



YIELD OPPORTUNITIES IN  
SHORT TERM CREDIT

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SEPTEMBER 2023

# OUR VISION & CORE DIFFERENTIATORS

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## WHO WE ARE

CrossingBridge & affiliates manage \$2.6 billion specializing in investment grade & high yield corporate debt with an emphasis on ultra-short & low duration strategies as well as credit opportunities. A bottom-up, value investing approach is employed **emphasizing downside protection & capital preservation**. In one of the most difficult fixed income environments investors have faced, all four CrossingBridge funds were positive in 2022.

## PRODUCT DEVELOPMENT MANTRA

Our core philosophy is “Return **of** Capital is more important than Return **on** Capital”. CrossingBridge focuses on products that meet a **need**, rather than trying to mirror or beat a benchmark. We focus on applying **basic principles** in a **disciplined manner**, rather than maximizing total return.

## DIFFERENTIATORS OF INVESTMENTS FOR PORTFOLIOS

- Called/Redeemed Debt
- Event Driven Debt
- Non-benchmark issuers
- Nordic leading participant
- “Off the beaten path” opportunities
- Anchor opportunities
- Post-distressed securities
- Debtor in Possession Financings (DIPs) that are syndicated and trade publicly
- Bridge financings that are syndicated and trade publicly
- Trade claims active in brokerage market

- **Event Driven & Corporate Actions** – bonds and loans that are expected to be repaid as a result of mergers and acquisitions, efforts to de-leverage and/or the desire to remove constraining debt covenants.
  - Companies with significant portions of floating rate debt are beginning to show signs of stress. In-depth analysis of these situations can reveal attractive investments.
  - Debt issued as part of restructuring or recapitalization often has higher yields and good covenant packages but is overlooked or misunderstood by many high yield investors.
- **Potential Takeover Targets** – bonds and loans issued by companies with relatively low leverage and high cash flow that, with the decline in equity valuations, may make them ripe to be acquired. In such an event, there is an increased likelihood of early repayment or improvement in credit quality.
- **“Above the Fray” or “Super-Priority” Debt** – debt that provides benefits from its position within the capital structure. “Super-Priority” debt is generally secured at the very top of the capital structure which would be the first to come out in a sale, liquidation, or bankruptcy.
- **Nordic Credit Opportunities** – we are one of the leading US investors in the Nordic credit markets and believe the Nordic markets, in general, offer better underwriting, stronger yields, and better potential total return opportunities compared to US corporate credit.

- **“Rolling down the Curve” opportunities** – bonds and loans with maturities 1-2 years out. Once the maturity of these obligations falls within one year, they must be shown on the issuer’s balance sheet as current liabilities, and their auditors must opine on their ability to pay them when they are due. Typically, borrowers prefer to repay or refinance their debt when there is at least one year to maturity to avoid this issue.
- **Commercial Mortgage-Backed Securities (CMBS)** – CMBS spreads have significantly widened resulting in investment grade CMBS providing similar yields to high yield corporate credit. Credit selection is highly important. We have been focused on debt that has a first lien on tangible assets and within the Industrial, Data Center, Self Storage, Life Science sectors – not Office/Central Business District.
- **Leveraged loans**
  - Credit quality has improved significantly since mid-2020. This should provide us with the opportunity to invest in leveraged loans that provide both better credit quality and higher yields, given the rise in rates. Floating rate loans are providing high yields due to the dramatically inverted yield curve.
  - Demand for leveraged loans is down due to a decline in CLO formation. Barring systematic risk, we continue to believe that rates will remain higher and for longer than implied by the forward interest rate curve, allowing us to take advantage of the mispricing relative to fixed rate debt. The portion of floating rate debt in our portfolios remains elevated. Hence, our floating rate debt exposure should allow us to capture the benefit of the market’s forward curve mispricing. This is extra cushion and yield if we are correct.

# INVESTMENT APPROACH

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“Return *of* capital is more important than return *on* capital.”



# CREDIT ANALYSIS PROCESS

- Competitive Advantage
- Supply/Demand
- Barriers to Entry
- Profitability Measures
- Pricing Power and Control
- Negative Surprises

- Management
- Customers & Suppliers
- Competitors Industry
- Consultants Journalists
- Former Employees
- Wall Street
- Other Investors



Time and intellectual capital are the most precious resources at CrossingBridge

\*Joseph S. Steinberg, Chairman, Leucadia National Corporation.

# CROSSINGBRIDGE LOW DURATION HIGH INCOME STRATEGY DESCRIPTION



## OBJECTIVE

The **CrossingBridge Low Duration High Income Strategy** seeks high current income and capital appreciation consistent with the preservation of capital.

## INVESTMENT

The strategy focuses on purchasing high yield debt with an expected effective maturity<sup>1</sup> of 3 years or less. Our goal is to limit credit risk<sup>2</sup> and interest rate risk. In the current environment, we believe the strategy may be constructed with the following characteristics:

- weighted average investment horizon of 0.75 – 2 years

## PERSPECTIVE

Our focus is on owning debt we believe is “money good”<sup>3</sup> so that we can sleep well at night. We are prepared to sacrifice yield for a higher probability that principal will be repaid.

## APPROACH

Within the high yield arena, we believe distinct opportunities exist to pursue the strategy because traditional high yield investors seek high total returns and longer investment horizons. Especially within a low duration portfolio, CrossingBridge stresses preservation of capital rather than chasing yield. We manage the portfolio to mitigate risk and accept the yield of the market commensurate with maturity. Although the portfolio has the ability to invest in securities with an effective maturity of up to three years, we believe the current investment climate requires investment in securities with a significantly shorter effective maturity.

<sup>1</sup> “Expected Effective Maturity” may differ from the security’s stated maturity because a corporate action or event may occur which shortens the date the debt will be redeemed by the issuer.

<sup>2</sup> Under normal market conditions, the Fund will invest at least 80% of its net assets in fixed income securities and loans issued by companies that are rated below investment grade.

<sup>3</sup> “Money good” is a term used by CrossingBridge to describe debt it believes will be paid off in full under current market conditions and on a strict priority basis.

# THE 5 BUILDING BLOCKS OF A LOW DURATION PORTFOLIO

<div> <div>LOWEST</div> <div>PRINCIPAL RISK</div> <div>HIGHEST</div> </div>	CATEGORY	TYPES OF INVESTMENTS	TYPICAL DURATION	CURRENT EXPECTED YIELD TO MATURITY
	MONEY GOOD ULTRA-SHORT MATURITIES	<ul style="list-style-type: none"> <li>Called/redeemed HY bonds</li> <li>Debtor-in-Possession (DIP) or exit financing</li> <li>Short maturity corporate debt</li> </ul>	Up to 1	5.5-6.5%
	EVENT DRIVEN	<ul style="list-style-type: none"> <li>Bonds with change of control provisions</li> <li>Securities expected to be repaid due to M&amp;A or other capital structure activity</li> </ul>	Up to 3 (but expected duration is likely to be 0.5 or less as a result of corporate actions)	8.0-11.0%
	INTEREST RATE SENSITIVE	<ul style="list-style-type: none"> <li>Cushion bonds</li> <li>Floating rate securities</li> </ul>	Up to 3	9.0-12.0%
	CORE VALUE	<ul style="list-style-type: none"> <li>'Money good' high yield corporate debt</li> </ul>	Up to 3	8.0-10.0%
	CREDIT OPPORTUNITIES	<ul style="list-style-type: none"> <li>Stressed</li> <li>Securities coming out of restructuring</li> <li>DIPs</li> </ul>	Up to 3	15.0%+



# INVESTMENT CATEGORY DESCRIPTIONS

CATEGORY	DESCRIPTION
MONEY GOOD ULTRA-SHORT MATURITIES	Focused on short-term, 'money-good' investment opportunities with typical expected maturities of up to 1 year. Investments include, but not limited to: called/redeemed high yield bonds, short maturity corporate debt (both investment grade and high yield), commercial paper & other ultra-short maturities, debtor-in-possession (DIP) or exit financing – top of the capital structure during a bankruptcy, and senior secured paper paid off at end of bankruptcy (one notch below a DIP).
EVENT DRIVEN	Focused on securities of companies undergoing transformations in operations or capital structure that we believe should directly benefit securities prices. Issuer may redeem debt earlier than the stated maturity as a result of corporate actions, desired covenant changes, or balance sheet capitalization. Examples may include, but not limited to: bonds with change of control provisions, 'money good' short duration bonds. In the rare event that the corporate action does not come to pass, we are comfortable with holding the investment to maturity.
INTEREST RATE SENSITIVE	<p>Focused on interest rate defensive securities – can protect against rising rates, but may have spread widening risk not relevant to change in credit profile. Securities in this category may include, but not limited to:</p> <ul style="list-style-type: none"> <li>• Cushion Bonds (securities where yield-to-maturity is typically greater than their yield-to-call. Hence, as time lapses and the debt remains outstanding, the holder earns a higher yield).</li> <li>• Floating Rate Securities</li> </ul>
CORE VALUE	Focused on 'money good' high yield securities with a typical duration of 3 or less that we believe have stable or improving credit profiles that we are prepared to hold to maturity, but are often sold or redeemed sooner.
CREDIT OPPORTUNITIES	<p>Focused on securities that we believe are 'money good', but may experience mark-to-market drawdowns along the way. Securities in this category may include, but not limited to:</p> <ul style="list-style-type: none"> <li>• Stressed</li> <li>• Companies coming out of restructuring</li> <li>• DIPs</li> </ul>

The CrossingBridge Low Duration High Yield strategy is currently available via two distinct product offerings:

## **CrossingBridge Low Duration High Yield Fund (CBLDX – U.S. Mutual Fund):**

- Launched in 2018
- AUM: \$592.3 million
- Fully advised and managed by CrossingBridge
- Has the highest 1, 3, and 5-year Sharpe Ratio in the entire Morningstar Multisector universe
- Has the lowest 1, 3, and 5-year standard deviation in the entire Morningstar Multisector universe

## **Destinations Low Duration Fixed Income Fund (DLDFX – U.S. Mutual Fund)**

- DLDFX is a multi-manager, sub-advised mutual fund within the Destinations fund family
  - CrossingBridge is a sub-advisor for one of the ‘sleeves’ within the portfolio and has been acting in the capacity since the inception of the Fund in 2017
  - Managed substantially similar to the CrossingBridge Low Duration High Yield Fund
- AUM: \$246.4 million

## **CrossingBridge Low Duration High Income Fund (UCITS – Estimated Launch October 2023)**

- Will be managed substantially similar to the CrossingBridge Low Duration High Yield Fund
  - Some difference may result from UCITS regulations
- Will be offered with EUR, GBP, and CHF hedged share classes

*NOTE: Information on the CrossingBridge Low Duration High Yield Fund (CBLDX) and the Destinations Low Duration Fixed Income Fund (DLDFX) are for illustrative purposes for the strategy only and do not constitute an offer or recommendation to purchase those funds, nor should it be inferred that the CrossingBridge Low Duration High Income UCITS will yield similar results. Morningstar data is obtained from Morningstar. Past performance cannot guarantee future results.*

# CROSSINGBRIDGE (AND AFFILIATES) ORGANIZATIONAL CHART



**SPENCER  
ROLFE**

**Asst. Portfolio  
Manager**

Experience: 6+ yrs  
Joined Firm: 2023

**MICHAEL  
DE KLER**

**Asst. Portfolio  
Manager & Trader**

Experience: 20+ yrs  
Joined Firm: 1999

**KIRK  
WHITNEY**

**Asst. Portfolio  
Manager**

Experience: 20+ yrs  
Joined Firm: 2014

**DAVID  
SHERMAN**

**Founder &  
CIO**

Experience: 35+ yrs  
Joined Firm: 1996

**BRUCE  
FALBAUM**

**Principal & Dir. of  
Research**

Experience: 35+ yrs  
Joined Firm: 2010

**JONATHAN  
BERG**

**Asst. Portfolio  
Manager & Trader**

Experience: 25+ yrs  
Joined Firm: 2010

**STEVEN  
SHACHAT**

**Portfolio  
Manager**

Experience: 35+ yrs  
Joined Firm: 2016

**CHEN  
LING**

**Analyst**

Experience: 8+ yrs  
Joined Firm: 2021

**DAVID  
DIKUN**

**Portfolio Specialist**

Experience: 3+ yrs  
Joined Firm: 2019

■ *Investment team member*  
■ *Operations team member*

**DIVYA  
JACOB**

**Chief Administrative  
Officer**

Experience: 15+ yrs  
Joined Firm: 2021

**JOHN  
CONNER**

**Dir. of Strategic  
Relationships**

Experience: 15+ yrs  
Joined Firm: 2017

**JONATHAN  
BARKOE**

**CFO/CCO**

Experience: 25+ yrs  
Joined Firm: 2004

**ISRAEL  
ADLER**

**Compliance Officer**

Experience: 10+ yrs  
Joined Firm: 2021

**GREGG  
VOETSCH**

**Operations**

Experience: 20+ yrs  
Joined Firm: 2010

*NOTE: The year each team member joined firm is the year that they started with CrossingBridge Advisors and/or Cohanzick Management.*

# CROSSINGBRIDGE (AND AFFILIATES) INVESTMENT TEAM



	DATES	POSITION*	EXPERIENCE	EDUCATION
DAVID SHERMAN	<b>1996–Present</b>	<b>Founder, President &amp; Portfolio Manager</b>	<b>CrossingBridge Advisors and Affiliates</b>	Washington University, B.S., 1987
	1992–1996	Vice President	Leucadia National Corporation	
	1987–1992	Various investment positions	and its subsidiaries	
BRUCE FALBAUM	<b>2010–Present</b>	<b>Principal &amp; Dir. of Research</b>	<b>CrossingBridge Advisors and Affiliates</b>	Duke University, B.A., 1986 University of Michigan, M.B.A., 1988 CFA , 1991
	2004–2009	Founder and Portfolio Manager	Seven Bridges Management, LP	
	2003–2004	Portfolio Manager	Ulysses Management, LLC	
	1996–2003	Co-Director of Distressed Research	Halcyon Partnerships, LLC	
	1988–1996	Vice President	Prudential Insurance Co.	
T. KIRK WHITNEY	<b>2014–Present</b>	<b>Assistant Portfolio Manager</b>	<b>CrossingBridge Advisors and Affiliates</b>	Pennsylvania State University, B.S., 1999 CFA, 2006
	2008–2014	Portfolio Analyst	Solaris Group, LLC	
	2004–2008	Trader/Analyst	Concordia Advisors, LLC	
	2001–2004	Portfolio Assistant	Alliance Capital Management, LP	
	2000–2001	Research Analyst	Bloomberg, LP	
JONATHAN BERG	<b>2010–Present</b>	<b>Assistant Portfolio Manager &amp; Trader</b>	<b>CrossingBridge Advisors and Affiliates</b>	Duke University, B.A., 1992
	2009	Consultant	Seven Bridges Management, LP	
	2007–2008	Senior Credit Analyst	Ellington Management Group, LLC	
	1994–2007	Various Analyst Roles	Bear Stearns, Trust Company of the West, Merrill Lynch	
MICHAEL DE KLER	<b>2010–Present</b>	<b>Assistant Portfolio Manager &amp; Trader</b>	<b>Cohanzick Management and Affiliates</b>	Fairleigh Dickinson University, B.S., 1999 M.B.A., 2001
	1999–2010	Junior Portfolio Manager & Analyst	Cohanzick Management, LLC	

\*The position listed for each team member reflects their current position at the Firm.

# CROSSINGBRIDGE (AND AFFILIATES) INVESTMENT TEAM



	DATES	POSITION*	EXPERIENCE	EDUCATION
STEVEN SHACHAT	<b>2016–Present</b> 2002–2016 1998–2002 1985–1998	<b>Portfolio Manager</b> Senior Portfolio Manager Senior Portfolio Manager Portfolio Management	<b>Cohanzick Management and Affiliates</b> Alpine Mutual Funds Evergreen Investment Mgmt. Mitchell Hutchins Asset Mgmt.	Boston University, B.S., 1983
SPENCER ROLFE	<b>2023–Present</b> 2022–2023 2020–2022 2017–2020	<b>Assistant Portfolio Manager</b> Managing Director Associate Analyst	<b>CrossingBridge Advisors and Affiliates</b> Corvid Peak Capital Management, LLC Arena Investors, LP Cohanzick Management, LLC	University of Missouri, B.A. 2017
CHEN LING	<b>2021–Present</b> 2016–2019 2012–2016	<b>Analyst</b> Trading Specialist Wealth Management Assistant	<b>CrossingBridge Advisors and Affiliates</b> TD Ameritrade Institutional Stratos Wealth Partners	New York University, MBA, 2021 University of California, B.S. 2012 CFP, 2017
DAVID DIKUN	<b>2019–Present</b>	<b>Portfolio Specialist</b>	<b>CrossingBridge Advisors and Affiliates</b>	Pennsylvania State University, B.S., 2019

\*The position listed for each team member reflects their current position at the Firm.

# CROSSINGBRIDGE (AND AFFILIATES) OPERATIONS TEAM



	DATES	POSITION*	EXPERIENCE	EDUCATION
JONATHAN BARKOE	2004–Present 1995–2004	CFO & CCO Senior Accountant	CrossingBridge Advisors and Affiliates Raines & Fischer, LLP	Indiana University, B.S., 1995 Baruch College, M.S. Taxation, 1999 CPA, 1997
JOHN CONNER	2017–Present 2013–2017 2012–2013 2010–2012 2008–2010	Dir. of Strategic Relationships Vice President Vice President Senior Sales Associate Internal Sales Executive	CrossingBridge Advisors and Affiliates Collins Capital AlphaHedge Capital Partners, LLC Fortigent, LLC SEI Investments	Lehigh University, B.S. 2008
DIVYA JACOB	2021–Present 2005–2020 1997–2000	CAO COO Office Manager	CrossingBridge Advisors and Affiliates ENSat Cohanzick Management, LLC	Binghamton University, B.S. 1996
ISRAEL ADLER	2021–Present 2019–2021 2018–2019 2017–2018 2013–2017	Compliance Officer Compliance Associate Compliance Associate Founder Compliance/HR	CrossingBridge Advisors and Affiliates Aperture Investors, LLC Fiera Capital Inc. Public Securitization Associates Platinum Credit Management	Thomas Edison State University, B.A. 2013
GREGORY VOETSCH	2010–Present 2007-2009 2003-2006 2001-2002 2000-2001	Operations Business Analyst Proprietary Trader Marketing Assistant Financial Advisor	Cohanzick Management and Affiliates Thomas Lloyd Global Asset Mgmt. Various Firms Corner Ridge Real Estate & Law Morgan Stanley	St. Joseph's University, B.S., 2000

\*The position listed for each team member reflects their current position at the Firm.

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This Presentation must be preceded or accompanied by a prospectus. Please [click here](#) for the most current prospectus for the CrossingBridge Low Duration High Yield Fund.

**Past results may not be indicative of future performance.**

**The information in this presentation has been obtained or derived from sources believed to be reliable by CrossingBridge but CrossingBridge does not represent that the information provided is accurate or complete. Any opinion or estimates or calculations in this presentation represent the judgment of CrossingBridge at the time and subject to change without notice.**

Mutual fund investing involves risk. Principal loss is possible. The Fund invests in smaller and medium sized companies, which involve additional risks such as limited liquidity and greater volatility. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investment in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. The Fund may make short sales of securities, which involves the risk that losses may exceed the original amount invested. Because the Fund may invest in ETFs and ETNs, they are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an ETF's and ETN's shares may trade at a discount to its net asset value ("NAV"), an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact a Fund's ability to sell its shares. The value of ETN's may be influenced by the level of supply and demand for the ETN, volatility and lack of liquidity. The Fund may invest in derivative securities, which derive their performance from the performance of an underlying asset, index, interest rate or currency exchange rate. Derivatives can be volatile and involve various types and degrees of risks, and, depending upon the characteristics of a particular derivative, suddenly can become illiquid. Investments in Asset Backed, Mortgage Backed, and Collateralized Mortgage-Backed Securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. Investing in commodities may subject the Fund to greater risks and volatility as commodity prices may be influenced by a variety of factors including unfavorable weather, environmental factors, and changes in government regulations. Absolute return strategies are not intended to outperform stocks and bonds during strong market rallies. Shares of closed-end funds frequently trade at a price per share that is less than the NAV per share. There can be no assurance that the market discount on shares of any closed-end fund purchased by the Fund will ever decrease or that when the Fund seeks to sell shares of a closed-end fund it can receive the NAV of those shares. There are great risks involved in investing in securities with limited market liquidity.

**The Securities and Exchange Commission (SEC) does not approve, disapprove, endorse, nor indemnify any security.**

CrossingBridge Advisors, LLC is the Advisor to the CrossingBridge Funds which are distributed by Quasar Distributors, LLC.



## CONTACT INFORMATION

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