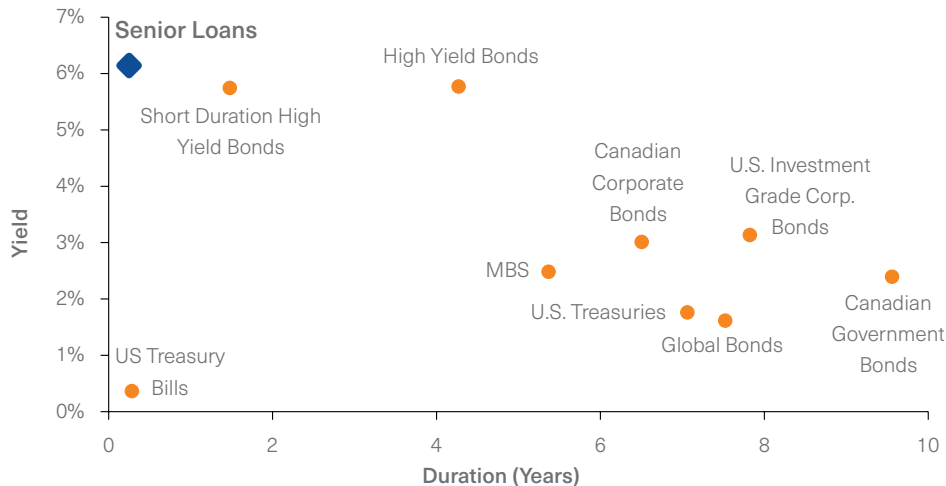


Fund in focus: Symphony Floating Rate Senior Loan Fund (SSF.UN)

In a time of rising interest rates, duration (a measure of interest rate risk) is a key characteristic to consider when examining fixed income asset classes. Given that interest rates on senior loans are generally tied to a 1- or 3-month reference rate such as Libor, resulting in zero to 0.25 years duration, the asset class is attractive for investors seeking income with minimal interest rate risk. In fact, senior loans currently offer the most attractive yield relative to duration among traditional fixed income alternatives.

Senior Loans offer High Yield with Low Interest Rate Risk



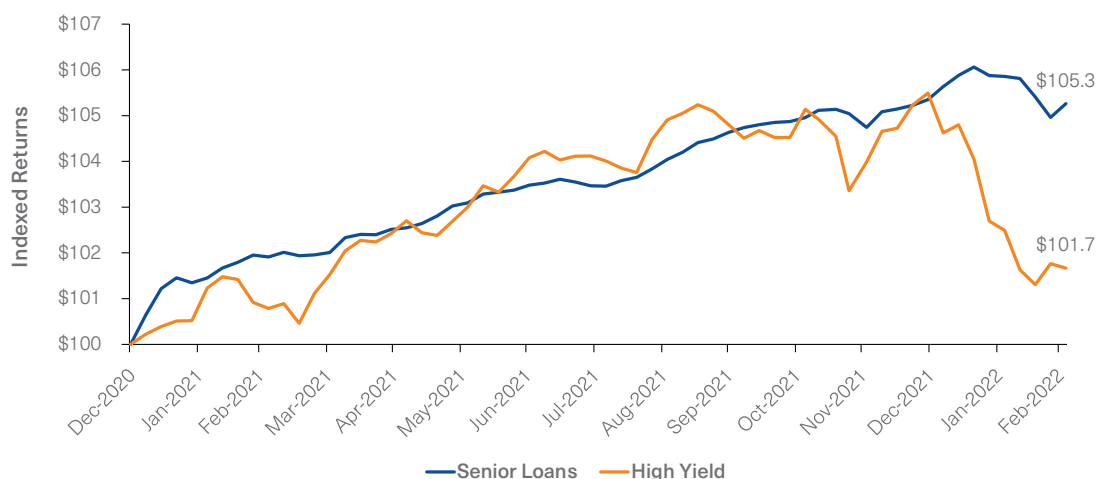
Source: Credit Suisse, Refinitiv Datastream, as at February 28, 2022. Indices used include Credit Suisse Leveraged Loan Index, Credit Suisse High Yield Index, ICE BofA 0-3 Year US High Yield Index, ICE BofA Canada Corporate Index, ICE BofA US Corporate Index, ICE BofA Diversified Canada Government Bond Index, ICE BofA US Treasury & Agency Index, ICE BofA US Treasury Bill Index, Bloomberg Global Aggregate - U.S. MBS USD, and ICE BofA Global Broad Market Index.

Senior loans also have limited credit sensitivity, as loans are well positioned against the current backdrop of expected continued economic growth and the higher interest rates that are likely to follow. In our opinion, for income-oriented investors looking to allocate capital into a rising rate environment, loans could well be a powerful part of the solution, but active credit selection and portfolio construction are key.

Loans have proven resilient

Since the beginning of 2021 the fixed income market has seen volatility in both the front and back end of the yield curve. Throughout this period loans have remained relatively stable. In contrast, high yield bonds, which are less duration sensitive than investment grade bonds, have oscillated in response to moves in the rate market. The stability of senior loans is an attractive feature to many investors.

Loan Returns Have Been Steady vs. High Yield

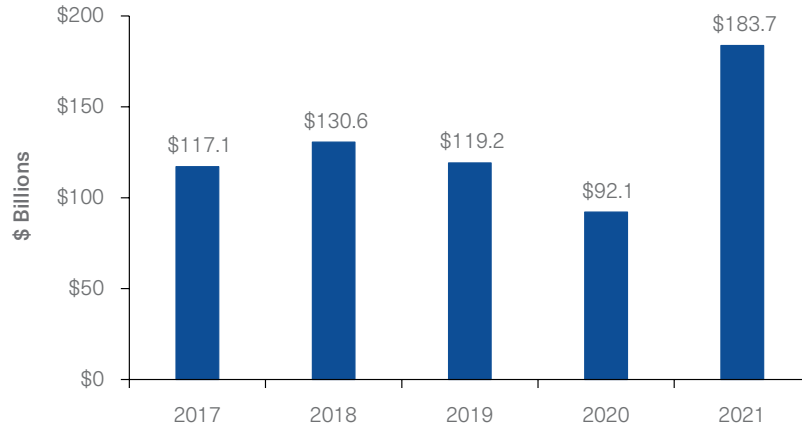


Source: Credit Suisse, as of March 3, 2022. Based on weekly returns for the Credit Suisse Senior Loan Index and the Credit Suisse High Yield Index.

Strong demand from institutional and retail investors

The steady performance of loans in the face of rising rates has resulted in strong demand from both institutional and retail investors. Institutional collateralized loan obligation (CLO) creations have been a growing source of loan demand since the CLO industry was reborn in the aftermath of the Global Financial Crisis. The loan market saw a record \$183 billion of net CLO creation in 2021, resulting in approximately 2/3rds of primary market loan issuance being taken up by CLOs.

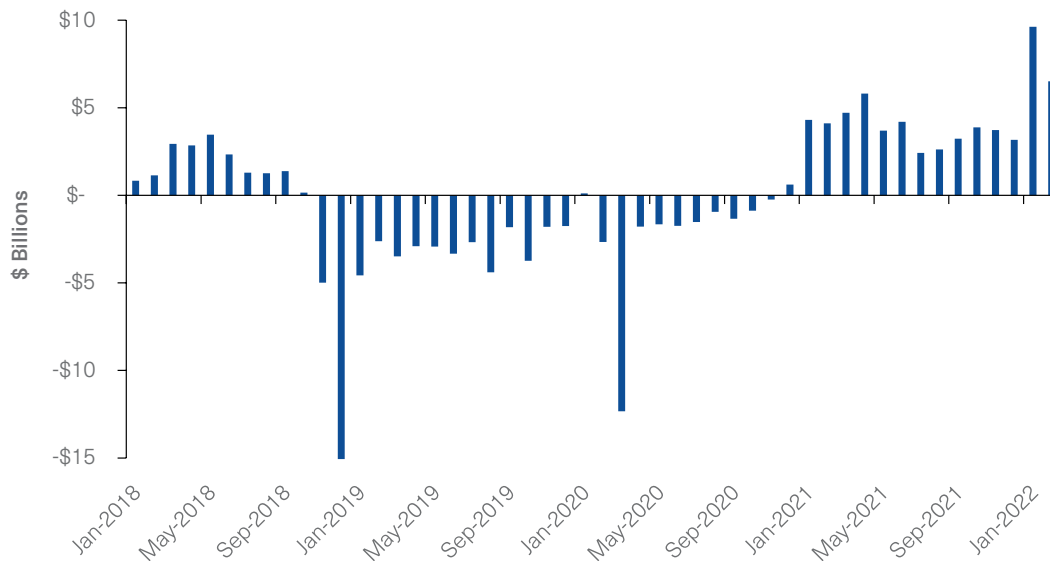
CLOs Have Seen Consistent Strong Demand



Source: JP Morgan (February 1, 2022)

For retail investors, senior loan mutual fund and ETF flows tend to be tactical in nature and are heavily influenced by the sentiment around interest rates. Between December 2018 and December 2020, when the perceived risk of rising interest rates was low, loans saw outflows totaling \$86 billion. Beginning in January 2021, however, that trend dramatically reversed with mutual funds and ETFs seeing \$45 billion of inflows in 2021 and \$10 billion so far in 2022.

Loan Mutual Funds and ETFs Have Seen Strong Demand



Source: Morningstar, as of February 28, 2022

This demand provides a stable backdrop for loans and allows issuers ample access to capital as fundamentals continue to improve post-COVID and issuers take advantage of strong economic conditions.

Spreads are near long-term averages

While spreads have narrowed considerably for loans, driven partly by strong demand, loan spreads are not at all-time lows. Loan spreads today are only minimally below long-term averages, and well outside of the tighter levels seen in previous credit cycles. This is somewhat surprising given the current stage of the interest rate cycle and may represent an opportunity for new investors.

Spreads Remain Close to Average



Source: Credit Suisse, as of February 28, 2022. Reflects 3-year discount margin for the Credit Suisse Senior Loan Index.

Returns for loans expected to be largely coupon-driven

The loan asset class has largely completed its recovery from the COVID-19 market correction. While index investors can do well during loan recovery periods, the market is now trading near par on average, so it's no longer a case of "a rising tide lifting all boats". Future returns for loans will largely be a function of coupon levels, which are in the range of 5% currently and have the potential to float higher as short-term interest rates rise. Active management in the loan market adds value by selecting loans which offer not only attractive coupons but also strong credit profiles and lower default risk.

Fund in focus: [Symphony Floating Rate Senior Loan Fund \(SSF.UN\)](#)

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