

SUB-ADVISOR COMMENTARY - JANUARY 31, 2021

Symphony Floating Rate Senior Loan Fund's (the "Fund") Class A units returned 2.3% for the month of January 31, 2021. The Credit Suisse Leveraged Loan Index returned 1.27% for the same period.

Capital markets generated mixed performance for the month of January as investors reacted to corporate earnings results, progress on COVID vaccinations, political agenda items under the new administration, and heightened equity market volatility that occurred towards the end of the month. The yield on U.S. 10 year treasury climbed to 1.07% in response to expectations for additional fiscal stimulus. The S&P 500 declined 3.31% during the final week of January, wiping out earlier gains and ended the month down 1.11%. Meanwhile, U.S. senior loans and high yield bonds, as represented by the Credit Suisse Leveraged Loan Index and BofA Merrill Lynch High Yield Index, rose 1.27% and 0.37%, respectively.

The senior loan market rallied in January on strong technical factors, benefiting from the rise in rates and strong inflow from retail funds. Retail funds saw inflows during the month of January totaling \$3.2 billion, the highest inflow since March 2017. Collateralized loan obligation ("CLO") formation remained robust, with a healthy \$8.6 billion in net issuance, further boosting demand for senior loans. Unsurprisingly, companies took advantage of the strong demand for loans with a wave of repricing activities. Of the \$96.4 billion of gross issuance, repricing and refinancing activities accounted for 83%, leaving net issuance at \$16.7 billion. Within the asset class, spreads tightened across industries and the credit spectrum, led by lower rated loans. Credit fundamentals continue to improve and there were no defaults or distressed transactions in January. The trailing twelve month default rate by amount for the S&P/LSTA U.S. Leveraged Loan Index (the "Index") declined to 3.38%, the lowest level since June 2020, though remains above the 2.88% historical average breached last May. Additionally, the count of leveraged loan upgrades in the Index has nearly reached parity with downgrades, with a cumulative total of 44 upgrades versus 45 downgrades in the three months through the end of January. (Source: S&P LCD, JP Morgan)

Contributing positively to performance during the month was strong security selection in aggregate, as well as exposure to re-org equity. Most notably, re-org equity of an outdoor advertising company (Clear Channel) rose amid optimism towards the economy reopening. Within Health Care, loans of a pharmaceutical company (Advanz Pharma) rose after it received a buyout offer from a large private equity fund. Detracting from relative performance included the fund's underweight to select issuers that rallied during the month, including the stressed loan of a movie theater operator (AMC).

We expect U.S. growth to continue at an above-trend pace through 2021. The recently-enacted batch of fiscal stimulus will support personal disposable income and ultimately consumption over the next several quarters. As populations receive COVID-19 vaccinations, virus-driven disruptions are expected to decline. Consumer and corporate balance sheets are healthy, providing a solid backdrop for growth. Furthermore, we expect demand for senior loans to remain strong from CLO formation and the recent sell-off in longer dated U.S. treasuries to spark further focus on duration risk. We believe senior loans should benefit from improving economic data, progress on vaccine distribution, strong investor inflows and expectations for continued policy support. Credit fundamentals are sound, though valuations are approaching fair value. Therefore, credit selection and active management will be key in generating alpha.

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Annual Compound Returns ¹	YTD	1-YR	3-YR	5-YR	Since Inception A & U ²	Since Inception C & F ³
Symphony Floating Rate Senior Loan Fund - Class A	2.3%	(2.3%)	1.2%	5.4%	4.7%	-
Symphony Floating Rate Senior Loan Fund - Class C	2.3%	(1.3%)	1.2%	-	-	2.0%
Symphony Floating Rate Senior Loan Fund - Class F	2.3%	(2.2%)	1.3%	-	-	2.1%
Symphony Floating Rate Senior Loan Fund - Class U	2.3%	(1.1%)	1.8%	5.6%	4.7%	-
Credit Suisse Leveraged Loan Index	1.3%	3.5%	4.0%	5.6%	4.8%	4.2%

⁽¹⁾ Returns are for the periods ended January 31, 2021 and are unaudited. The table shows the Fund's compound return for each period indicated compared with the Credit Suisse Leveraged Loan Index ("Loan Index"). The Loan Index is an appropriate benchmark as it is designed to mirror the investable universe of US dollar denominated leveraged loan market in which the Fund also invests. The Loan Index is unleveraged and its returns are calculated without the deduction of fees, fund expenses and trading commissions, whereas the performance of the Fund includes the impact of leverage and is calculated after deducting such fees and expenses. Since the Fund is actively managed, the sector weightings may differ from those of the Loan Index.

⁽²⁾ Inception date November 1, 2011.

⁽³⁾ Inception date January 10, 2017.

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