PORTFOLIO MANAGER INSIGHTS

Expanding Fixed Income Beyond "The Agg"

AAM MUTUAL FUNDS

James DiChiaro, Senior Portfolio Manager at Insight Investment, discusses why he thinks fixed income is attractive, where he sees opportunity, and why an investor should look beyond "the Agg."

James DiChiaro
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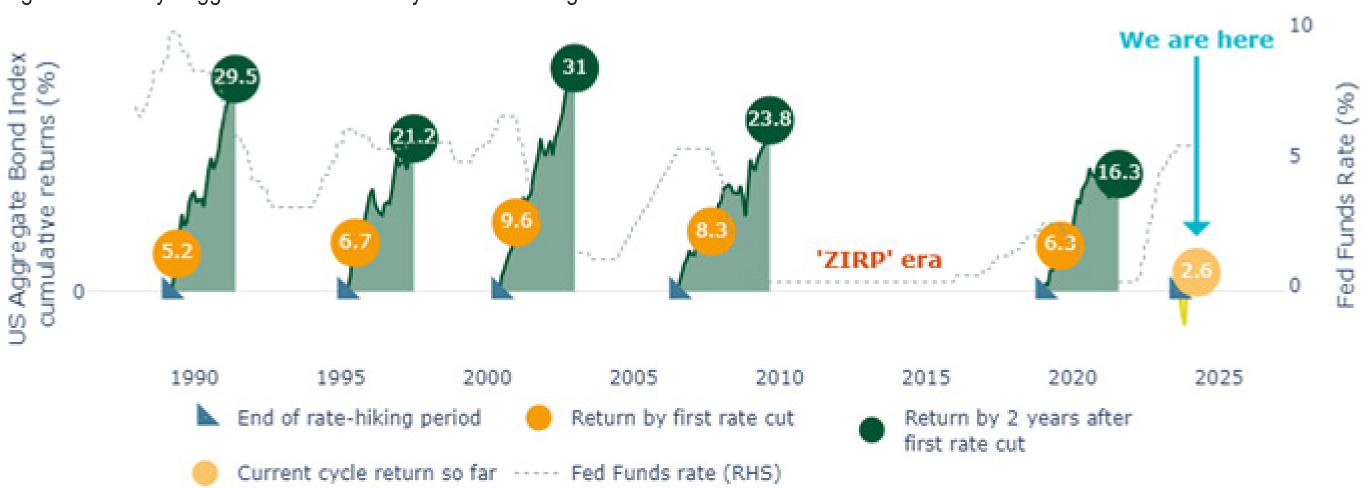
Q. How do current fixed income opportunities compare to recent history?

A. Things look particularly attractive today in our view. We'd go as far as saying we believe that we could be at the start of a golden age in fixed income.

We are at a sweet spot – at the top of the rate cycle with rate cuts on the horizon. Investing before a rate cutting cycle has often been attractive because you can lock in high income for years and achieve potential price gains as rates fall.

Two years into a rate cutting cycle, fixed income (as measured by the Bloomberg US Aggregate Bond Index) has historically returned between 21% and 31%[1]. So far this cycle, it has returned less than 2%, so there could be more to come yet.

Figure 1: History suggests that bonds may have more to go as rate cuts take effect[1]



Q. What is the advantage of an active approach?

A. We think active management is particularly attractive in fixed income. Bond benchmarks are uniquely flawed, because, by definition, they allocate the highest weights to the most indebted issuers.

This can be inherently counter-productive because bond investors typically want to be exposed to issuers that have their debt under control. Therefore, rigorously picking and choosing investments is, in our view, a much better way to go.

[1]Insight Investment, April 2024. **Past performance is not indicative of future results. Investment in any strategy involves a risk of loss which may partly be due to exchange rate fluctuations.** The quoted index does not reflect deductions for fees, expenses or taxes. The Index is unmanaged and does not reflect actual trading. There could be material factors relevant to any such comparison such as differences in the volatility, and regulatory and legal restrictions between the index shown and the AAM/Insight Select Income Fund (the "Fund"). Investors cannot invest directly in any index.

Q. Do you see any additional benefits from taking an active approach now?

A. Yes, the rise of passive investing can create bouts of "all-in" and "all-out" activity, causing outsized and irrational volatility. This is something value-oriented active managers can seek to exploit.

Further, we live in an uncertain world, with constant technological and geopolitical disruption. We think a diverse multi-sector bond strategy that seeks value from high quality fixed income and more tactical exposure to lower rated credit with rigorous security and sector selection is attractive.

However, investors should, in our view, seek managers with resources and expertise across investment grade corporate and government bonds, as well as specialist asset classes like mortgage-backed securities (MBS), structured credit, high yield and emerging markets. We also think investors should avoid managers that "hug" their benchmarks.

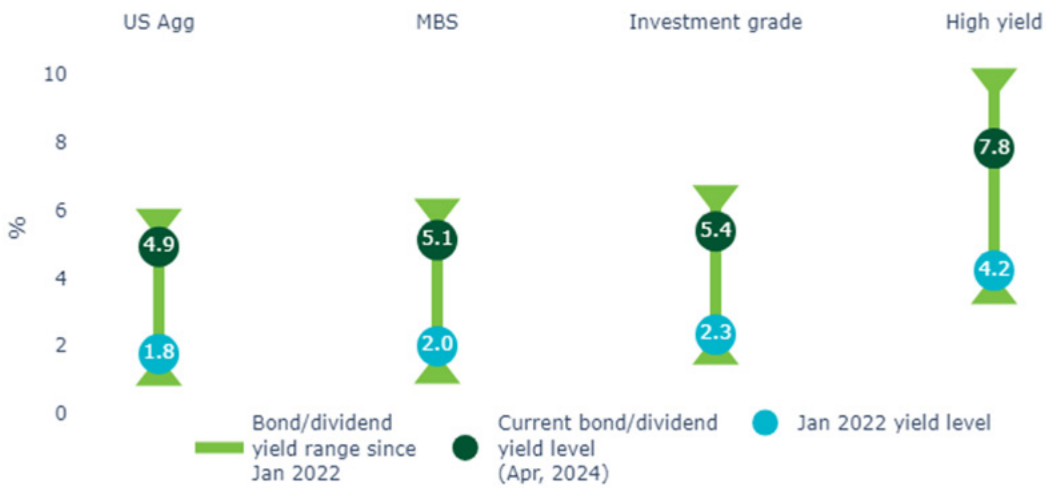
Q. Where do you think US yields are headed?

A. In the near term, we are in broad agreement with the market and the Federal Reserve (the "Fed"), thinking three interest rate cuts in 2024 is a reasonable base case.

Longer-term we believe that interest rates will settle at a higher "neutral rate" (in other words, the rate at which policy is neither stimulative or restrictive) than the Federal Reserve expects, for structural economic reasons.

Either way, we believe investors need to be positioned for rate cuts, and that may mean laddering investments further out the yield curve as today's income may not be available tomorrow.

Figure 2: Bond market yields (%) are generally close to their post-pandemic highs, for now[2]



Q. What is the short-to-medium-term outlook for the US economy?

A. We think the economy has held up admirably, despite facing the sharpest rate hiking cycle in recent memory. Consumer and corporate leverage have remained at conservative levels. Although there are risks, we believe there will be a soft landing without a recession.

Inflation is easing, and we expect it to flirt with the Fed's 2% target over the coming months. The labor market is also holding firm, with only some limited signs of weakness.

We think that should underpin a moderate level of growth, strong enough to keep corporate profits growing, but low enough for the Fed to keep rate cuts on the agenda this year. We think this is an ideal environment for fixed income, especially corporate credit.

[2]Insight Investment, April 2024. US Agg = Bloomberg US Aggregate Bond Index, MBS = Bloomberg US Mortgage Backed Securities (MBS) Index, Investment grade = Bloomberg US Corporate Bond Index, High yield = Bloomberg US Corporate High Yield Bond Index. Please see index descriptions at the back of the document. **Past performance is not indicative of future results. Investment in any strategy involves a risk of loss which may partly be due to exchange rate fluctuations.**

Q. Which areas of fixed income do you think look attractive today?

A. We see value in high yield and structured credit (like collateralized loans) for a yield pick-up at the front of the curve as skilled investors can potentially benefit from identifying issuers with a high degree of cash flow visibility and business model certainty over shorter time frames.

At intermediate maturities, we see opportunity in targeting relative value trades (for example overweight one issuer or sector and underweight another) and best-in-class investment grade picks.

At longer-dated maturities, we are focusing on quality, such as utilities, energy pipelines and US Treasuries.

We believe strategies should focus on balancing two components: attractive income and diversification against your equity holdings. In our view, the AAM/Insight Select Income Fund is well positioned to strike a particularly strong balance between risk and reward, seeking to capture market upside and limiting downside through sector diversification.

As you adjust your portfolios toward fixed income, we believe a flexible, diversified approach is critical to success.

The AAM/INSIGHT SELECT INCOME FUND (CPUIX • CPUAX • CPUCX) utilizes an opportunistic, active investment process to tactically position the Fund in Insight's collective "best ideas." The Fund seeks to differentiate itself from other investment grade bond funds by being:

- BENCHMARK AGNOSTIC: The Fund is intentionally not tied to benchmark weights in an effort to provide the flexibility to potentially exploit security mispricing and market inefficiencies across global credit markets.
- GLOBAL & BROADLY DIVERSIFIED: Actively allocates across all sectors of the credit and fixed income sectors, including asset backed securities, high yield and emerging markets. Relative value focused emphasis across full breadth of credit instruments.
- HIGH CONVICTION IDEAS: With only 228 issuers as of 12/31/23, the size of the fund helps enable it to remain selective with credits and consistently monitor the portfolio to maintain a high level of conviction in each individual investment.

IMPORTANT DISCLOSURES

You should carefully consider the investment objectives, potential risks, management fees, and charges and expenses of the Fund before investing. The Fund's prospectus and summary prospectus contains this and other information about the Fund, and should be read carefully before investing. You may obtain a current copy of the Fund's prospectus and summary prospectus by calling 888.966.9661. Past performance does not guarantee future results.

The Fund's investment sub-advisor is Insight North America LLC (INA). INA is part of 'Insight' or 'Insight Investment', the corporate brand for certain asset management companies operated by Insight Investment Management Limited including, among others, Insight Investment Management (Global) Limited and Insight Investment International Limited.

Fund Risks: All investments are subject to risks including the potential loss of principal. The Fund's principal risks are outlined here. More information about these risks may be found in the Fund's prospectus. There can be no guarantee that any strategy (risk management or otherwise) will be successful. Fixed income securities decrease in value if interest rates rise. The Fund may not be able to sell some or all of the investments that it holds, or may only be able to sell those investments at less than desired prices. High yield bonds ("junk bonds") involve greater risks of default, downgrade, or price declines. Convertible securities and warrants are subject to potentially greater volatility than the general market. Foreign securities may be more volatile than the securities of U.S. issuers because of economic and other conditions. These risks are heightened in emerging markets. Investments denominated in foreign currencies are subject to changes in value relative to the U.S.

dollar. Real Estate Investment Trusts (REITs) are subject to risks similar to those associated with direct ownership of real estate, including losses from casualty or condemnation, and changes in local and general economic conditions, supply and demand, interest rates, zoning laws, regulatory limitations on rents, property taxes and operating expenses. Master Limited Partnership Units (MLPs) risk includes the risks associated with a similar investment in equity securities. Additional risks include cash flow risk, tax risk, risk associated with a potential conflict of interest between unit holders and the MLP's general partner, and capital markets risk. Securities lending involves certain potential risks, primarily counterparty, market, liquidity and reinvestment risks. Additionally, the Fund may employ hedging techniques that involve a variety of derivative transactions, including futures contracts, swaps, exchange-listed and over-the-counter put and call options on securities or on financial indices, and various interest rate and foreign-exchange transactions (collectively, "Hedging Instruments"). Hedging Instrument Risks involves certain potential risks, primarily counterparty, market, liquidity and reinvestment risks. Investing in an ETF will provide the Fund with exposure to the securities comprising the index on which the ETF is based and will expose the Fund to risks similar to those of investing directly in those securities.

Diversification does not assure a profit or protect against loss.

Certain information contained in this material constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may", "will", "should", "expect", "anticipate", "target", "project", "estimate", "intend", "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual policies, procedures and processes of Insight and the performance of any investment funds may differ materially from those reflected or contemplated in such forward-looking statements and no undue reliance should be placed on these forward-looking statements, nor should the inclusion of these statements be regarded as the Insight representation that any investment funds will achieve any strategy, objectives or other plans. Unless otherwise indicated, the information contained in this material is current as of the date indicated on its cover. Such information is believed to be reliable and has been obtained from sources believed to be reliable, but no representation or warranty is made, expressed or implied, with respect to the fairness, correctness, accuracy, reasonableness or completeness of the information and opinions. Additionally, there is no obligation to update, modify or amend the material or to otherwise notify a reader in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Due to rapidly changing market conditions and the complexity of investment decisions, supplemental information and other sources may be required to make informed investment decisions based on your individual investment objectives and best interest. All expressions of opinions are subject to change without notice.

Investors should seek financial guidance regarding the appropriateness of investing in any security or investment strategy discussed in this material and should understand that statements regarding future prospects may not be realized.

Definitions:

Information about the indices shown here is provided to allow for comparison of the performance of the Fund to that of certain well-known and widely recognized indices. There is no representation that such index is an appropriate benchmark for such comparison. You cannot invest directly in an index and the indices represented do not take into account trading commissions and/or other brokerage or custodial costs. The volatility of the indices may be materially different from that of the Fund. In addition, the Fund's holdings may differ substantially from the securities that comprise the indices shown.

The **Bloomberg US Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency). The **Bloomberg US Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly listed by US and non-US industrial, utility and financial issuers. The **Bloomberg US Corporate High Yield Bond Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of nationally recognized statistical rating organization (NRSRO) is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Bloomberg EM country definition, are excluded. **Cash flow** is the net amount of cash and cash-equivalents moving into and out of a business. **Credit Ratings** are provided by nationally recognized statistical rating organization (NRSRO) and range from AAA, AA, A, and BBB are investment grade ratings; BB, B, CCC/CC/C and D are below-investment grade ratings. US Government and Agency securities are generally considered to be of the highest quality.

Not FDIC Insured. No Bank Guarantee. May Lose Value.

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