

# Polen Credit Opportunities Fund

Portfolio Manager Commentary – December 2025

## Summary

- In Q4 2025, the Polen Credit Opportunities Fund (the "Fund") lagged the 50% ICE BofA U.S. High Yield Index / 50% Credit Suisse Leveraged Loan Index.
- During the quarter, high-yield bond yields fell as investors absorbed two more Fed rate cuts. Although leveraged loans lagged their fixed rate peers, a resilient economy, and a dovish Fed were viewed positively by loan investors.
- Asurion and Covetrus contributed the most to total returns, while Oldcastle BuildingEnvelope and Realtruck Group were the largest detractors during the quarter.
- The Fund's positioning did not change materially. Most trading activity involved purchases and sales in existing holdings.
- Despite tariff uncertainty and the prolonged government shutdown, the U.S. macro environment remains constructive, supported by policy tailwinds, robust AI-related investment, and a resilient but increasingly uneven consumer and corporate backdrop.
- Given historically tight spreads but still-attractive yields, active managers need to look beyond headline valuations to identify idiosyncratic opportunities, using discipline during market dislocations to capitalize on inefficiencies over time.

## Seeks Growth & Income (Performance (%) as of 12-31-2025)



**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. Performance figures are presented gross and net of fees, and have been calculated after the deduction of all transaction costs and commissions, and include the reinvestment of all income.**

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

During the quarter, high-yield bond yields fell as investors absorbed two more Fed rate cuts. High yield spreads remain sub-300 basis points and tightened into quarter end, after initially widening in early October driven by trade war induced uncertainty. A reversal of these concerns along with the end of the government shutdown and resilient macroeconomic data signaling better-than-expected growth, all supported risk assets into year-end. The ICE BofA U.S. High Yield Index produced a gain of 1.35% during the quarter. High yield market gains were led by BB-rated bonds, which produced a gain of 1.57%, while B-rated bonds gained 1.55% and CCC-rated bonds produced a loss of -0.52%. In addition, during the quarter the top performing sectors were Healthcare, Utility and Automotive, while the biggest laggards were the Media, Technology & Electronics and Basic Industry sectors.

Meanwhile, although leveraged loans lagged their fixed rate peers, a resilient economy, and a dovish Fed were viewed positively by investors. Additional support for the asset class came from a strong technical bid from elevated Collateralized Loan Obligation ("CLO") origination. During the quarter, the S&P UBS Leveraged Loan Index produced a gain of 1.19%, as BB-rated loans in the index outperformed their B-rated peers, with each producing gains of 1.68% and 1.20%, while CCC-rated loans generated a loss of 0.94%. Lastly, in Q4 2025, the Aerospace, Retail and Metals & Minerals sectors in the loans market were the top performers. Conversely, the Chemicals, Food & Drug and Transportation sectors were the biggest laggards.

During the quarter, primary market activity tapered into year-end and Q4 proved to be the lightest quarter for new issue activity in 2025. High yield bond issuance totaled just \$65.4 billion and was dominated by refinancing activity. New issue activity of leveraged loans recorded \$171.3 billion, a drop-off of about 50% from the previous quarter's total. In addition, like high yield bonds, refinancing and repricing was the dominant use of proceeds accounting for a combined 70% of all loan new issue activity. Further, as mentioned previously CLO activity remained elevated.

Finally, according to data from J.P. Morgan, default activity in Q4 2025 was the largest total in 2025 and included five of the largest defaults/distressed exchanges of the year. With that noted, the trailing twelve-month default rates for high yield bonds and leveraged loans (including distressed exchanges and liability management exercises "LMEs") sat at 1.88% and 2.87%, respectively. However, excluding distressed exchanges and LMEs, default rates fell to 0.99% and 1.46%.

## Fund Performance & Attribution

In Q4 2025, the Polen Credit Opportunities Fund returned -2.91%, lagging the 50% ICE BofA U.S. High Yield Index / 50% Credit Suisse Leveraged Loan Index by 384 bps.

During the fourth quarter, in aggregate, the Fund's reorganized equity positions detracted from absolute and relative returns.

Attribution by rating shows that the quality allocation effect was negative driven by the Fund's overweight to CCC-rated bonds and loans. Further, the Fund's aggregate security selection effect was negative. This negative effect was driven primarily by the Fund's CCC2-rated, CCC3-rated and B1-rated bonds, which lagged those of the benchmark. These negative effects were partially offset by the positive effects generated by the Fund's CCC1-rated and B2-rated high yield bond and loan positions rated B- and CCC-, each of which outperformed those of the benchmark.

Turning to sector attribution, the sector security selection effect was negative. The Fund's high yield bond holdings in the Basic Industry, Automotive, and Media sectors, as well as its loan holdings in the Healthcare sector lagged those of the benchmark, detracting from relative performance. However, these negative effects were partially offset by the positive effects produced by the Fund's loan holdings in the Building Materials and Services/Retail sectors, which outperformed those of the benchmark.

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

### Top Contributors

**Asurion** partners with mobile carriers to provide outsourced cell-phone protection plans and is the dominant provider in the U.S. and Japan. Its scale, recurring subscription revenue, low capital intensity, and strong customer retention create a durable competitive position, reinforced by its role as the sole phone-insurance provider to two of the three major U.S. wireless carriers. These attributes support consistent free-cash-flow generation. In December 2025, Asurion announced the GBP 2.1 billion (-12x EBITDA) acquisition of Domestic & General, which should broaden its geographic reach, accelerate growth of the Connected Home offering, and create potential synergies. To finance the deal, the company issued a \$3.3 billion first-lien bond due 2032—its inaugural bond transaction—materially upsized from the initial \$1.25 billion launch to extend near-term maturities and diversify funding beyond the leveraged-loan market. The acquisition, maturity extension, and new funding source supported performance of the SOFR + 5.25% Second Lien Term Loan due 2029.

**Covetrus** is a leading global animal-health services company operating across the U.S., Europe, and Asia. It serves 90% of U.S. veterinary practices and generates highly recurring revenue, supported by retention rates above 95%. The company operates across three segments—animal-health distribution, veterinary prescription management, and practice-management software—and was taken private in 2022 for approximately \$4 billion by CD&R and TPG, who contributed roughly \$2.3 billion of equity.

Despite softer end-market trends in 2024, Polen Capital expects Covetrus to return to revenue and EBITDA growth in Q4 2025 and into 2026 as adoption of its bundled VetSuite offering accelerates. Reflecting this view, Polen Capital initiated a position in the company's SOFR + 5.00% First Lien Term Loan due 2029 via the secondary market. At a yield above 10%, the Term Loan offers what Polen Capital considers an attractive risk-reward opportunity for the Fund.

### Largest Detractors

**Oldcastle BuildingEnvelope** ("Oldcastle") is a North American manufacturer and distributor of architectural glass, aluminum framing systems, and related hardware for commercial and residential applications. In 2022, KPS acquired the company from CRH for \$3.6B (~10.9x LTM EBITDA). Oldcastle is operating in a competitive market and facing weaker earnings due to lower volumes, margin pressure, and operational missteps following the unusually strong 2022–2023 environment. These headwinds have increased leverage, and we do not expect earnings to recover until 2027. However, we believe Oldcastle has sufficient liquidity to help bridge to an improved earnings environment and positive cash flow in 2027. In addition, we view the CR Laurence segment as a valuable asset that could be sold at a low-double-digit to mid-teens EBITDA multiple to reduce leverage if needed. While leverage through Oldcastle's 9.50% Senior Notes due 2030 is higher than originally anticipated, we believe the securities have the potential to offer an attractive return from current prices and anticipate that the capital structure may be refinanced in 2028 in connection with an improved earnings profile or a possible sale of the business.

**RealTruck** is a leading U.S. manufacturer and distributor of aftermarket accessories for pickup trucks, SUVs, and Jeeps, and operates realtruck.com—the largest dedicated online retailer of aftermarket truck parts in the country. In Q4 2025, the Portfolio's 6.25% Senior Notes due 2029 traded lower amid concerns about softer U.S. consumer spending. We believe RealTruck remains relatively insulated from tariff impacts and may gain market share from low-cost imports over time. Despite potential near-term volatility, the company's margin profile, brand strength, and junior equity cushion support continued confidence in the position, which the Portfolio maintains while closely monitoring developments..

## Portfolio Positioning & Activity

We did not make any significant changes to fund positioning during the quarter. However, we increased positions in certain existing holdings and initiated several new positions. Lastly, we executed a few sales, one of which is described here.

We increased our holdings in **IPS Corp** through the SOFR + 6.75% Second Lien Term Loan due 2033, viewing it as an attractive relative-value opportunity. IPS is a global manufacturer of highly engineered niche industrial products with leading positions across solvent cements, plumbing and roofing products, and specialty adhesives, supported by well-established brands such as Weld-On, Christy's, Water-Tite, and IPS Roofing. The company's entrenched distributor relationships, strong brand loyalty, and consistent pricing power highlight its durable competitive position. Its asset-light model and low share of project bill-of-materials costs support healthy, recurring free-cash-flow generation. Polen participated in the financing used to support Centerbridge's dividend recapitalization in November 2025.

We exited our position in **LABL Inc.'s SOFR + 5.00% First Lien Term Loan due 2028** in early October 2025, driven by concerns about further price declines and mounting uncertainty around the company's ability to refinance its 2027–2028 maturities without an equity contribution or coercive exchange. LABL, doing business as Multi-Color Corporation, is the world's #2 label manufacturer, operating more than 100 facilities and offering a broad range of label technologies, including pressure-sensitive, cut & stack, roll-fed, in-mold, and shrink-sleeve. Although the company benefits from exposure to stable consumer end markets and limited customer concentration, leverage remains elevated due to its acquisition-driven growth strategy, customer destocking in 2023–2024, and weaker earnings in 2025 amid softer volumes and increased pricing pressure. While we believe the First Lien debt is still covered by the value of the franchise, deteriorating fundamentals and refinancing risk warranted the sale.

Despite recent disruptions, including tariff uncertainty and a prolonged U.S. government shutdown, the macro-economic backdrop is broadly supportive. Economic growth continues in the U.S., aided by accommodative fiscal and monetary policy. The "One Big Beautiful Bill Act," AI driven capital expenditures, and a healthy consumer support this contention. Although still above the Federal Reserve's target, inflation in the U.S. has stabilized. With labor markets providing mixed signals, the Fed may choose to pause additional policy accommodation, at least for the time being.

Further, the U.S. consumer remains a focal point. Although headline numbers remain encouraging, consumption continues to bifurcate. Lower income cohorts remain strained, while higher income consumers continue to spend. Similarly, corporate performance displays a similar divergence, while fundamentals remain healthy overall, not all sectors have benefited equally from the AI boom. Tariff concerns have also created pockets of pressure, though many of the worst-case scenarios from early 2025 have been mitigated.

High yield and leveraged loan spreads are currently tight relative to history. Despite tight spreads, yields remain attractive compared to longer term averages and relative to other fixed-income sectors. Given the tight spread environment, active managers must look beyond headline metrics to uncover opportunities to add incremental yield.

## Regardless of where average spreads currently reside, idiosyncratic opportunities remain for long term investors to exploit.

We remain committed to delivering compelling, risk-adjusted returns for our clients. We continue to seek out high-quality businesses that offer attractive risk-reward where our research indicates the business is well positioned to navigate market corrections and meet their debt obligations. Although it can be uncomfortable at times, temporary mark-to-market fluctuations often create exceptional buying opportunities as market inefficiencies emerge. While those disruptive periods have become increasingly shorter in duration, we remain poised to act when they do occur. By staying committed to our process and remaining agile in deploying capital, we believe that our clients' portfolios are well positioned to capitalize on these dislocations, ultimately adding to performance over the long term.

## Important Disclosures & Definitions

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, charges, 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.**

## Experience in Leveraged Credit Investing



**Ben Santonelli**  
Portfolio Manager  
21 years of industry experience



**John Sherman**  
Portfolio Manager  
21 years of industry experience

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.

### Indexes:

**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:

**Liability Management Exercises:** Actions taken by a company to restructure or optimize its existing debt, often to extend maturities, reduce interest costs, improve liquidity, or avoid default. Common LMEs include debt exchanges, tender offers, amend-and-extend transactions, and covenant resets. **Earnings Before Interest, Taxes, Depreciation, and Amortization** is a measure of a company's operating profitability before the effects of financing decisions, tax strategy, and non-cash accounting items. **Last Twelve Months EBITDA** is calculated over the most recent 12-month period, used to smooth out seasonality and provide a current view of operating performance.