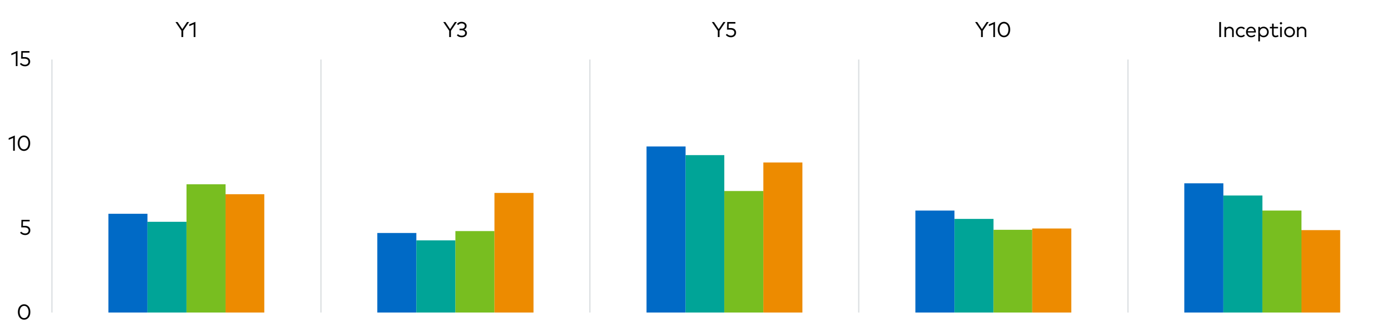
Polen U.S. Opportunistic High Yield

Portfolio Manager Commentary – March 2025

Summary

- During the first quarter, the Polen Credit U.S. Opportunistic High Yield Composite (the "Composite") underperformed the ICE BofA U.S. High Yield Index, and the S&P UBS Leveraged Loan Index, net of fees.
- Below investment grade credit delivered mixed results, with positive performance concentrated in January and February amid declining yields and wider spreads. Leveraged loans underperformed high yield bonds.
- In Q1, SportsNet New York and Material Sciences contributed the most to total returns, while LaserShip ("OnTrac") and Resource Label Group were the largest detractors.
- Polen Capital did not make any meaningful changes to portfolio positioning in the first quarter. Most trading activity involved purchases and sales in existing holdings
- 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.

Performance (%) (as of 3-31-2025)



	Qtr	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception (03-31-1998)
Polen Credit U.S. Opportunistic High Yield (Gross)	0.48	0.48	5.86	4.72	9.84	6.05	7.67
Polen Credit U.S. Opportunistic High Yield (Net)	0.37	0.37	5.39	4.27	9.33	5.56	6.94
ICE BofA U.S. High Yield Index	0.94	0.94	7.60	4.83	7.21	4.91	6.05
S&P UBS Leveraged Loan Index	0.61	0.61	7.02	7.09	8.89	4.98	4.89

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. The gross performance returns for the Polen Credit U.S. Opportunistic High Yield Composite set forth above are gross of all fees except for trading expenses, deal-related legal expenses, and withholding taxes. Net returns reflect the application of actual management and performance-based fees to gross returns. Returns of the Polen Credit U.S. Opportunistic High Yield Composite are provided as supplemental information and complement a GIPS Composite report, which has been provided. The commentary is not intended to guarantee profitable outcomes. Any forward-looking statements are based on certain expectations and assumptions susceptible to changes in circumstances. Opinions and views expressed constitute the judgment of Polen Capital as of the date herein and may involve assumptions and estimates which are not guaranteed and are subject to change.

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, 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. 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.

Portfolio Performance & Attribution

The Polen Capital U.S. Opportunistic High Yield Composite generated a total return of 0.48% gross and 0.37% net of fees during the first quarter. The Composite underperformed the ICE BofA U.S. High Yield Index by 46 bps gross and 57 bps net of fees. In Q1, U.S. Treasury yields declined. As a result of the Portfolio's[1] shorter duration relative to the Index, the duration effect for the quarter was negative. However, the Portfolio's income advantage relative to the Index contributed to relative performance. However, in aggregate, the Portfolio's reorganized equity positions detracted from absolute and relative returns.

Attribution by rating shows that the Portfolio's quality allocation effect was negative. This was mainly due to an overweight in CCC-rated bonds and an underweight in BB-rated bonds. In contrast, security selection by rating had a positive impact: the Portfolio's B2, CCC2, and CCC3 holdings outperformed those in the Index, thereby contributing positively to relative performance.

Turning to sector attribution, the sector allocation effect was slightly negative. This was primarily driven by the Portfolio's zero weight to the real estate sector. Further, the sector security selection effect was negative. The Portfolio's holdings in the automotive, capital goods, media and transportation sectors lagged those of the Index, detracting from relative performance. However, these negative effects were partially offset by the positive effect produced by the Portfolio's holdings in the basic industry sector, which outperformed those of the Index.

Notable issuers that contributed to, or detracted from, the Portfolio'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, 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.

Material Sciences Corp, a leading provider of proprietary multi-material metal processing solutions, continued to perform well operationally during the quarter. The company refinanced its SOFR + 7.25% Second Lien Notes due 2026 into SOFR + 8.5% Second Lien Notes due 2030, extending its maturity profile and improving liquidity. This transaction, along with the company's strong financial performance and ongoing deleveraging, supported the position's positive contribution to the Portfolio performance during the quarter. Polen believes the company will sustain its favorable trajectory into 2025.

[1]Portfolio information provided is based on a representative account of the Polen Credit U.S. Opportunistic High Yield Composite. The representative account is an account within the Polen Credit U.S. Opportunistic High Yield Composite that Polen Capital Credit has deemed the most representative of the accounts managed by Polen Capital pursuing the investment strategy.

Largest Detractors

OnTrac (formerly LaserShip) is the largest regional last-mile parcel delivery provider in the U.S. In November 2024, S&P downgraded the Portfolio's investment in the company's SOFR + 7.5% Second Lien Term Loan due 2029 from C to D, following the first phase of a debt restructuring. Under this restructuring, a majority of lenders exchanged their existing loans for new loans at a discount to par. As part of the transaction, OnTrac raised $300 million in additional debt, which it used to repay its revolving credit facility and its accounts receivable securitization facility.

At Polen's direction, the Portfolio participated in the exchange, swapping its legacy Second Lien Term Loan for a new SOFR + 7.5% Third-Out Term Loan E at 95% of par. The new term loan allows OnTrac to pay a portion of the interest expense in kind for 18 months, improving near-term liquidity. Following the exchange, S&P assigned a CCC- rating to the new Third-Out Term Loan E and upgraded the remaining portion of the legacy Second Lien Term Loan to CCC- from D, based on OnTrac's improved liquidity and reduced cash interest burden.

Despite ongoing challenges as the company works to grow into its capital structure over the next two to three years, Polen believes OnTrac has sufficient liquidity to bridge to a more favorable operating environment in 2026. Polen views the Third-Out Term Loan E as offering attractive relative value at current trading levels, and the Portfolio continues to hold this position.

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, detracting from Portfolio performance, following a downgrade by Moody's. The downgrade cited continued debt-financed acquisitions and limited free cash flow. Although the business saw modest EBITDA growth in 2024 after a challenging second half of 2022 and full year 2023,

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 SOFR + 7.50% Second Lien Term Loan due 2029, which has potential for price appreciation over the next several years.

Portfolio Positioning & Activity

During the first quarter of 2025, the Portfolio's overall positioning remained largely unchanged from year-end, with most trading activity focused on adding to or trimming existing holdings. However, we initiated one new position for the Portfolio.

During the quarter, we purchased Acadia Healthcare's 7.375% Senior Notes due 2033, believing they offer an attractive risk-reward opportunity. **Acadia Healthcare** is the largest pure-play provider of behavioral healthcare services in the U.S., operating a national network of inpatient psychiatric hospitals, residential treatment centers, and outpatient facilities. The company benefits from strong demand trends and a well-diversified asset base.

Outlook

We entered the year with a general view that leveraged credit markets seemed complacent. Expectations for business-friendly deregulation and tax cuts stemming from the start of 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.

Sincerely,

Dave Breazzano, Ben Santonelli, and John Sherman

Experience in High Yield Investing

Dave Breazzano
Head of Team, Portfolio Manager
44 years of industry experience

Ben Santonelli
Portfolio Manager
21 years of industry experience

John Sherman
Portfolio Manager
20 years of industry experience

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.

GIPS Report

Schedule of Investment Performance – Polen Credit U.S. Opportunistic High Yield Composite

March 31, 1998 to December 31, 2023

Year End	Total Gross Return (%)	Total Net Return (%)	Benchmark Return (%)	Number of Portfolios	Composite Assets at End of Period ($Millions)	Firm Assets at End of Period ($Millions)	Composite Dispersion (%)	Composite 3 Yr. Annualized Std. Dev. (%)	Benchmark 3 Yr. Annualized Std. Dev. (%)
2023	13.39%	12.90%	13.46%	23	4,738	7,435	0.94%	5.41%	8.45%
2022	-8.02%	-8.52%	-11.22%	21	4,331	6,854	1.47%	11.33%	11.25%
2021	9.91%	9.42%	5.36%	20	5,465	8,314	1.70%	10.90%	9.27%
2020	8.36%	7.89%	6.17%	22	5,521	7,987	1.25%	11.06%	9.52%
2019	6.18%	5.73%	14.41%	24	6,041	7,861	0.64%	4.31%	4.19%
2018	0.88%	0.40%	-2.26%	25	6,345	8,207	1.75%	4.16%	4.70%
2017	12.13%	11.56%	7.48%	18	5,643	7,831	0.54%	4.92%	5.68%
2016	17.53%	16.96%	17.49%	21	5,584	7,589	1.40%	4.96%	6.11%
2015	-3.82%	-4.28%	-4.64%	21	5,091	7,401	0.88%	4.04%	5.35%
2014	3.68%	3.12%	2.50%	15	4,091	8,028	1.84%	3.10%	4.50%
2013	10.16%	9.55%	7.42%	15	3,456	7,145	1.01%	4.54%	6.51%
2012	17.61%	16.92%	15.58%	13	2,475	5,032	1.51%	5.27%	7.13%
2011	3.57%	3.04%	4.38%	14	2,459	3,653	1.50%	8.37%	11.15%
2010	19.30%	18.63%	15.19%	10	2,455	3,985	2.86%	14.34%	17.16%
2009	58.52%	57.51%	57.51%	11	2,657	3,414	3.32%	14.19%	17.02%
2008	-29.22%	-29.51%	-26.39%	8	1,231	2,333	1.64%	11.13%	13.50%
2007	3.77%	3.27%	2.19%	7	1,517	2,791	na	3.72%	4.55%
2006	12.15%	11.52%	11.77%	5	1,450	2,835	na	3.85%	3.86%
2005	5.79%	5.32%	2.74%	3	1,425	2,617	na	5.89%	5.47%
2004	13.59%	12.18%	10.87%	2	1,158	2,220	na	7.44%	8.48%
2003	39.51%	34.18%	28.15%	2	914	1,675	na	8.82%	10.63%
2002	10.10%	9.23%	-1.89%	1	468	1,173	na	8.65%	10.30%
2001	7.17%	6.55%	4.48%	1	397	1,166	na	7.40%	7.93%
2000	-7.59%	-8.17%	-5.12%	1	355	1,126	na	na	na
1999	4.68%	4.04%	2.51%	1	363	1,111	na	na	na
1998**	-3.43%	-3.89%	-0.02%	1	347	1,040	na	na	na

Performance % as of 12-31-2024:
(Annualized returns are presented for periods greater than one year)

	1 Yr	5 Yr	10 Yr	Since Inception
Polen U.S. Opportunistic High Yield (Gross)	8.49%	6.14%	6.22%	7.72%
Polen U.S. Opportunistic High Yield (Net)	8.00%	5.65%	5.73%	6.99%
Custom Benchmark Return (%)	8.20%	4.04%	5.08%	6.06%

*Partial year, inception 03-31-1998

Polen Capital Credit, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Polen Capital Credit, LLC has been independently verified for the periods March 1, 1996 to December 31, 2023.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Polen Credit U.S. Opportunistic High Yield Composite has had a performance examination for the periods January 1, 2005 to December 31, 2023. The verification and performance examination reports are available upon request.

U.S. Opportunistic High Yield Disclosures – GIPS Report

Polen Capital Credit, LLC ("the Firm", "Polen Credit") is an investment adviser, registered with the Securities and Exchange Commission, which specializes in high yield securities and special situations investing.

Polen Credit was formerly known as DDJ Capital Management, LLC. On January 31, 2022, Polen Credit was acquired by Polen Capital Management, LLC. The transaction resulted in no changes to the Polen Credit investment team or its investment process.

The Polen Credit U.S. Opportunistic High Yield Composite ("the Composite") was created in August 2007. The U.S. Opportunistic High Yield strategy seeks to generate capital appreciation and income by investing in high yield securities or higher rated securities that offer yields similar to those available in the high yield market. The strategy focuses on investments in high yield bonds and has a bias toward lower tier securities. Opportunistic High Yield portfolios not denominated in U.S. dollars, where currency hedging is a significant component of the strategy, are excluded from the Composite. Derivatives may be used for hedging purposes only; however, certain credit derivatives may be used in limited circumstances subject to client guidelines. Portfolios within the Composite will be permitted to invest in lower-rated debt securities, equity securities, bank debt, small issues and direct private investments, but allocations to these security types will vary. Portfolios within the Composite will generally invest at least 25% of assets in bank loans, hold no fewer than 50 issuers and will invest in illiquid securities. In January 2021, a lower limit on issuers held was added.

In January 2025, following an internal review of the portfolios included within the Polen Credit U.S. Opportunistic High Yield Composite, Polen Capital has redefined such Composite to exclude, effective January 1, 2024, portfolios that maintain an exposure to illiquid securities in excess of 35% of assets for a consecutive three-month period. Polen Capital concluded that portfolios with an illiquid exposure in excess of that 35% limit (as a result of client flows or otherwise) were not consistent with the Polen Credit U.S. Opportunistic High Yield strategy. As a result of this redefinition, one portfolio that was previously included in the Composite has now been excluded as of such date. Following such removal, the Composite's gross and net returns for the calendar year 2024 (as well as all prior performance periods that are inclusive of the 2024 calendar year) have been restated.

Gross returns do not reflect the deduction of investment management fees, but are net of trading expenses, deal-related legal expenses and foreign withholding tax. Net returns reflect the application of actual management and, if applicable, performance-based fees to gross returns. Composite dispersion is the equal-weighted standard deviation of annual gross returns of all accounts included in the Composite for the entire year. Composite dispersion is not applicable for composites which contain five accounts or fewer for the entire year. The three-year annualized standard deviation measures the variability of the Composite gross returns and the benchmark returns over the preceding 36-month period. A list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds as well as policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

At 12/31/2023, 13% of Composite assets were valued using subjective, unobservable inputs.

The ICE BofA U.S. High Yield Index, which is used for comparative purposes only, is a broad high yield index that tracks the performance of U.S. dollar-denominated below investment grade corporate debt publicly issued in the U.S. domestic market. Like the investments of the benchmark, the Composite consists primarily of bonds and notes rated BB or lower. However, the benchmark is an unmanaged index and does not include any private (non-144A) obligations, convertible bonds, preferred and common equity, and certain other securities and obligations. Investments made by Polen Credit on behalf of the portfolios managed according to the strategy will differ from those of the benchmark and will not have an identical investment strategy. Accordingly, investment results for the Composite will differ from those of the benchmark. In March 2023, the Composite benchmark was changed, for all periods 1/1/13 to present, to the ICE BofA U.S. High Yield Index. Prior to 3/31/2023, the Composite was shown against a custom index comprising (x) the ICE BofA U.S. High Yield Index (the current benchmark) from inception until 12/31/2013, and (y) the ICE BofA U.S. Non-Financial High Yield Index from 12/31/2013 until 3/31/2023. Given the Composite investment strategy, Polen Credit believes that the ICE BofA U.S. High Yield Index is an appropriate benchmark for all historical periods.

The standard management fee schedule is as follows (per annum):

Separate Account (Management Fee)	
First $100 million	55 bps
Next $100 million	50 bps
Balance	45 bps

Collective Investment Trust (All-In Fee)***	
All Assets	60 bps

Private Fund (All-In Fee)***	
Founders Share Class***	45 bps
Operating Share Class	55 bps

***The All-in Fee, which is also the total expense ratio for both the collective investment trust and the private fund, includes all administrative and operational expenses of each fund, as well as the management fee paid to Polen Credit.
****The Founders Share Class is honored until the applicable fund reaches $250 million in assets.
As of December 31, 2023, 0.33% of the Composite comprises one non-fee-paying portfolio, which is the private fund. Net-of-fees returns for such non-fee-paying portfolio has been calculated by accruing the model fee of 0.55%.
Performance-based fee schedules are available for separate accounts. Management and performance-based fees may vary according to the specific mandate of the account, investment performance, and assets under management.
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