

# Bank Loan Fixed Income

SEPTEMBER 30, 2020

## Inception Date

January 1, 2014

## Total Strategy Assets<sup>1</sup>

\$427.9 million

## Lead Portfolio Manager

Timothy Rabe, CFA

## Strategy Vehicles

- Separately Managed Account

## Benchmark<sup>2</sup>

S&P/LSTA U.S. Performing Loans Index

## Typical Targets<sup>3</sup>

Alpha (bps)	150 – 250
Tracking Error (bps)	150
Leveraged Loans (%)	80 – 100
Senior Secured High Yield Bonds (%)	0 – 20
Senior Unsecured High Yield Bonds (%)	0 – 10
Cash (%)	0 - 10

## OUR STRENGTHS

Our fundamental credit research process seeks to generate attractive returns from the leveraged loan market.

We believe our key competitive strengths are:

**Investment Style** — Portfolio Managers, research analysts and traders work together; focused primarily on security selection

**Size** — Our size helps ensure sufficient diversification at the portfolio level, while being able to source new issue allocations, participate in smaller deals, and remain sufficiently nimble to reposition the portfolio as market opportunities arise.

**Experience** — Our deep credit experience helps enable us to navigate various market cycles, looking for any market dislocations and exercising an appropriate discipline.

## PHILOSOPHY AND PROCESS

We believe fixed income markets are efficient with respect to interest rate risk, but regularly misprice securities that are exposed to credit, downgrade and liquidity risks.

We seek to exploit inefficiencies in the market and provide clients with excess returns to the benchmark without incurring undue risk through:

- Conducting proprietary, in-depth fundamental research
- Targeting duration-neutral portfolios
- Constructing portfolios with attractive risk / reward characteristics

## ALPHA DRIVERS

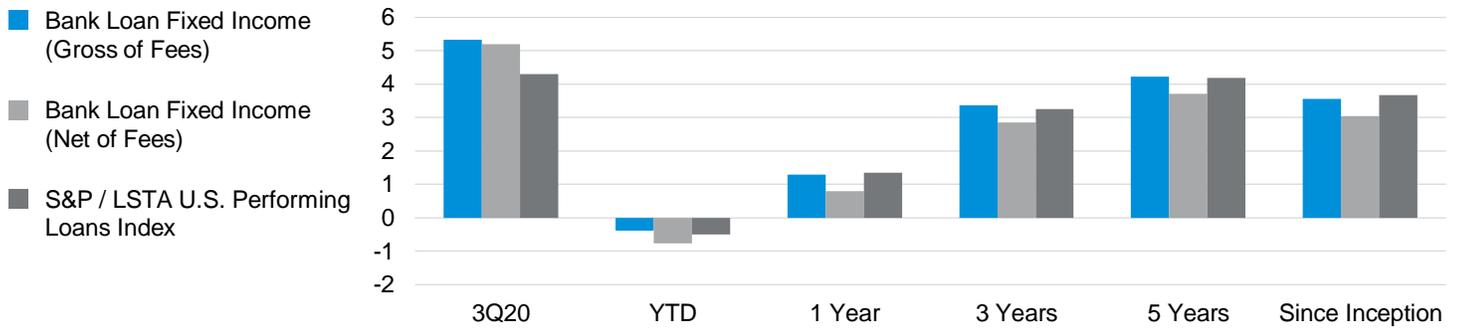
- Portfolios are constructed from the bottom up, with a focus on relative value regardless of sector
- Emphasize specific characteristics of an issuer, industry consolidation, downgrades and upgrades, improving fundamentals, and identifiable potential catalysts
- We do not put a large emphasis on macro bets
- Willing to invest in off-the-run bonds and loans and allow our credit research team to take a deeper dive to identify value
- Believe in the ability to turn the portfolio over to source new ideas at attractive levels and aim to exit positions with rich valuations

1. Stated at estimated fair value (unaudited). Bank Loan Fixed Income is a strategy of public fixed income assets. Total Strategy Assets for Bank Loan Fixed Income include all assets managed by MIM in the Bank Loan Fixed Income strategy and may include certain assets that are not included in Composite Assets (as presented in GIPS® Composite Statistics and Performance table on the following page) for Bank Loan Fixed Income.

2. Please see the full GIPS® disclosures at the end of this document.

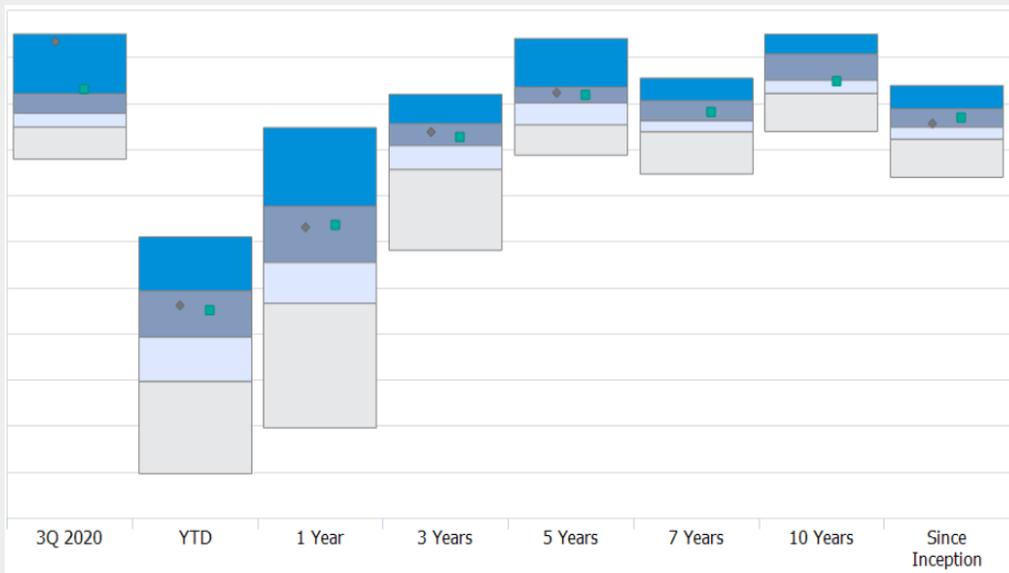
3. Any portfolio targets and/or limits are used to illustrate the Investment Manager's current intentions and may be subject to change without notice. Target Alpha is an investment objective and not a promise of future results or performance. This target is considered gross of fees and over a 3 to 5 year time horizon under normal market conditions. There can be no assurance that a portfolio will achieve its target alpha.

## COMPOSITE PERFORMANCE (%)<sup>1</sup>



	3Q20	YTD	1 Year	3 Years	5 Years	Since Inception
<b>Bank Loan Fixed Income (Gross of fees)</b>	<b>5.33</b>	<b>-0.39</b>	<b>1.30</b>	<b>3.37</b>	<b>4.22</b>	<b>3.55</b>
<b>Bank Loan Fixed Income (Net of fees)</b>	<b>5.20</b>	<b>-0.77</b>	<b>0.80</b>	<b>2.86</b>	<b>3.71</b>	<b>3.04</b>
S&P / LSTA U.S. Performing Loans Index	4.30	-0.50	1.35	3.26	4.18	3.68

## RELATIVE PERFORMANCE (GROSS OF FEES)<sup>2</sup>



### Universe Percentile Legend

- 5-25%
- 25-50%
- 50-75%
- 75-95%

- ◆ Bank Loan Fixed Income (Gross)
- S&P/LSTA U.S. Performing Loans Index

Universe: eVestment US Floating Rate Bank Loan Fixed Income

Source: eVestment

1. Past performance is not indicative of future results. Returns are self-reported by participating investment managers and are not verified or guaranteed by eVestment. MIM has not verified and cannot verify the information from outside sources. This information is supplemental to the information required in a GIPS® compliant presentation. Additional information regarding net performance rankings is available upon request. See the Performance slide for the actual composite performance and relative peer performance for all periods since inception and the GIPS® disclosures at the end of this Presentation.

2. The eVestment Universe ranking is calculated by eVestment using investment performance returns gross of fees and strategy descriptions self-reported by participating investment managers and are not verified or guaranteed by eVestment. eVestment defines each Universe and selects the participating managers for the Universe it determines have similar investment strategies. The Universe ranking uses gross performance as manager fees may vary so that returns will be reduced when advisory fees are deducted. Performance returns for periods greater than one year are annualized. Additional information regarding net performance rankings is available upon request. The reports of the Universe percentile ranks were sourced on October 27, 2020 and represent 91% of the reported eVestment US Floating-Rate Bank Loan Fixed Income Universe as of that date. MIM has not verified and cannot verify the information from outside sources.

## QUARTERLY PERFORMANCE ATTRIBUTION

The portfolio outperformed during the quarter, largely due to security selection. Food Service was a strong sector during the period, as one name announced plans to proceed with an asset sale or a reorganization that would result in lower debt. In Business Equipment & Services, led by holdings in an in-flight broadband internet service provider. Within Home Furnishings, one of our holdings, which had been troubled lately, reported encouraging sales trends during the quarter. Hotels & Casinos was a top performer during the quarter as the industry recovered from the effects of the COVID-19 shutdowns. One of the largest drags on performance during the third quarter was our cash position as excess returns were broadly positive.

## STRATEGY

Throughout the rally that began in April we have opted to take a cautious stance on adding back risk to the portfolio. While recent economic data have improved, the country has only recovered about half the jobs lost earlier in the year and restrictions in many populous states remain in effect. We expect to see volatility increase heading into year end. With COVID cases on the rise again, we wonder if further lockdowns are in store for the United States; many countries in Europe have already implemented such restrictions. What's more, the coming presidential election in November is shaping up to be one of the most contentious in history. Also, talks of a new stimulus deal, which have no doubt aided the economic recovery thus far,

remain bogged down in Congress. We are concerned what no deal would mean for markets, particularly as the benefits from earlier stimulus packages wane. As such, within bank loan portfolios, we will maintain a more defensive posture heading into the fourth quarter, including maintaining a cash allocation. We believe a bout of volatility may create an opportunity to purchase loans more attractive entry points, particularly if some higher quality names dip below \$80 due to technical dislocations.

The views presented above are MIM's and are subject to change over time. There can be no assurance that the views expressed above will prove accurate and should not be relied upon as a reliable indicator of future events.

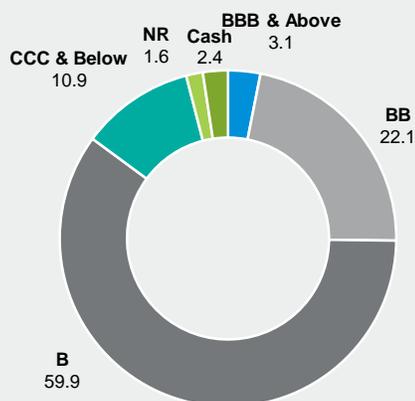
## STRATEGY CHARACTERISTICS<sup>1</sup>

	Average Price (\$)	Yield (%)	Coupon (%)	Issuers	Issues
<b>Bank Loan Fixed Income Strategy<sup>1</sup></b>	<b>93.27</b>	<b>5.98</b>	<b>4.66</b>	<b>134</b>	<b>140</b>
S&P / LSTA U.S. Performing Loans Index	94.34	5.62	4.23	1,069	1,123

## TOP 10 SECTOR POSITIONING<sup>1</sup>

	Market Value (%)	
	Bank Loan Fixed Income Strategy	S&P / LSTA U.S. Performing Loans Index
Hotels & Casinos	<b>7.46</b>	3.04
Business Equipment & Services	<b>7.26</b>	10.27
Electronics	<b>7.06</b>	15.64
Utilities	<b>5.31</b>	2.95
Food Service	<b>5.23</b>	2.52
Chemical	<b>5.17</b>	4.45
Building & Development	<b>4.85</b>	3.08
Health Care	<b>4.47</b>	9.86
Retailers	<b>4.27</b>	3.07
Industrial Equipment	<b>3.82</b>	3.68

## CREDIT QUALITY DISTRIBUTION (%)<sup>1</sup>



	Bank Loan Fixed Income Strategy	S&P / LSTA U.S. Performing Loans Index
BBB & Above	<b>3.1</b>	1.2
BB	<b>22.1</b>	23.4
B	<b>59.9</b>	65.4
CCC & Below	<b>10.9</b>	8.6
NR	<b>1.6</b>	1.4
Cash	<b>2.4</b>	0.0

1. The characteristics displayed are for a representative account for this investment strategy. Actual account characteristics may differ. The benchmark data is that of the S&P / LSTA U.S. Performing Loans Index. All data above is provided for illustrative purposes only. This data is supplemental to the information required in a GIPS® compliant document. Credit ratings reflect the index provider's credit quality methodology. Average quality excludes cash and securities that are not rated.

## COMPOSITE STATISTICS AND PERFORMANCE

Year	Gross-of-fee Return	Net-of-fee RETURN	Benchmark Return <sup>1</sup>	Number Of Portfolios	Dispersion Stdv <sup>2</sup>	Composite 3 Yr Stdv <sup>3</sup>	Benchmark 3 Yr Stdv <sup>3</sup>	Composite Assets	% Total Firm Assets <sup>4</sup>
1/1/2014 (Inception) to 12/31/2014	0.85%	0.34%	1.87%	≤ 5	N/A	N/A	N/A	\$503,179,353	-
2015	0.00%	-0.49%	0.10%	≤ 5	N/A	N/A	N/A	\$476,595,041	-
2016	10.57%	10.02%	10.41%	≤ 5	N/A	3.09%	2.90%	\$481,538,358	-
2017	3.92%	3.41%	4.32%	≤ 5	N/A	2.91%	2.75%	\$500,462,785	-
2018	0.52%	0.02%	0.60%	≤ 5	N/A	3.07%	2.99%	\$503,080,592	-
2019	9.09%	8.55%	8.58%	≤ 5	N/A	2.92%	2.83%	\$548,826,258	<1%
YTD to 9/30/2020	-0.39%	-0.77%	-0.50%	≤ 5	N/A	9.25%	8.93%	\$427,948,201	<1%

Past performance is not indicative of future results. Please see the full GIPS® disclosures on the following page.

1. The performance benchmark for the Bank Loan composite is the S&P/LSTA U.S. Performing Loans Index, which is an unmanaged index constructed to mirror the bank loan market. The Index contains approximately one thousand different issues across eight hundred issuers that are held by leading institutional investors and comprises only loans that are syndicated in the institutional market. The Index does not include facilities that have filed for bankruptcy and does include Senior Secured Term Loans, Acquisition Loans and Bridge Loans. The minimum term is one year at inception with a minimum tranche size of \$50 million and a minimum spread of L+125. It is not possible to invest directly in an unmanaged index. All index returns presented are provided to represent the investment environment existing during the time periods shown and will not be covered by the future report of independent verifiers. For comparison purposes, the index is fully invested and includes the reinvestment of income. The returns for the index do not include any transaction costs, management fees or other costs.
2. The dispersion of annual returns is measured by the standard deviation among asset-weighted portfolio returns represented in the composite for the full year. "N/A" is an indication that the information is not statistically meaningful due to an insufficient number of portfolios (five or fewer) in the composite for the entire year. Standard deviation is only presented for accounts managed for a full calendar year.
3. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 month period. The standard deviation is not presented for 2014 or 2015 because the composite had not been in existence for three years. It is also not presented for quarter-ends.
4. Prior to July 1, 2019, the investment team was part of a prior firm. Therefore, "% Total Firm Assets" is left blank for year ends before the team joined MetLife Investment Management.

For purposes of the Global Investment Performance Standards ("GIPS") compliance, the "Firm" is defined as MetLife Investment Management ("MIM"). MIM is MetLife, Inc.'s institutional investment management business. The Firm is defined to include all accounts captured in MetLife's Assets Under Management. On September 15, 2017, MetLife, Inc. ("MetLife") acquired Logan Circle Partners ("LCP") and the Firm was redefined as of July 1, 2019 to include LCP in the MIM assets.

The Firm claims compliance with the Global Investment Performance Standards ("GIPS®") and has prepared and presented this report in compliance with the GIPS® standards. MIM has been independently verified for the periods January 1, 2011 to June 30, 2019. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite presentation.

The creation date of the Bank Loan Fixed Income ("Bank Loan") composite is February 14, 2014 and the inception date is January 1, 2014. Prior to July 1, 2019, the performance of the composite represents the performance that occurred while members of the management team were affiliated with prior firms. The composite has been examined for the periods January 1, 2014 to June 30, 2019 while at another firm. The prior firm, LCP, was verified for the periods November 1, 2007 to June 30, 2019. The verification and performance examination reports are available upon request.

The Bank Loan strategy seeks to produce predictable and consistent excess returns relative to a benchmark with a similar level of volatility by investing primarily in U.S. leveraged loans, senior secured debt and senior unsecured debt rated below investment grade. In the instance that any of the three major rating agencies has a different quality rating for an individual security, the Firm calculates security quality ratings by using "average" language. Effective July 1, 2016, the Bank Loan composite does not have a minimum account size. Prior to July 1, 2016, the minimum account size was \$15 million. The Firm maintains a complete list and description of composites which are available upon request. Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

The performance benchmark for the Bank Loan composite is the S&P/LSTA U.S. Performing Loans Index, which is an unmanaged index constructed to mirror the bank loan market. The Index contains approximately one thousand different issues across eight hundred issuers that are held by leading institutional investors and comprises only loans that are syndicated in the institutional market. The Index does not include facilities that have filed for bankruptcy and does include Senior Secured Term Loans, Acquisition Loans and Bridge Loans. The minimum term is one year at inception with a minimum tranche size of \$50 million and a minimum spread of L+125. It is not possible to invest directly in an unmanaged index. All index returns presented are provided to represent the investment environment existing during the time periods shown and will not be covered by the future report of independent verifiers. For comparison purposes, the index is fully invested and includes the reinvestment of income. The returns for the index do not include any transaction costs, management fees or other costs.

Returns are based on fully discretionary accounts under management and may include terminated accounts. The dispersion of annual returns is measured by the standard deviation among asset-weighted portfolio returns represented within the composite for the full year. Dispersion is not calculated for composites with five or fewer accounts for the whole period.

Performance returns are presented gross and net of fees, include the reinvestment of all income and are calculated in U.S. dollars. Dividend income has been recorded net of all applicable foreign withholding taxes. Net of fee returns reflect the deduction of investment management fees and are calculated in the same manner as gross of fee returns. The investment management fee schedule for the Bank Loan strategy is 0.50% on the first \$50 million, 0.45% on amounts from \$50 million to \$100 million and 0.40% on amounts over \$100 million. Net returns have been calculated by reducing the monthly gross returns by the highest stated in the Firm's Form ADV of 0.50%. Investment management fees are described in greater detail in the Firm's Form ADV. Individual client returns will be reduced by investment management fees and other expenses that the account may incur. Fees have a compounding effect on cumulative results. Actual investment management fees incurred by clients may vary.

Past performance is not indicative of future results. The information presented is only available for institutional client use.

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