SYMPHONY
FLOATING RATE SENIOR LOAN FUND

BROMPTON FUNDS

Sub-Advisor Commentary - May 31, 2023

The Fund posted -0.92% for the month of May 2023. The Credit Suisse Leveraged Loan Index returned -0.09% for the same period.

Volatility and risk-off sentiment increased prior to the anticipated debt ceiling deadline, although the uncertainty was ultimately resolved. Regarding the US economic data, the labor market exhibited resilience as it gained an impressive 339,000 payrolls last month — well above the 190,000 or so forecast — and the unemployment rate hovered near a multi-decade low. On the central bank front, The Federal Reserve, European Central Bank, and Bank of England all hiked rates by another +25 basis points (bps). Treasury yields rose in May, with the 10-year yield up +22 bps during the month.

Against this backdrop, the US loan market retreated in May. The Morningstar LSTA US Leveraged Loan Index lost -0.18%, its second month in the red this year along with March (-0.03%). Breaking down total returns by credit rating, single B rated loans (-0.43%), which accounts for over 60% of the loan market, underperformed those rated CCC (+0.78%) and BB (-0.01%). Within the single B cohort, we continue to see bifurcation between higher rated (B+/B) issues vs. lower rated B- loans. On May 31, the weighted average discount spread-to-maturity (STM) on loans issued to B- rated borrowers was 679 bps, 112 bps wider than a year earlier. In contrast, STM of the B rated loans rose by just 11 bps over the same period, to 521 bps, while the STM of the B+ loans declined by 13 bps, to 415 bps. Capital market activity improved during the month with a gross issuance of $23 billion, but refinancing dominated, resulting in a moderate net new issuance of $6.6 billion. On the demand side, issuance by collateralized loan obligations (CLOs) — the primary purchasers of senior loans — totaled $9.0 billion (with no refinancing) across 21 deals, while retail flows remained negative (-$2.5 billion). The Morningstar index's trailing 12-month default rate increased to 1.60% at the end of May from 1.42% one month prior. (Sources: Leveraged Commentary & Data; Morningstar LSTA US LL Index, JP Morgan)

Exposure to equity obtained through reorganization and good issue selection within Healthcare contributed positively to relative performance, while disappointing selection in Information technology detracted. Within Healthcare, the loans of a medical transportation company rose with better-than-expected earnings guidance.

We believe the loan market (and our portfolios) are set up to generate attractive returns over the next 12 to 18 months both on an absolute and relative basis to other fixed income asset classes. The loan market is feeling stronger post the debt ceiling resolution, including stronger than expected first quarter earnings, better than expected economic and unemployment data. These positive factors have caused the Federal Reserve and the market to consider raising short term interest rates and keeping rates higher for longer, both of which are positive for the loan market. From a macro perspective, we expect the Fed to remain committed to fighting inflation. While inflation has likely peaked, data trends suggest it is expected to remain above the Fed's target through 2023. This supports our view that advocating for rate cuts is premature.

We believe senior loans continues to offer one of the most appealing income opportunities for investors. We are finding opportunities in high quality loans yielding north of 8% where the team believes there is minimal default risk. The portfolio overall remains relatively higher in quality and liquidity as we anticipate pockets of credit deterioration and single-name volatility to persist. We are also evaluating select lower-rated names that have experienced technical selloffs. Finally, new issues coming to the market are pricing at attractive levels and more importantly, with stronger lender protection language, presenting a notable contrast to many 2021 vintage deals we avoided.

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Annual Compound Returns[1]	YTD	1-YR	3-YR	5-YR	10-YR	Since Inception A & U[2]
Symphony Floating Rate Senior Loan Fund - Class A	2.1%	(1.7%)	7.1%	1.3%	2.9%	4.2%
Symphony Floating Rate Senior Loan Fund - Class U	2.0%	(1.7%)	7.0%	1.7%	2.8%	4.1%
Credit Suisse Leveraged Loan Index	4.0%	5.5%	5.9%	3.6%	3.8%	4.4%

(1) Returns are for the periods ended May 31, 2023 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.

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