

Looking for Consistency in Your Fixed-Income Allocation?

Why Core Plus Makes Sense Now

The Core Plus Bond Strategy (“Strategy”) continues to deliver strong, risk-adjusted results through a variety of market conditions. We sat down with the portfolio management team to discuss the contributing factors of this success as well as Strategy positioning moving forward.

What are the potential benefits of utilizing Penn Mutual Asset Management’s (“PMAM”) Core Plus Bond Strategy in a diversified portfolio?

Our disciplined investment process and value-based approach to managing fixed-income assets continues to deliver consistent, value-added results for our investors. The Strategy information ratio of 1.0 since inception reflects strong performance relative to benchmark on both an outright and risk-adjusted basis. We believe our seasoned team’s repeatable process and ability to be more nimble and opportunistic than larger fixed-income peers will enable us to build on our long-term track record of success.

Asset prices are currently being distorted due to the Federal Reserve’s (Fed) purchase activity. Where do you see the best relative-value opportunities?

Success among core plus strategies is often determined by a manager’s ability to avoid the most overvalued segments of the fixed-income markets. We believe that is especially true today

in an environment where Fed purchase activity has extended valuations across most credit spread sectors. We see short duration or floating rate securitized assets as offering the best relative value while remaining underweight fully valued government agency residential mortgage-backed securities, which are vulnerable to a reduction in Fed purchases.

Why fixed income in the current inflationary environment?

High quality fixed-income assets continue to offer valuable diversification for portfolios, especially during periods of extreme market stress. We believe that fixed-income assets still provide a ballast to your overall portfolio. During periods of rising interest rates, active fixed-income managers have the ability to adjust portfolio duration (interest rate risk) and outperform passive benchmarks. The Strategy remains positioned short duration relative to benchmark as record Treasury bond issuance to fund new fiscal spending programs coupled with mounting inflation risks are likely to keep upward pressure on interest rates.

Composite Performance*

	3 MONTHS	YEAR-TO-DATE	1 YEAR	3 YEARS	5 YEARS	ANNUALIZED SINCE PM INCEPTION ¹
Core Plus Bond - Gross	-2.43%	-2.43%	5.28%	5.99%	4.81%	4.43%
Core Plus Bond - Net	-2.59%	-2.59%	4.58%	5.28%	4.12%	3.74%
Bloomberg Barclays U.S. Aggregate Bond Index	-3.37%	-3.37%	0.71%	4.65%	3.10%	3.12%

Past performance is no guarantee of future results.

Strategy Characteristics*

Number of Holdings	157
Average Quality	A
Duration	5.6 years
Weighted Average Life	8.2 years
Yield to Maturity	2.4%

Data is based on a representative portfolio, which is an account in the composite that PMAM believes most closely reflects portfolio management style for this Strategy.

Risk Statistics*

	1 YEAR	ANNUALIZED SINCE PM INCEPTION ¹
Alpha	4.57%	1.31%
Beta versus		
² US Aggregate Bond Index	1.03	0.96
² US High Yield Bond Index	0.39	0.20
S&P 500 Index	0.12	0.04
Information Ratio	4.64	1.01
Sharpe Ratio	1.21	0.89
Standard Deviation	3.84%	3.31%
Tracking Error	0.98%	1.29%

*Unless otherwise indicated, all data is reported as of March 31, 2021 and is not a representation of current or future data. Holdings and allocations are subject to change.

¹Portfolio manager inception 7/1/2014

²Bloomberg Barclays Index

Risk statistics are shown as supplemental information only and complement the full disclosure presentation at the end of this document. Risk statistics are derived using gross returns.

COMPOSITE INCEPTION DATE

1/1/12

TOTAL STRATEGY ASSETS*

\$466,164,346

AVAILABLE VEHICLES

Separately Managed Account

PORTFOLIO MANAGERS

Mark Heppenstall, CFA
Chief Investment Officer
and Portfolio Manager

Zhiwei Ren, CFA
Portfolio Manager

Greg Zappin, CFA
Portfolio Manager

*As of March 31, 2021.



About PMAM

With over \$32 billion in assets under management as of April 30, 2021, Penn Mutual Asset Management is an institutional asset management firm located just outside of Philadelphia, PA that has been offering investment solutions and client-focused services since 1989.

For more information on the Strategy or to subscribe to our market insights blog, please visit www.pennmutualam.com.

Contact

Chris Fanelli

Managing Director, Business Development
Fanelli.Chris@pennmutualam.com
609-306-7034

Penn Mutual Asset Management, LLC

600 Dresher Road, Suite 100, Horsham, PA 19044
Telephone: 215-956-8114
www.pennmutualam.com



Disclosures

Past performance is not indicative of future results. Investors should be aware of the additional risks associated with investments in non-diversification, undervalued or overlooked companies and investments in specific industries. In addition, investors should be aware of the additional risks associated with investments in non-investment grade (high yield) debt securities and structured securities, which are subject to greater fluctuations in value and risk of loss of income and principal as a result of interest rate risk and economic risk. Additional risks may include those associated with investing in foreign securities, emerging markets, currencies and derivatives.

Risks associated with derivatives include the risks of the underlying instruments, substantially greater gains and losses than the derivatives' costs due to the leverage. Short sales are speculative transactions with potentially unlimited losses, and the use of leverage can magnify the effect of losses. Diversification neither assures a profit nor eliminates the risk of loss.

The information herein does not constitute investment advice and the strategy described may not be available to, or suitable for, all investors.

Risk Statistics and Benchmark Definitions

Alpha – A measure of the performance of an investment against a market index or benchmark which is considered to represent the market's movement as a whole.

Beta – A measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.

Information Ratio – A ratio of portfolio returns above the returns of a benchmark to the volatility of those returns.

Sharpe Ratio – A measure for calculating risk-adjusted return. The Sharpe ratio is the average return earned in excess of the risk-free rate per unit of volatility or total risk.

Standard Deviation – A measure of the dispersion of a set of data from its mean. It is calculated as the square root of variance by determining the variation between each data point relative to the mean.

Tracking Error – A measure of the divergence between the price behavior of a portfolio and the price behavior of a benchmark. Tracking error is reported as a standard deviation percentage difference.

Bloomberg Barclays U.S. Aggregate Bond Index – An index that 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 and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays U.S. Corp High Yield – an index measures the USD-denominated, high-yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

S&P 500 Index – An index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.



PMAM GIPS Composite Report

CORE PLUS BOND STRATEGY COMPOSITE VERSUS BLOOMBERG BARCLAYS CAPITAL U.S. AGGREGATE BOND INDEX

Year	Composite Return (Gross %)	Composite Return (Net %)	Benchmark Return (%)	Composite 3 Year Standard Deviation (Net %)	Benchmark 3 Year Standard Deviation (%)	Dispersion of Portfolio Returns (Net %)	Number of Portfolios	Assets in this Composite (\$ millions)	Total Firm Assets (\$ millions)
2020	9.16%	8.43%	7.51%	3.99%	3.40%	N/A	less than 5	478	31,456
2019	9.93%	9.21%	8.72%	2.80%	2.91%	N/A	less than 5	422	28,519
2018	0.59%	-0.07%	0.01%	2.54%	2.88%	N/A	less than 5	416	24,811
2017	5.25%	4.56%	3.54%	2.55%	2.81%	N/A	less than 5	501	24,649
2016	5.01%	4.31%	2.65%	2.65%	3.02%	N/A	less than 5	500	21,367
2015	1.06%	0.37%	0.55%	2.90%	2.92%	N/A	less than 5	525	20,005
2014	5.77%	5.10%	5.97%	2.83%	2.67%	N/A	less than 5	556	8,171
2013	-2.43%	-2.97%	-2.02%	N/A	N/A	N/A	less than 5	534	7,578
2012	3.80%	3.22%	4.21%	N/A	N/A	N/A	less than 5	566	6,189

Definition of Firm: Penn Mutual Asset Management, LLC (“PMAM”) is a registered investment adviser with the U.S. Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940.

Change in Management: Effective June 2014, the co-portfolio managers for this strategy were replaced. The philosophy and process for the Strategy remained consistent.

Important Performance Disclosure: PMAM claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. PMAM has been independently verified for the periods January 1, 2012 through December 31, 2020. A copy of the verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm’s policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. Registration with the U.S. Securities and Exchange Commission by the investment adviser does not imply any level of skill or training. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Methodology: Total returns are presented in U.S. dollars both gross and net of investment advisory fees, are inclusive of commissions and transaction costs, and assume reinvestment of any dividends, interest income, capital gains, or other earnings. Periods greater than one year are shown as average annual total returns. Gross composite returns do not reflect the reduction of investment advisory, administrative or custodial fees but do include trading expenses. Net composite returns are reduced by the actual investment management fee and any administrative, custodial, or other fees and expenses incurred. “Dispersion of Portfolio Returns” presented for each annual period is calculated using the asset-weighted standard deviation of the annual returns of all portfolios that were included in the composite for the entire year. If during a particular year the composite does not contain more than 5 accounts for the entire year, then “N/A” will be displayed. “Composite 3-Yr St Dev” and “Benchmark 3-Yr St Dev” are rolling 3-year standard deviation calculations, which measure the variability of the monthly performance returns for the composite and benchmark index return over the preceding 36-month period on an annualized basis. If the composite has not been in existence for at least 3 years as of a particular year-end, then “N/A” will be displayed. Performance data is shown rounded to the nearest hundredth.

A list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Past performance is not indicative of future results and no investment is guaranteed for return of principal and/or return on investments. All information provided and used in calculations is believed to be correct, but accuracy cannot be guaranteed.

Composite Description: The Core Plus Bond Composite seeks to maximize total return over long-term consistent with preservation of capital. Under normal circumstances, the strategy invests at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in marketable investment grade debt securities, which are those securities rated BBB- or higher by S&P, Baa3 or higher by Moody’s, or the equivalent by any other nationally recognized statistical rating organization (“NRSRO”), or, if unrated, determined by the Adviser to be of comparably quality. The remaining assets are generally invested in other securities, including high yield securities (“junk bonds”) rated below investment grade by a NRSRO, or, if unrated, determined by the Adviser to be below investment grade, preferred and convertible securities, closed-end funds, exchange traded funds, money market securities or equities. While most assets will typically be invested in U.S. dollar-denominated bonds, the strategy may also invest in debt securities of foreign issuers, securities that are economically tied to emerging markets, and securities denominated in foreign currencies. The strategy may invest in derivative instruments, such as options, futures contracts, swap agreements, mortgage dollar rolls or forward commitments in keeping with the strategy’s objective.

Benchmark Description: The benchmark for this composite is the Bloomberg Barclays Capital U.S. Aggregate Bond Index. The Bloomberg Barclays Capital U.S. Aggregate Bond Index provides a measure of the performance of the U.S. investment grades bonds market. This includes investment grade U.S. Government bonds, investment grade corporate bonds, mortgage pass-through securities and asset-backed securities that are publicly offered for sale in the United States. The securities in the index must have at least one year remaining to maturity. In addition, the securities must be denominated in U.S. dollars and must be fixed rate, nonconvertible and taxable. Further information is available upon request. Benchmark return information is provided for comparative and referential purposes only. Benchmark information is provided by third party sources, and is considered to be accurate.

Inception and Composite Creation Date: Inception date is January 1, 2012, with the composite created on January 1, 2017.

Fee Schedule: The investment advisory fee applicable to a portfolio depends on a variety of factors, including but not limited to portfolio size, the level of committed assets, service levels, the use of a performance fee or minimum fee arrangement, and other factors. The current maximum scheduled investment advisory fee for this strategy is 46 basis points.

