LEVERAGED FINANCE MARKET PERSPECTIVE LETTER

Risks & Resilience

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40 YEARS OF CREDIT INVESTING

SHENKMAN™

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In July, the equity markets soared to record highs as the Trump administration reached trade agreements with the European Union, Japan, South Korea, Indonesia, Vietnam, the Philippines, Thailand, and Cambodia. These trade deals seek to alter the $914 billion U.S. trade deficit and bolster new investment into the United States. The average baseline tariff paid by importers, as outlined in these new deals, has risen to 15% from less than 3% a year ago. Structurally transforming the global trade system could accelerate U.S. economic growth if foreign investment agreements are realized and onshoring of manufacturing continues. Concurrently, the Federal Reserve has been reluctant to slash interest rates, despite moderating inflation, as they await further clarity on the impact of tariffs on inflation and the labor market. As a result, the credit markets did not rally alongside equities as credit investors seem more focused on the unsustainable national debt and fear that higher tariffs could reignite inflation. With the passage of the One Big Beautiful Bill Act, regulatory reforms, cryptocurrency framework, and further proliferation of artificial intelligence are poised to jumpstart the engines of the U.S. economy. Though equity investors have focused on the resiliency of the economy and further settling of trade negotiations, credit investors seem more fixated on the risks of inflation on consumers, the rising U.S. debt burden, and a looming possibility of a government shutdown in October.

Please reach out to InvestorRelations@ShenkmanCapital.com for the full letter.

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The ICE BofA Current 10-Year U.S. Treasury Index (GA10) is a one security index comprised of the most recently issued 10-year U.S. Treasury Note.

The ICE BofA U.S. Corporate Index (C0A0) has an inception date of December 31, 1972 and tracks the performance of U.S. dollar denominated investment grade corporate debt publicly issued in the U.S. domestic market.

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The Morningstar LSTA US Leveraged Loan Index is a market value-weighted index designed to measure the performance of the U.S. leveraged loan market based upon weightings, spreads and interest payments.

The Refinitiv US All-Cap Focus Convertible Bond Index has an inception date of December 1993, is a subset of the Refinitiv US Convertible Bond Index and includes securities that have a price between 60 and 140 and a conversion premium of < 100%, among other criteria. The Refinitiv US Convertible Bond Index includes convertible securities that are denominated in USD, have a market value of over $300mm, and have underlying stocks that trade on US equity markets.

The Dow Jones Industrial Average is a price-weighted average of thirty blue-chip stocks that are generally the leaders in their respective industries.

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The S&P 500 Index is designed to reflect the U.S. equity markets and focuses on the large-cap sector of the market, which includes the 500 leading companies in leading industries of the U.S. economy.

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The MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries. With 1,398 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI World Index, which is part of The Modern Index Strategy, is a broad global equity index that represents large and mid-cap equity performance across 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country and MSCI World Index does not offer exposure to emerging markets.

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