SUB-ADVISOR COMMENTARY - NOVEMBER 30, 2019

The Fund was flat for the month of November 2019. The Credit Suisse Leveraged Loan Index returned +0.55% for the same period.

According to J.P. Morgan, capital markets generally rose in November, as improved investor sentiment from late October over U.S.-China trade relations and around the resilience of the U.S. economy carried over into the early weeks of November. Against this backdrop, duration heavy credit (e.g., investment grade corporates) generated negative returns in the face of modestly rising U.S. interest rates, while higher yielding less rate sensitive credits, particularly loans and high yield bonds, advanced as technical factors and idiosyncratic risk/rewards played a larger role in November than previous months.

Senior loan spreads contracted during the month and leveraged loans outperformed high yield bonds in November, primarily driven by a better supply-demand dynamic during a heavy new-issuance month. Gross new issuance for the loan market and the high yield market totaled $56.3bn and $37.0bn, respectively. Within loans, investors continue to favor higher quality credit (B+ or higher) relative to lower quality (B/CCC). In terms of industry performance, 17 out of 21 loan industry sectors gained. Leading the rally gains were Retail, Housing and Financials that benefitted from improved U.S. economic expectations. Similar to October, global commodity-related industries – Energy and Metals & Mining – experienced declines due to continued growth concerns outside the U.S. In terms of default activity, four companies defaulted on a total of $2.1bn in bonds and $2.5bn in loans.

Absolute return for the portfolio notably benefitted from good issue selection within Energy, primarily through the avoidance of McDermott International, a large energy services company that defaulted in November, as well as retaining exposure in Fieldwood, an E&P company that rebounded from October. The loan of Fieldwood, along with others in the sector, declined last month due to false rumors that a leading energy company faced challenge in an asset sale. In November, these rumors proved to be unfounded. Partially offsetting these good results were disappointing performance outcomes from Intelsat, a satellite services company facing obstacles in relation to a regulatory approval, and a handful of issuers that reported disappointing quarterly earnings.

Given the October sell-off, new loans coming to market have become more attractive. Due to these circumstances, we have begun to add risk on the margin through the addition of new issues. Generally speaking, new loan issues are coming to market at more attractive yields and those selected for purchase are more than compensating investors for associated risks. Even with this addition of incremental risk, the portfolio remains defensively positioned, favoring higher quality and more liquid loans given continued mixed expectations for U.S. and global growth over the cyclical horizon. Despite the ultimate path of economic growth, we expect loan market volatility to continue into the first half of 2020, as several macro factors remain unresolved (U.S.-China trade, Brexit, etc.). Expected spikes in volatility should present additional opportunities to add risk at temporarily depressed price levels.

SYMPHONY
from nuveen

Annual Compound Returns[1]	YTD	1-Year	3-Year	5-Year	Since Inception A & U[2]	Since Inception C & F[3]
Symphony Floating Rate Senior Loan Fund - Class A	5.5%	0.6%	3.4%	3.1%	5.4%	-
Symphony Floating Rate Senior Loan Fund - Class C	5.2%	0.4%	-	-	-	2.3%
Symphony Floating Rate Senior Loan Fund - Class F	5.2%	0.4%	-	-	-	2.7%
Symphony Floating Rate Senior Loan Fund - Class U	5.9%	1.3%	3.7%	3.2%	5.1%	-
Credit Suisse Leveraged Loan Index	6.5%	4.0%	4.3%	4.0%	4.8%	4.0%

(1) Returns are for the periods ended November 30, 2019.

(2) Inception date November 1, 2011.

(3) Inception date January 10, 2017.

The table shows the Fund's compound returns for each period indicated compared with the Credit Suisse Leveraged Loan Index. The Credit Suisse Leveraged Loan Index ("Loan Index") is an appropriate benchmark as it is designed to mirror the investable universe of the 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.

BROMPTON FUNDS

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