

Invesco European Senior Loan ESG Fund

A Sub-Fund of Invesco Zodiac Funds

Invesco Senior Secured Management, Inc.



Michael Craig

Head of European Senior Loans, Senior Portfolio Manager

2024 First quarter market review

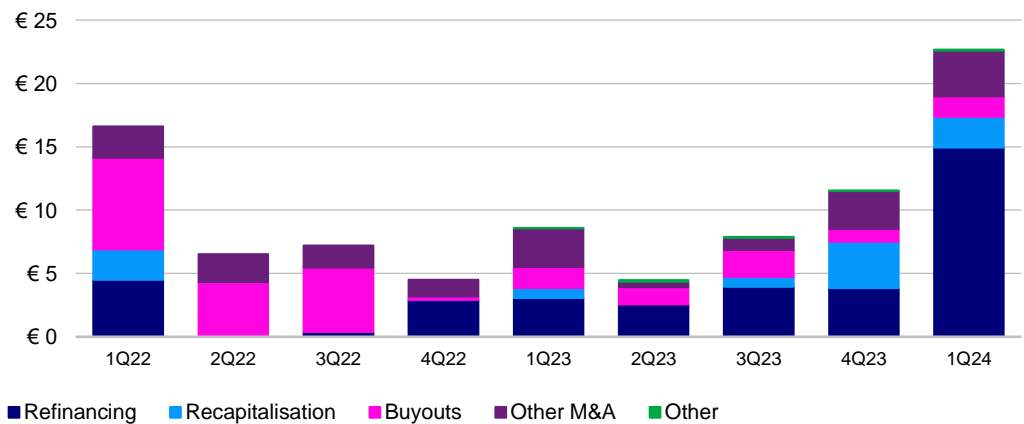
The Credit Suisse Western European Leveraged Loan Index (“CS WELLI” or “Index”) returned 2.04% during the quarter, consisting of interest income of 2.09% and principal return of -0.05%.¹ Year-to-date total returns at quarter end were 2.04%.¹

Q1 2024 saw an overall constructive quarter for markets, with multiple equity indices, including the Euro STOXX 600 (+7.6%), the US S&P 500 (+10.6%) and the Japanese Nikkei (+22%), achieving record highs.² The S&P 500 specifically experienced an increase of over 10%, marking the first instance in more than ten years of consecutive quarterly double-digit gains.²

Such performance was driven by a series of positive surprises in global economic data, sparking optimism for a potential soft economic landing. Notably, the US economy demonstrated robust growth, with an annualized rate of +3.4% in Q4. In the Euro Area, Q4 growth remained steady, defying initial predictions of a -0.1% decline. Moreover, the Euro Area’s Purchasing Managers’ Index (PMI) has been on a consistent upward trajectory, with the flash composite PMI for March hitting a nine-month high of 49.9. This data suggests a promising economic outlook as we move further into the year.

However, despite the success of risk assets, fixed-rate bonds underperformed due to persistent inflation and a robust economy, leading investors to anticipate fewer and later rate cuts: During the first quarter, we observed a significant rise in Brent crude oil prices, with an increase of 13.6% to \$87.48 per barrel. Additionally, there was a notable shift in inflation expectations among investors now expecting fewer and later interest rate cuts compared to the beginning of the year especially in the US where both economic growth and inflation have been higher than expected.

Figure 1: European quarterly institutional loan volume activity (€B)



Source: PitchBook Data, Inc. as of March 31, 2024.

Invesco Management S.A. (the Management Company) has appointed and delegated discretionary investment decisions with respect to the Fund to Invesco Senior Secured Management, Inc. (“The Investment Manager”). See prospectus for more information. All information as of December 31, 2023 unless otherwise noted. Fund launch date is January 21, 2020. Base currency is EUR.

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In the leveraged loan market, the first quarter of the year saw robust loan issuance of €23bn billion, which was up from €11.6bn in the prior quarter and €8.6bn one year earlier in Q1-2023 marking the most active period since Q2 2021. The surge in issuance was largely fueled by opportunistic refinancing deals given issuers were taking advantage of a tightening spread environment. M&A and buyout activity is slowly increasing but remains muted due to slow global dealmaking.

At quarter end, the average price of the CS WELLI was €96.76, down €0.13 during the quarter. As such, returns of 2.04% during the quarter (8.16% annualized) were mainly driven by the attractive carry that the index currently offers. The slight decline in price during the quarter was fully driven by a €0.38 decline during the month of March. This was caused by idiosyncratic volatility in the technology, media, and telecom (TMT) sector centered around large French Telecommunications firm Altice. During March, Altice laid out a new plan to delever the company to 4.0x, which is greater than 2x of debt reduction and which would be achieved through a combination of asset disposals and "creditors' participation" in the form of par discounts captured via exchanges, tenders or debt repurchases.

Fundamentals

European macro indicators have shown a degree of improvement throughout the first quarter - (global) data has tended to surprise to the upside, which have increased hopes that a soft economic landing remains likely. Inflation trends and central bank reaction to those developments, in Europe and the USA, have continued to dominate headlines and risk-asset price evolution.

AI (Nvidia in particular) has been a notable theme, helping to drive many equity indices to new highs. Generally, disinflation continues across the EA (Middle East tensions have seen a degree of strain on/in supply chains), in contrast to the US where inflation remains stickier. While the macro trends across the EA have been well received, GDP/growth remains low, and macro surveys suggest growth to below 1% for 2024 in Europe.

Thus, the market continues to price for the ECB to start to lower interest rates around early summer. Monthly data flow has pushed the first cut from April (at the start of 2024) towards June/. Post quarter end (on the 11 April) and as expected, the ECB kept its key interest rates unchanged, with the deposit rate at 4%. The Governing Council commented "[...] most measures of underlying inflation are easing, wage growth is gradually moderating [...]". Some additional recent macro highlights are:

- The European Commission's economic sentiment increased from 95.4 to 96.3, slightly above the expected 96.2. Q1-24 Eurozone GDP growth is forecasted around positive +0.2% up from +0% in Q4-23.
- Eurozone inflation decreased to 2.4% in March, lower than the anticipated 2.5% (previous month: 2.6%) approaching the 2% ECB target.
- The Eurozone Composite PMI rose by 0.7 points to 49.9, nearing the neutral 50-point mark, primarily due to a boost in services and, to a lesser extent, manufacturing output. However, the manufacturing sector continued to shrink, with the Manufacturing PMI falling by 0.8 points to 45.7, largely due to the impact of earlier Red Sea disruptions on supplier delivery times.
- The last twelve-month default rate for the Morningstar European Leveraged Loan Index (based on principal amount) is 1.65%.³ The historical average annual default rate is 2.86%.³

Risk warnings

For important information on risks associated with this product, see the "Risk Factors" in Section 31 on pages 54-59 of the Prospectus.

Senior loans may be illiquid and more difficult to sell quickly at a fair price. Because of the risk of illiquidity of the instruments in which the product will invest, the processing of the redemption requests may be deferred in certain circumstances. Interest rates on senior loans depend on the level of an underlying rate; as such, they may change and cause fluctuations in the net asset value of the product. Senior loans are exposed to credit risk which is the ability of the borrower to repay the interest and capital on the scheduled dates. The product will hold High Yield Bonds/Non-investment Grade Bonds which are of lower credit quality and may result in larger fluctuations in the value of the product. The product may also use derivatives for investment purposes. The use of derivatives may result in the product being significantly leveraged and may result in large fluctuations in the value of the product. The lack of common standards may result in different approaches to setting and achieving ESG objectives. In addition, the ESG criteria may cause the product to forego certain investment opportunities. The product may invest in developing markets, this may cause large fluctuations in the net asset value of the product.

Invesco European Senior Loan ESG Fund objective and strategy

The Fund seeks to provide a high level of current income, consistent with the preservation of capital, by investing primarily in adjustable rate senior secured loans, collateralized loan obligations, second lien loans, mezzanine securities and credit derivatives relating to non-investment grade companies and denominated in Euro, Sterling, and other European currencies (including, but not limited to, Norwegian Krone, Swedish Krona, Swiss Franc and Danish Krone), while integrating environmental, social and governance ("ESG") criteria. The Fund invests primarily in senior, secured loans to non-investment grade corporations with interest rates that float at a spread above a base rate, resets about every 60 days. The Fund's team seeks loans to companies which, in the judgment of the analyst team, have excellent management teams, consistent and dependable sources of cash flow and reliable collateral packages providing a second source of repayment. To manage risk, the team keeps the portfolio broadly diversified and generally avoids industries they believe to be fundamentally flawed or speculative. The Fund's ESG criteria will be reviewed and applied on an ongoing basis by the Investment Manager, integrated as part of the investment process for credit selection and portfolio construction. The Investment Manager will review the ESG characteristics of issuers and implement an internal ESG rating methodology. Any investment decision should consider all the characteristics of the Fund as described in the legal documents. For sustainability related aspects, please refer to <https://www.invescomanagementcompany.lu>. The investment concerns the acquisition of units in an actively managed fund and not in a given underlying asset. While the portfolio manager may consider Environmental, Social and Governance (ESG) aspects, they are not bound by any specific ESG criteria and have the flexibility to invest across the ESG spectrum. Information used to evaluate ESG factors may not be readily available, complete or accurate. ESG factors may vary across types of investments and issuers, and not every ESG factor may be identified or evaluated. There is no guarantee that the evaluation of ESG considerations will be additive to a strategy's performance.

Past performance does not predict future returns. Please see the following returns for the Invesco European Senior Loan ESG Fund's G share class.

Performance

Time frame	Invesco European Senior Loan ESG Fund G share class gross (%)	Invesco European Senior Loan ESG Fund G share class net (%)	Credit Suisse Western European Leveraged Loan Index (CS WELLI) (%)
Q1 2024	0.80	0.60	2.04
Six months	2.14	1.75	3.91
1 year	10.28	9.42	10.82
3 years	3.06	2.23	4.51
Since inception (January 21, 2020)	3.30	2.46	4.09

Time frame	Invesco European Senior Loan ESG Fund G share class gross (%)	Invesco European Senior Loan ESG Fund G share class net (%)	CS WELLI (%)
3/31/20 – 3/31/21	28.63	27.57	21.13
3/31/21 – 3/31/22	2.89	2.06	2.31
3/31/22 – 3/31/23	-3.53	-4.33	0.69
3/31/23 – 3/31/24	10.28	9.42	10.82

Source: Invesco, as of March 31, 2024. Fund and benchmark returns are total returns in EUR. Returns may increase or decrease as a result of currency fluctuations. The benchmark index is shown for performance comparisons purposes only. The Fund is actively managed and does not track the index.

Invesco European Senior Loan ESG Fund performance and positioning

Q1 2024⁴

The Fund's gross total return (G shares) amounted to 0.80% in the first quarter of 2024, 124 basis points ("bps") behind the Credit Suisse Western European Leveraged Loan Index return of 2.04%.¹ The net return for the G shares of the Fund over the quarter was 0.60%.

During the quarter, the Fund's underperformance was primarily the result of the following factors as outlined below:

- **Asset Selection (Fixed Rate):** Fixed rated instruments continued to benefit from the expectation of rate cuts in 2024. Nevertheless, some idiosyncratic risk in the Fund was a detractor from performance, with most of the underperformance coming from the Altice complex which more than offset positive outcome from high conviction credits such as Douglas (IPO) and Kantar (refinancing / extension transaction).

- **Credit Selection (Loans and FRNs only):** While a number of the Fund's top positions continued to perform very well and were accretive this quarter (ADB, Douglas, Hurtigruten, Scenic, and Kantar), the majority of the underperformance against the benchmark was driven by a price correction in Altice France facilities that occurred during the second half of March. Please see "Credit contributors to and detractors from performance" section below for additional details.

This underperformance was partially offset by the following factors detailed below:

- **Risk Positioning (Loans and FRN Only):** The Fund is overweight the 'CCC' segment of the market, which outperformed during the quarter.
- **Sector Selection (Loans and FRNs only):** The overweight in the Leisure and Transport sectors (hotels / travel / cruise ships) continued to contribute to performance given the recovery in travel and consumers allocating more of their disposable income to experiences versus goods. Telecommunication was a negative contributor due to news flow in relation to the Altice complex.

The weighted average market price of the Fund was €83.90 at the end of the quarter, which was €12.86 less than the CS WELLL.¹ At the end of the quarter, the Fund had a weighted average spread of EURIBOR + 5.18%, which was above the CS WELLL's spread of EURIBOR + 3.94%.¹ At quarter end, the yield-to-maturity of the Fund was 14.16%.

We share a few brief thoughts on the loan market and strategy below:

- Euro area (EA) macroeconomic indicators have shown a degree of improvement throughout the first quarter and global data has tended to surprise, positively, to the upside. Generally, disinflation continues across the EA, in contrast to the US where the inflation remains stickier. With EA GDP expected to be positive for 2024, coupled with the inflationary data, the market is pricing approximately 75bps of ECB rate-cuts by year-end – albeit about half of what was expected at end of 2023 – thus, the "higher for longer" rates expectations benefited shorter-duration risk assets such as loans versus high yield fixed bonds. The ECB is likely to begin lowering interest rates in early summer. Monthly data flow has pushed the first cut from April (at the start of 2024) towards June/July from its current 4% level.
- Sentiment at the borrower level has improved. For example, the March Eurozone Composite PMI rose by 0.7 points to 49.9, nearing the neutral 50-point mark, primarily due to a boost in services and, to a lesser extent, manufacturing output. Furthermore, the European Commission's economic sentiment measure increased from 95.4 to 96.3.
- These fundamental macroeconomic trends have helped to facilitate a robust loan market during the quarter. Year-to-date issuance is approximately €30 billion – a multi-year high. Flows have been dominated by refinancing (about two-thirds of transactions) and extensions, pushing out borrower maturities, which was a risk identified in our Annual Outlook issued earlier this year.
- On the demand side, CLO investors have been buoyed by an improved arbitrage environment, namely AAA liability spreads have compressed meaningfully. Thus, while refinancings have generally resulted in lower borrower all-in-coupons, the CLO-calculus continues to work given the reduced overall average cost of debt. This symbiotic relationship helps to maintain a floor in loan repricings margins.
- As funding costs become lower (base rates + credit/margin spreads) and as demand remains strong via CLOs and other market participants, we envisage increased M&A activity as the year progresses – which thus far has been muted. Overall, the demand/supply technical remains favourable for loan assets.

Credit selection: -3bps Q1. Credit selection was a negative detractor during the quarter. We outline the largest contributors and detractors in more detail below:

Credit contributors to and detractors from performance

- **Hurtigruten: contributor Q1.** Hurtigruten is a leading expedition travel company focusing on sustainable cruising. The business is the market leader in its home market, Norway, offering cruises along the Coast and Fjords of Norway as well as Expedition Cruises amongst others to exotic destinations such as the South Pole or the Galapagos islands. Pre-pandemic, the business was growing strong at around 7-8% per annum, driven by good demand for cruise ship travel and a competitive product offering. While Hurtigruten's brand-name and cruises remain globally leading, operations ramp-up post COVID have been slower than anticipated (marketing efforts directed at wrong booking windows, unfavorable routing decisions). In order to bridge to an expected operational recovery in 2024/2025, lenders and sponsor TDR have negotiated:
 - €185 million (mm) injection of new liquidity into the group;
 - deleveraging the operating group by reinstating some facilities into a new HoldCo facility (PIK pay); and

- (iii) providing consent to implement the business separation on Hurtigruten Expedition and Hurtigruten Norway to position the group for future strategic alternatives with an expected sale of Hurtigruten Norway over the coming 12-18 months.

Going forward, recent booking trends have been highly favorable. As of November 30, 2023, Hurtigruten had €329mm in pre-booked revenue for 2024. Momentum across all key markets is strong with last 30-day and 90-day average bookings up by +49% and +51%, respectively, compared to the same time last year. We expect Hurtigruten's operational performance to improve during 2024 with sponsor TDR and management aiming to sell the well-performing Norwegian coastal business over the coming 12-18 months.

- **ADB Safegate: contributor Q1.** ADB Safegate is a global manufacturer of airfield guidance systems headquartered in Belgium and owned by Carlyle. It generates the majority of its revenues from airport ground lighting products. The business is a clear global market leader in its core segments, several times larger than its nearest competitor. Customers are 2,500+ airports and airlines in 175+ countries, with presence in the vast majority of international Tier 1 airports. ADB Safegate's products are mission critical for airports and are a mostly a non-discretionary expense for airfield operations.

The global aviation industry experienced a severe downturn during the COVID-19 crisis. Even in the immediate COVID recovery during 2022, airports had to cut or delay capital expenditure given their somewhat strained balance sheets. Today, this trend is reversing with global passenger volumes and airport maintenance and expansion capex growing significantly. Hence, in 2023 ADB Safegate already recorded near record levels of sales, EBITDA, and order-intake with further growth expected during 2024. Owners Carlyle had already injected €37.5mm of fresh equity during 2022 to support the business. Recent public press articles suggest that Carlyle have now mandated an investment bank to explore a potential sale of the business. The sale would see the term loan repaid at par.

- **Upfield (Sigma): contributor Q1.** Upfield (Sigma) is the world's largest plant-based consumer product company focusing on production and sale of margarine and related products. KKR acquired the business in 2018 for an Enterprise Value of approximately €7bn. Since acquisition by KKR, the company has largely completed a complex carve-out from former parent Unilever and shown modest growth in revenues driven by a growing, innovative portfolio of vegan products.

During 2022, the business has faced an unprecedented surge in raw material input prices most notably of edible oils which was exacerbated by the Russia-Ukraine conflict (Ukraine is the world's largest exporter of sunflower oil with exports volumes plummeting post invasion). However, the company has reacted with a rapid increase in sales prices and has already started to benefit from falling edible oil prices with the CSI Edible Oil Futures Composite Index as of early 2024 standing at levels about 15%-20% lower compared to early 2022. On the back of such, the company has increased EBITDA from €666mm in FY21 to and LTM performance of €819mm as of September 2023. In May 2023, the company completed a successful A&E transaction of the vast majority of its term-loans pushing out its upcoming maturities. Most recently, there have been press reports that KKR has mandated Citi and Goldman Sachs to explore a potential sale of the business. Target valuations quoted in the press are in the €9-€11bn range which is well in excess of the €5.8bn debt outstanding.

- **Altice France: detractor Q1.** Altice France (SFR), formerly known as Numericable, is a French provider of telecommunication services offering a wide range of fixed, mobile, fiber, and asymmetric digital subscriber line telephony services. The company's services include digital and analog television, high-speed internet and a broadband digital telecommunications platform. The company is the third-largest player for fixed phone lines in France with 6.5mm subscribers and the second-largest player for mobile phones with 20mm subscribers holding a market share between 19-21% in both segments.

We view the nature of Altice's business as defensive, with recurring revenue and cash flow derived from subscriptions. The company has executed an initial delevering strategy and has been successful in monetizing assets such as their minority stake in La Poste Telecom, data centers, and their media business (announced on March 15, 2024) for cumulative proceeds in excess of €2.5 billion (bn).

On March 20, 2024, the company held its Q4'2023/ FY2023 earnings call. Altice France reported flat year-over-year (yoy) revenue of €2.9bn and a modest yoy EBITDA decline of -1%, at €1bn. This was predicated on fixed/mobile subscriber losses and a decline in contracted build-to-suit Fiber To The Home (FTTH) construction revenues as France fiber roll-out reaches completion. While the proceeds of the disposal of the media group were above consensus, and the earnings were roughly in line with expectations, the price of Altice's debt fell since the earnings call. This was driven by (i) the revised earnings guidance for FY2024 (mid-to-high single digit decline in EBITDA) and (ii) other comments made by the management team during the Q&A. This led to a rating downgrade from B3 to Caa2 (CFR) with negative outlook on March 27, 2024.

During the Q&A, management laid out a new plan to delever the company to 4.0x, which is greater than 2x of debt reduction, that would be achieved through a combination of asset disposals and "creditors' participation" in the form of par discounts captured via exchanges,

tenders or debt repurchases. These comments came as a surprise to the market and contradicts the company's narrative shared with investors during the 3Q'2023 meeting which was centered around inorganic asset sales and deleveraging by approximately 1x. Despite the debt sell-off, we continue to believe Altice France is a valuable telco asset in France given the company's market shares and the quality of its underlying infrastructure.

We also note recent transaction multiples in the space (Spain, UK, and Italy) have been higher than public market valuation. We believe the controlling shareholder is incentivized to protect its equity value by delevering the business by contributing the proceeds of the disposals and potentially raise additional proceeds from other silos (Xp fibre 50.01% stake or dividends from other telco businesses) and we continue to monitor the situation.

Our strategy on the credit

- ISSM is member of the Steering Committee and one of the key members organising the group of senior secured creditors.
- The cumulative proceeds raised from the three executed asset sales in France described earlier are above expectations.
- We are preparing for potential engagement with company going forward. At this stage, the focus is on the asset sale proceeds application in line with asset sale covenant (i.e., the paydown of debt).
- Some considerations that may offer downside protection to the senior secured creditors which we are working on together with our advisors:
 - o Consensus is senior secured creditors are covered from a valuation perspective.
 - o Traditional US-style liability management transactions are challenging (or not possible) given French jurisdiction.
 - o The controlling shareholder faces potential criminality if he strips out assets and upstreams to himself given the concept of "corporate interest" in France.
 - o The French safeguard process has been improved (EU Law harmonisation in 2021) and is more creditor friendly now.
- **Accell (Sprint BidCo): detractor Q1.** Accell Group makes bicycles, bicycle parts and accessories. The group is the European market leader in e-bikes and second largest in bicycle parts and accessories. Accell, like most e-bike companies, was impacted by high inventory in 2023 as a result of over-ordering bike components in 2022. The higher orders were in response to peak e-bike demand during the pandemic. When the volumes declined to pre-pandemic levels, Accell's inventory levels (and stocks at dealers) were in excess of demand. Subsequently, Accell had to introduce promotions to release the older (2020-2022) inventory, directly impacting earnings and leverage. Tight liquidity (with revolving credit facility (RCF) fully drawn) and higher leverage led to rating agencies downgrade in November/December 2023 to CCC.

We believe the high inventory/working capital is an industry-wide issue and not specific to Accell. Positively, e-bike industry is expected to grow 5-6% compound annual growth rate (CAGR) in the next 4-5 years, driven by government infrastructure initiatives and general trend towards more eco-friendly/healthier commute options. Accell's brands in key regions (Netherlands, France, and Germany) are well-positioned to address the upcoming long-term industry demand. However, we expect soft earnings in FY 2024 as the management clears working capital on lower margins before positive earnings expectations in FY 2025. The business was also hit by a product recall for its cargo bikes brand Babboe (approximately 5% of sales) in the Netherlands. We believe sponsor KKR has taken multiple supportive steps:

- (i) invested additional €300mm of capital to fund the liquidity gap given expectations of slow working capital unwind. The additional capital from the sponsor brings the total investment to more than €1.6bn, of which €1.3bn (initial investment) is mostly from a new fund.
- (ii) Revamping the management team and streamlining of cost to be more in-line with 2024 bike sale expectations to protect margins.

Risk positioning (Loans and Floating Rate Notes ("FRNs") only): +19bps Q1. For this quarter, we saw a continuation of the trend seen in the previous quarter. Improving macroeconomic data and lower inflation in Europe drove appetite for risk higher, which benefited the Fund. The Fund is overweight the "CCC" segment of the market which outperformed during the quarter, and underweight strong "B" credits, which underperformed.

Sector positioning (Loans and FRNs only): +4bps Q1. We outline below some of the noteworthy themes in the largest sectors in the Fund.

- **Service:** The Fund is market weight in the Service industry. In a climate of improving, but still low macroeconomic growth in Europe, the Service industry has broadly outperformed manufacturing and industrial businesses. In addition, market-leading Service businesses with pricing power are successfully managing to pass-through inflationary cost to its end customers.

The Fund's exposure includes credits in the education industry (e.g., Global University Systems, characterized by its defensive nature and stable underlying demand), parking garage operators (e.g., Apcoa, characterized by long term contracts with limited churn and execution risk), and market research providers and business solutions specialists (e.g., Kantar, delivers essential market insights to the food and consumer goods industry). Kantar posted solid results and completed a par refinancing / extension of its debt. The Fund had built a sizeable position in the junior part of the capital structure of Kantar, the price of which moved up materially this quarter.

- **Travel/Leisure:** Key KPIs across the hotel space (occupancy, revenue-per-room, etc.) continued to show solid momentum during the quarter. Hotel operators have exhibited strong deleveraging throughout the winter season, and bookings for the key summer periods are generally ahead of budgets. Concession catering operators, such as Areas, one of the Fund's high conviction credit which the portfolio bought at a deep discount to par, refinanced at par and extended its maturity during the quarter.

Continuing the trends seen in 2023, the cruise industry is off to a solid start in terms of bookings for 2024. Around 35.7mm passengers are expected to cruise in 2024, up from 31.5mm in 2023 and 6% ahead of 2019 levels according to the Cruise Lines International Association. Scenic, one of the high conviction trades in the Fund, released a strong set of results for the fourth quarter of 2023 and management guided for a positive outlook for 2024. The price of the facility, bought at a deep discount to par, moved up in price materially during the quarter.

- **Financials:** The Fund's overweight position in the Financials sector largely stems from its allocation to the debt collectors space with investments in some of Europe's leading collectors such as Lowell (Garfunkelux), Arrow Global, and Encore Capital. Over recent quarters, the industry has been performing well, with collections broadly as expected. Resilient collections are aided by historically low unemployment rates in Europe. Furthermore, acquisition costs of NPLs (Non-Performing Loans) have fallen over the past year in a higher funding cost environment. This benefits operators who are now able to deploy capital at attractive prices which should help de-lever balance sheets during 2024.

Fundamentally, in a low-growth environment, we expect unemployment rates to remain low continuing to support collections. As such, the Fund has built positions at what we believe are attractive entry prices in some of the leading players in the space.

While loan and bond prices, generally, moved up in 2023, Q1 2024 was a volatile quarter across the industry. Debt across the industry traded lower in sympathy with the highly levered Nordic debt collector, Intrum (the Fund does not have any exposure), which announced it has hired advisors to evaluate options on its capital structure. Given Intrum's highly leveraged capital structure, we believe there is limited read-across to investments held by the Fund.

Asset selection (non-index exposure including Fixed Rate bonds and CLOs): -144bps Q1. The Fund has a number of off-benchmark positions in the portfolio and, in particular to this quarter, senior secured fixed rate notes and reorganization equity. The drag on performance this quarter primarily stemmed from the Fund's exposure to the Altice complex (France and International). This more than offset the successful outcome from two high conviction credits the Fund bought at a discount to par: Kantar (refinancing and extension) and Douglas (successful IPO).

- 1 Credit Suisse Western European Leveraged Loan Index (CS WELLI) in EUR as of March 31, 2024.
- 2 STOXX Europe 600 Index, S&P 500 Index, and Nikkei Stock Average (Nikkei 225) in EUR as of March 31, 2024.
- 3 Morningstar European Leveraged Loan Index, average default rates covering June 1, 2007, through March 31, 2024.
- 4 Performance Attribution descriptions:
 - **Credit Selection:** contribution to performance from over/underweights in individual credits to the CS WELLI.
 - **Risk Positioning:** contribution to performance from ratings over/underweights relative to the CS WELLI.
 - **Sector Positioning:** contribution to performance from sector over/underweights relative to the CS WELLI.
 - **Asset Selection:** contribution to performance from non-benchmark (CS WELLI) assets (i.e., small non-index European loans, Floating Rate Notes, bonds, non-Euro loans, CLOs, etc.)
 - **Trade Execution:** contribution to performance from ability to execute inside the bid/ask spread of the European senior loan market.

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