Index	0.78	0.78	7.32	-	-	-	9.48
ICE BofA U.S. High Yield Index	0.94	0.94	7.60	-	-	-	10.20

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. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. For the most current month-end performance, please call 1-888-678-6024.

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 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.

Market Commentary

The first quarter of 2025 opened with heightened market volatility, as investors contended with renewed trade tensions, softer economic growth, and persistent inflation. Despite a decline in U.S. Treasury yields, the Federal Reserve paused its rate-cutting cycle, keeping base rates elevated and amplifying uncertainty. Against this backdrop, high yield bond spreads widened, yet the ICE BofA U.S. High Yield Index posted a return of 0.94%—with most of the gains front-loaded in January and February. Gains were driven primarily by coupon income as prices fell in the face of several headwinds. BB-rated bonds led the market with a 1.45% return, followed by B-rated bonds at 0.70%, while CCC-rated bonds lost 0.67%. Top-performing sectors included banking, real estate, and telecommunications, while transportation, technology & electronics, and services underperformed.

Similarly, leveraged loans lost momentum as the first quarter progressed. After a strong start fueled by robust issuance and continued inflows, risk-off sentiment—driven by macroeconomic uncertainty—began weighing on the market. The S&P UBS Leveraged Loan Index returned 0.61% for the quarter, underperforming high yield bonds. Higher coupon income helped offset price declines, with BB-rated loans outperforming at 0.86%, compared to 0.32% for B-rated and 0.35% for CCC-rated loans. Among sectors, media/telecommunications, utilities, and healthcare outperformed, while housing, food & drug, and chemicals lagged.

Turning to primary market activity, high yield bond issuance approached $70 billion during the quarter, with about 75% allocated to refinancing existing debt. In contrast, leveraged loan issuance, after a strong January, declined over the next two months, though total Q1 activity exceeded $330 billion. Similar to the bond market, most loan issuance continued to support repricing and refinancing efforts. Collateralized loan obligation ("CLO") activity also remained elevated, with the bulk of transactions related to refinancings; however, net new CLO formation was only slightly below the pace seen in 2024, signaling ongoing but modestly slower growth in this segment.

Finally, default activity remained muted to start the year. According to J.P. Morgan, default and liability management exercise (LME) activity in Q1 2025 was the lowest since Q1 2022. The trailing twelve-month default rates for high yield bonds and leveraged loans—including distressed exchanges—stood at 1.20% and 3.86%, respectively. Excluding distressed exchanges and LMEs, these rates fell to just 0.27% for high yield bonds and 1.24% for leveraged loans, underscoring the overall health of the market.

Fund Performance & Attribution

In Q1 2025, the Fund returned -0.57%, underperforming the 50% ICE BofA U.S. High Yield Index / 50% S&P UBS Leveraged Loan Index by 135 basis points, and the ICE BofA U.S. High Yield Index by 151 basis points. During the first quarter, U.S. Treasury yields declined. Because the Fund's duration is shorter than the Index, this contributed negatively to performance. In addition, reorganized equity positions detracted from relative returns.

By credit rating, security selection was positive overall, driven by strong performance in CCC3-rated and B-rated bonds as well as CCC+-rated loans. These gains were partly offset by weaker results in CCC2-rated bonds and B–rated loan positions compared to the Index.

Sector allocation had a negative impact, primarily due to the Fund's overweight to loans in the industrial sector. Further, the sector security selection effect was also negative. The Fund's high yield bond holdings in the automotive, capital goods and leisure sectors, as well as its loan holdings in the industrial sector lagged those of the Index, detracting from relative performance. However, these negative effects were partially offset by the positive effects produced by the Fund's bond holdings in the basic industry and retail sectors, which outperformed those of the Index.

Notable issuers that contributed to, or detracted from, the Fund's total return for the quarter are set forth below.

Top Contributors

Sportsnet New York ("SNY"), an American regional sports network owned by Sterling Entertainment Enterprises, LLC, was a top contributor in Q1 2025, primarily due to the exchange of its 10.25% Senior Subordinated Notes due 2025 for a new 10.25% Second Lien Term Loan due 2026. This transaction allowed noteholders to move up in the capital structure and obtain additional downside protection through a secured lien, in exchange for a short maturity extension. Although SNY continued to underperform operationally, the value of the new loan—similar to the previous notes, both illiquid and internally valued by Polen—provided a positive revaluation in the quarter. However, in early April, SNY revised its long-term forecasts to include expected subscriber losses, which resulted in a significant markdown of the Second Lien Term Loan.

Baffinland Iron Mines Corporation, based on Baffin Island in Nunavut, Canada, is a low-cost producer operating one of the world's highest-grade iron ore mines. The Fund's holding in the company's 8.75% First Lien Notes due July 2026 benefited this quarter from positive developments in Baffinland's planned mine expansion. In Q4 2024, management confirmed they remained on track with project milestones, supporting continued positive sentiment in Q1 2025. The expansion, expected to start in early 2026 and potentially triple ore production, will require Baffinland to raise external capital and refinance the existing Notes.

Largest Detractors

Resource Label Group is the third-largest supplier of pressure-sensitive labels in North America, generating approximately $550 million in last-twelve-months revenue and $95 million in adjusted EBITDA. In the first quarter of 2025, the prices of the company's First and Second Lien Term Loans declined, following a downgrade by Moody's. The downgrade cited continued debt-financed acquisitions and limited free cash flow. The business saw modest EBITDA (earnings before interest taxes, depreciation, and amortization) growth in 2024 after a challenging second half of 2022 and full year 2023; however, Resource Label Group remains highly levered. Cash flow has been further pressured by higher interest expenses—driven by increased debt balances from acquisitions and higher interest rates. Despite these challenges, Polen believes the label industry remains attractive due to its exposure to stable, growing end markets like food & beverage, home & personal care, and healthcare, while having limited exposure to cyclical industrial demand. Furthermore, labels, though a small component of manufacturers' total product costs, play an outsized role in consumer appeal. As the company progresses in improving earnings and reducing leverage, Polen sees attractive relative value in the secured overnight financing rate + 7.50% Second Lien Term Loan due 2029, which has potential for price appreciation over the next several years.

Truck Hero manufactures and distributes aftermarket auto products for the pickup truck, SUV, and Jeep markets in the United States. The company specializes in truck bed covers, caps, and accessories. Truck Hero also owns realtruck.com—the nation's largest dedicated online retailer of aftermarket truck parts. In Q1 2025, Truck Hero's 6.25% Senior Notes due 2029 declined in price amid growing concerns about a slowdown in U.S. consumer spending, which detracted from the Fund's performance. While near-term volatility is possible, Polen believes the company's strong margins, well-established brand, and junior equity capital cushion position it well for future growth.

Portfolio Positioning & Outlook

During the first quarter of 2025, the Fund's positioning did not change materially from year end. Most trading activity involved purchases and sales in existing holdings.

We entered the year with a general view that leveraged credit markets seemed complacent. Expectations for business-friendly deregulation and tax cuts stemming from President Trump's second term helped push credit spreads ever lower in January. However, this relatively euphoric environment quickly gave way when a blitz of executive orders and a focus on trade imbalances resulted in a renewed focus on tariffs. Equity markets were whipsawed by daily headlines around tariffs and the related consequences for the global economy. Conversely, credit markets responded more gradually, perhaps waiting for more details to emerge.

The announcement of sweeping tariffs on Trump's "Liberation Day" gave markets a greater degree of clarity. The President's stance on trade appears to be grounded in his view of fairness, as he has stated that the U.S. has been treated unfairly by its trading partners. Whether or not that is the case is not for us to decide. However, the implications of these new policies need to be considered, and it seems as though a trade war has begun. Only time will tell how it plays out but in the interim, we expect volatility in the markets will continue.

Compared to other public markets, in our view, U.S. high yield provides a relatively safe harbor as most of the issuers tend to be domestically focused companies with relatively limited exposure to global trade.

The current landscape makes the Fed's job more difficult. While a soft landing is not out of the question, the approach, compounded by the tariff announcement, is certainly going to be more turbulent. Forecasts for economic growth had already been revised lower, while inflation is expected to remain above the Fed's target. That said, most economic indicators continue to be supportive of leveraged credit markets, although a slowdown in growth will likely stress these resilient fundamentals.

Further, our expectations for a resurgence in M&A activity amidst a more accommodating regulatory landscape and lower yields will be pushed out for now. Private equity sponsors will still need to exit from portfolio investments due to prolonged holding periods but will likely pause and wait for a more advantageous environment. To start the year, repricing and refinancing activity continued to command most of primary market activity. Assuming the economic backdrop does not deteriorate meaningfully, we expect capital markets to remain open to most borrowers; however, the tariff announcement has increased uncertainty in this respect.

Lastly, we believe that we have seen the trough for credit spreads this cycle. Still, as of this writing, spreads remain below both the long-term average as well as the non-recessionary average. The market has begun to bifurcate, with more growth sensitive, lower-rated credits seeing credit spreads widen out more aggressively.

As we consider where we are in a later stage of the credit cycle, and a cautious approach remains appropriate. However, the combination of wider spreads and higher base rates is creating an attractive entry point, with compelling all-in yields now available.

By maintaining a disciplined investment philosophy and rigorous process, we continue to identify competitively advantaged businesses that have the potential to generate durable free cash flow and provide a reasonable margin of safety. We believe this focus positions client portfolios to navigate ongoing volatility and to capitalize on the total return opportunities that today's environment presents.

Sincerely,

Ben Santonelli and John Sherman

Experience in Leveraged Credit Investing

Ben Santonelli
Portfolio Manager
21 years of industry experience

John Sherman
Portfolio Manager
20 years of industry experience

Disclosures

Holdings are subject to change. The top holdings, as well as other data, are as of the period indicated and should not be considered a recommendation to purchase, hold, or sell any particular security. There is no assurance that any of the securities noted will remain in the Fund at the time you receive this fact sheet. It should not be assumed that any of the holdings discussed were or will prove to be profitable or that the investment recommendations or decisions we make in the future will be profitable. A list of all securities held in this Fund in the prior year is available upon request.

This material must be preceded or accompanied by a prospectus, available at PolenCapital.com. Please read it carefully before investing. The Polen Credit Opportunities Fund is not suitable for all investors.

Investors should consider the investment objectives, risks, chares, and expenses of the Polen Credit Opportunities Fund carefully before investing. A prospectus with this and other information about the Fund may be obtained by calling 1-888-678-6024 or visiting the Materials tab. It should be read carefully before investing. All performance is calculated in U.S. Dollars.

Risks: It is possible to lose money on an investment in the Fund. Fixed income investments are subject to interest rate risk; as interest rates rise, their value will decline. Lower-rated securities are subject to additional credit and default risks. Investments in bank loans, which are made by banks or other financial intermediaries to borrowers, will depend primarily upon the creditworthiness of the borrower for payment of principal and interest. Trading in Rule 144A securities may be less active than trading in publicly traded securities. Investments with low trading volumes may be difficult to sell at quoted market prices. No assurance can be given that any fund will achieve its objective or avoid losses.

Interval fund investing involves risk, including possible loss of principal. The Fund is non-diversified, which means that a large portion of the Fund's assets may be invested in one or few companies or sectors. The Fund could fluctuate in value more than a diversified fund.

Fund Risk: The Fund is recently organized. There can be no assurance that the Fund will reach or maintain a sufficient asset size to effectively implement its investment strategy.

Illiquidity of Shares: The Fund is designed for long-term investors and not as a trading vehicle. An investment in the Shares, unlike an investment in a traditional listed closed-end fund, should be considered illiquid. The Shares are appropriate only for investors who are seeking an investment in less liquid portfolio investments within an illiquid fund.

The Polen Credit Opportunities Fund is not suitable for all investors.

The Polen Credit Opportunities Fund is distributed by Foreside Funds Distributors LLC., not affiliated with Polen Capital Management.

When calculating the credit quality breakdown, the manager selects the middle rating of the agencies when all three agencies rate a security. The manager will use the lower of the two ratings if only two agencies rate a security and will use one rating if that is all that is provided. Securities that are not rated by all three agencies are reflected as such.

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.

S&P UBS Leveraged Loan Index: The S&P UBS Leveraged Loan Index is designed to mirror the investable universe of the U.S. dollar-denominated leveraged loan market.

50% ICE BofA U.S High Yield Index / 50% S&P UBS Leveraged Loan Index: The 50% ICE BofA U.S High Yield Index / 50% S&P UBS Leveraged Loan Index is a blended benchmark comprised of equal allocations of the ICE BofA U.S. High Yield Index and S&P UBS Leveraged Loan Index.

Definitions:

Alpha: Alpha is the measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by beta.

Free Cash Flow: Free Cash Flow (FCF) is the cash a company generates after subtracting cash outflows to support operations and maintain its capital assets. Free Cash Flow is a metric that can be used to determine the amount of cash that is generated in a given year, unless otherwise stated, that is free from other obligations., i.e., how much cash a company can reinvest or distribute to shareholders.

Margin of Safety: The margin of safety is the difference between an investment's intrinsic value and its market price, providing a buffer against potential loss.