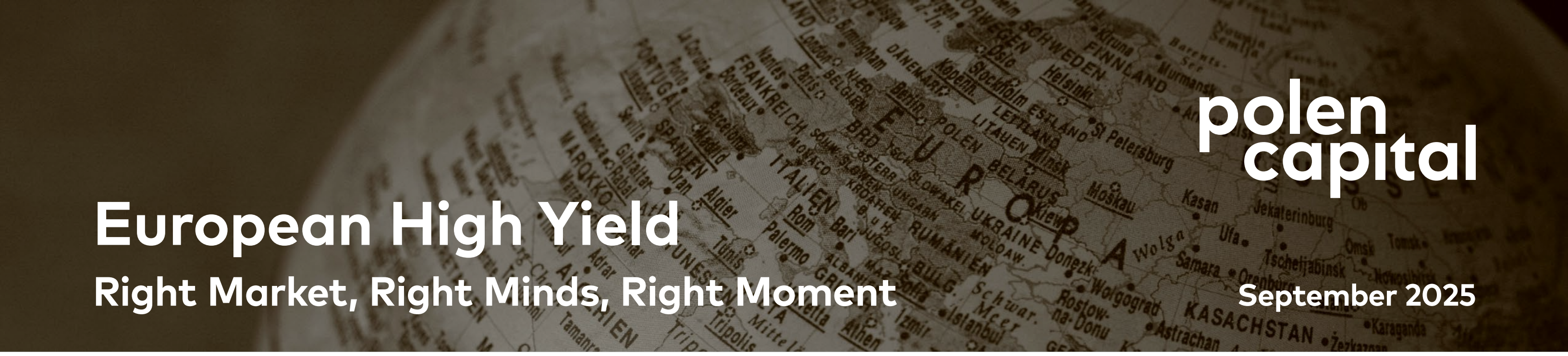


European High Yield

Right Market, Right Minds, Right Moment

September 2025

Highlights

European High Yield offers investors a compelling combination of market depth, a proven track record, and attractive yields. Backed by a seasoned team and a rigorous, research-driven process, this asset class delivers more than income—it represents a source of diversification and resilience in an uncertain environment.

In this note, we highlight:

- The European High Yield market offers a broad and liquid opportunity set with an attractive risk/return profile.
- Investors are supported by a highly experienced team with a strong track record across diverse market environments.
- Our disciplined, research-driven approach is designed to deliver high-conviction ideas and downside protection.
- Elevated yields and macroeconomic tailwinds make this an opportune time to consider a European High Yield allocation.

Right Market

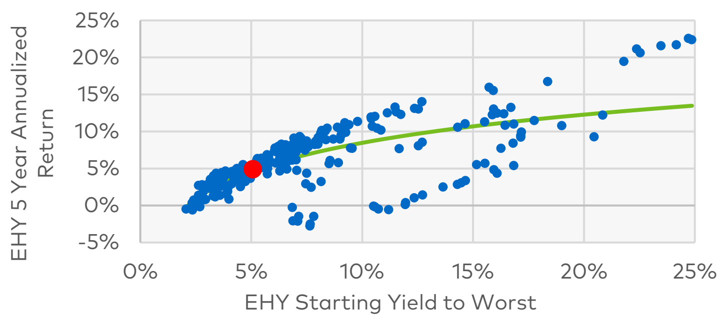
The European High Yield market has matured significantly over the last 20 years. Today, it stands at over €400 billion—spread across 800 bonds from 400 unique issuers. At roughly one-third of the size of the US High Yield market, European High Yield offers active managers a broad, liquid opportunity set that warrants consideration as part of a global asset allocation.

The European High Yield index yield to worst stood at 5.5% as of May 31, 2025 (ICE BofA Euro High Yield Constrained Index), which is 100bp above its 10-year average of 4.5% and equates to a yield of approximately 7.9% once currency hedged into USD. The starting yield to worst has historically shown to be a strong predictor of future returns, as shown in Figure 1, European High Yield YTW vs. 5yr Forward Annualized Return.

Average credit quality is higher in Europe with almost two-thirds of the market rated BB, compared to 54% in US High Yield (ICE BofA US High Yield Index), and interest rate risk is lower with an average duration of 2.6 years vs. 3.3 years. Although spreads in high yield markets are tight by historic standards, we believe that outright yields remain attractive and offer compelling long-term, risk adjusted return opportunities.

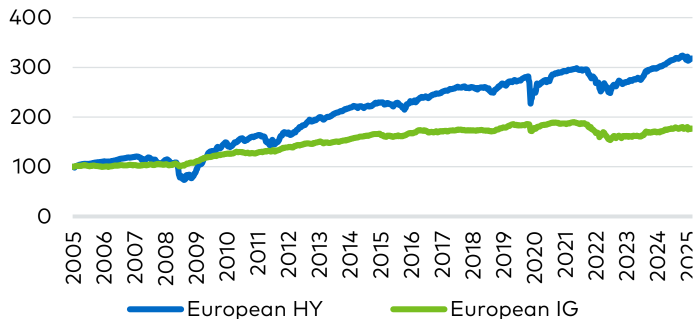
Over the last 20 years, the European High Yield market has returned an average of approximately 6% per annum, which, when compounded, has produced a total return of 320% over the period. This compounded yield advantage more than compensates investors for default risk over the long term, as can be seen in Figure 2 comparing European High Yield vs. European Investment Grade total returns.

Figure 1: European High Yield YTW vs. 5yr Forward Annualized Return



Source: ICE Data Indices, LLC. ICE BofA Euro High Yield Constrained. Rolling monthly data from Jan 2000 to June 2020.

Figure 2: High Yield vs. Investment Grade Total Return (Rebased to 100)



Source: ICE Data Indices, LLC. ICE BofA Euro High Yield Constrained , Euro Large Cap Non-Financial Corporate. For illustrative purposes; 20-year trailing total returns shown. Rebased returns do not represent actual results. Past performance is no guarantee of future results.

Right Minds

We believe that selecting the right team is essential to ensure a strong foundation for Polen Capital's entry into the European High Yield market. Ben Pakenham, formerly Head of European High Yield and Global Loans at Aberdeen, will lead the strategy alongside co-manager Adam Tabor and dedicated research analysts Julien Martin and Andrew Carrie. Ben, Adam, and Julien bring more than a decade of shared experience from their time together at Aberdeen, where the team collectively managed European and Global High Yield portfolios. Their combined expertise in credit analysis, portfolio management, and research, alongside their commitment to transparency and client outcomes, make this team an ideal fit with Polen's culture and investment philosophy.

"Through Polen's long-held investment philosophy of generating a through-the-cycle yield advantage whilst mitigating downside risks, we believe that we can generate attractive relative returns for our clients. Our team is passionate about creating innovative, best-in-class solutions that are meticulously tailored to meet our clients' evolving needs."

-Ben Pakenham, Portfolio Manager

Our European High Yield Team

With nearly 90 years of combined experience, Ben, Adam, Andrew, and Julien offer deep expertise in European high yield. Together, they form a unified, research-driven team committed to delivering thoughtful, consistent and innovative solutions—expanding Polen's fixed income offering beyond the U.S. to meet the evolving needs of our investors.

Ben Pakenham
Lead Portfolio Manager
20 years of industry experience

Adam Tabor
Portfolio Manager & Research Analyst
14 years of industry experience

Julien Martin
European High Yield Research Analyst
20 years of industry experience

Andrew Carrie
European High Yield Research Analyst
35 years of industry experience

Polen's High Yield Philosophy

- At Polen Capital, we view the high yield asset class as an area where discipline, deep research, and thoughtful risk-taking offer the potential for lasting rewards. Our strategy starts with a clear conviction: the best results come from focusing on quality—identifying fundamentally strong businesses that can weather storms and prosper over time.

- We are relentless in our pursuit of idiosyncratic credit opportunities. By digging deep through bottom-up, fundamental research, we seek out underappreciated companies with resilient business models, robust cash flows, and sound governance. We believe these are the hidden gems that can deliver both attractive yields and long-term value—companies overlooked by the crowd but identified by rigorous analysis.

- We don't chase yield for yield's sake; instead, we carefully balance opportunities for income with robust downside protection. By managing concentrated portfolios, our highest conviction ideas can more meaningfully impact performance, and we can develop a deeper understanding of our holdings through a closer engagement with the companies in which we invest.

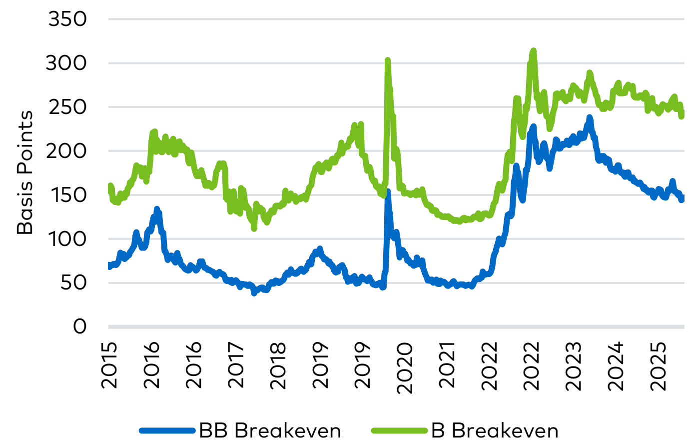
- We recognize, too, that markets do not exist in a vacuum. Macroeconomic and geopolitical events can rapidly reshape the risk landscape. That's why our strategy is agile: a top-down, macro-overlay informs our portfolio construction—guiding our thinking on rating, sector, and duration exposure—while fundamental security selection remains our main engine of return.

- Crucially, capital preservation underpins everything we do. We scrutinize legal and bond covenant frameworks as part of a truly holistic research process—protecting against downside as much as identifying upside. This blended perspective allows us to target attractive opportunities for our clients, while never losing sight of the risks.

Key Investment Tenets:

- Performing deep, fundamental research can uncover mispriced securities and generate alpha in High Yield.
- Targeting higher yielding securities with a margin of safety can drive outperformance over the long term.
- Managing concentrated portfolios allows our highest conviction ideas to impact performance while enabling a deeper understanding of our holdings.
- Developing detailed knowledge of legal and bond covenant frameworks can enhance downside protection and help to mitigate risk.
- Integrating macroeconomic and geopolitical perspectives into our process can enhance our "fundamentally" driven investment decisions.

Figure 3: Breakeven Rate: Yield Rise Required to Erase Returns



As of 06-30-2025. **Source:** ICE Data Indices, LLC. ICE BofA BB Euro High Yield Index, ICE BofA Single-B Euro High Yield Index. The yield breakeven rate measures how much the yield needs to rise before the total return becomes negative, typically over a 1-year timeframe, and is calculated as the index Yield to Worst / Effective Duration.

Right Moment

We believe that the European High Yield market offers a compelling risk-return profile for long-term investors. With higher base rates still providing elevated yields, income opportunities are notably improved compared to previous years. The combination of higher yields and low duration also provides a significant cushion to total returns from rising interest rates or spreads. This higher "breakeven rate" is shown below in Figure 3.

We also believe that the current geopolitical environment favors a diversified approach, and that Europe could represent an attractive opportunity for global investors. Even as trade tensions and tariff uncertainties swirl, Europe's economic exposure remains limited: Goods exports to the US accounted for 3% of EU GDP in 2024 (Eurostat) and are primarily in the Pharma and Auto sectors where many European corporates already have local US manufacturing footprints.

Additionally, both monetary and fiscal levers are available to help cushion the blow from any tariff uncertainty. Inflation has already returned to target in the EU and allowed the ECB to cut rates faster than in the US, and the German economy is set to benefit from government defense and infrastructure spending packages.
Put simply, we believe an allocation to European high yield offers quality, yield, and diversification—all at a time when these attributes matter most.

In summary, today's elevated yields, favorable starting valuations, and a competitive long-term risk/reward profile make European high yield a timely and attractive opportunity for investors seeking income and total return.

Charting a Confident Course Forward

Polen Capital's entry into European high yield is both a natural extension of our core strengths and a strategic response to a market ripe with opportunity. By assembling a deeply experienced, collaborative team with a time-tested track record, we hope to leverage the unique qualities of Europe's high yield landscape—high credit quality, attractive yields, and a broad, liquid investment universe.

Anchored by disciplined, research-driven investing and a commitment to quality and downside protection, our approach is designed to unlock compelling, risk-adjusted returns for our clients. As global markets evolve, we believe this is the right market, with the right team and philosophy, at the right time to deliver meaningful outcomes and support our clients in achieving their long-term objectives.

> **"I couldn't be more enthusiastic about the future of our Leveraged Credit business. By building world-class franchises in both Global and European markets, we will amplify the strengths of our outstanding US Credit platform."**
>
> **-Ben Pakenham, Portfolio Manager**

polen capital

Going Beyond with Polen Capital

Polen Capital is a team of experienced investment industry professionals who share an unwavering commitment to our clients, investors, community, and each other. We have been dedicated to serving investors by providing concentrated portfolios of what we believe are the highest-quality companies for more than three decades. At Polen Capital, we have built a culture of results, and in this, an inherent belief in going beyond what's expected for the people and communities we serve.

Connect with Us

For more information on Polen Capital visit **www.polencapital.com** and connect with us on **LinkedIn.**

International Team
international@polencapital.com

Account Relationship Team
arinternals@polencapital.com

Institutional Relations
institutionalrelations@polencapital.com

Disclosures

Definitions:

Effective Duration: A measure of a bond's price sensitivity to small changes in interest rates, accounting for possible changes in cash flows due to embedded options. **Yield to Worst:** A measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its contract without defaulting. The metric calculates the yield using the earliest retirement date.

Indexes:

ICE BofA BB Euro High Yield Index (HE10): This index tracks the performance of euro-denominated, below investment grade (sub-investment grade) corporate bonds that are rated BB—the highest rating within the high yield (or "junk") bond category. The index includes bonds issued by both financial and non-financial companies in the euro market, providing a benchmark for BB-rated, high yield corporates denominated in euros. **ICE BofA Single-B Euro High Yield Index (HE20):** This index tracks the performance of euro-denominated, high yield corporate bonds that are specifically rated single-BB. These bonds are below investment grade and represent issuers with higher credit risk than BB-rated bonds but stronger credit profiles than those rated CCC or lower. The index includes eligible bonds from both financial and non-financial companies and serves as a benchmark for the single-B segment of the euro high yield market. **ICE BofA Euro High Yield Constrained (HEC0):** A variant of the Euro High Yield index that imposes limits on the weighting of individual issuers to reduce concentration risk, while still tracking euro-denominated high yield corporate bonds. **ICE BofA Euro Large Cap Non-Financial Corporate (ENL0):** An index measuring the performance of euro and other European currency-denominated, investment grade corporate bonds issued in European markets. **ICE BofA US High Yield Index (H0A0):** A market capitalization-weighted index comprising US dollar-denominated, below investment grade corporate debt publicly issued in the US domestic market.