INVESTMENT CASE

A Three-Pillar Approach to Corporate Income

Combining investment-grade corporate bonds, senior loans and BDC bonds to broaden income sources across public-market and middle-market credit channels.

1 CORE QUALITY	2 FLOATING-RATE INCOME	3 BDC ISSUER CREDIT
Investment-grade corporate bonds Bonds issued by established companies; mostly fixed-rate; intended to provide portfolio quality, liquidity and spread income.	**Senior secured loans** First-lien loans to leveraged companies; coupons generally reset with SOFR or another reference rate; low interest-rate duration.	**BDC corporate bonds** Bonds issued by business development companies; typically senior unsecured and fixed-rate; can provide a differentiated yield premium with relatively low interest-rate duration and exposure to regulated BDC balance sheets.

The investment thesis

Corporate credit is often treated as a single allocation, but its return drivers differ materially by issuer profile, seniority and collateral, coupon structure, duration and market channel.

ISSUER PROFILE	SENIORITY & COLLATERAL	COUPON STRUCTURE	DURATION	MARKET CHANNEL

We believe a more complete allocation can be built by assigning a distinct job to each sleeve: high-quality public-company bonds for stability and spread income, senior secured loans for floating-rate income, and BDC-issued bonds for higher-spread, relatively short-duration fixed-rate income supported by regulated BDC balance sheets.

Core proposition

Investment-grade corporate bonds and senior loans provide direct exposure to public-company and leveraged borrowers. BDC bonds add a differentiated source of fixed-rate income that can offer higher spreads and relatively short duration while lending to BDCs subject to statutory asset-coverage requirements. The investor relies on the BDC issuer's overall balance sheet and portfolio; the investor does not own the underlying middle-market loans.

Why the sleeves belong together

- **Quality anchor.** Investment-grade corporate bonds—rated BBB−/Baa3 or higher—provide contractual income from established issuers. Higher-quality A/AA exposure can be balanced with selected BBB credits to seek additional spread while remaining within investment grade.
- **Floating-rate complement. Senior-loan coupons generally reset with a short-term reference rate plus a credit spread. This provides floating-rate income and low interest-rate duration, adding a distinct coupon structure alongside fixed-rate investment-grade corporate and BDC bonds, although loan prices remain exposed to credit and liquidity risk.**
- **Higher-spread, shorter-duration fixed income. BDC bonds are generally fixed-rate securities that have historically offered a meaningful spread premium relative to comparable investment-grade corporate bonds. Shorter maturities can allow the sleeve to combine enhanced income with relatively low interest-rate duration.**
- **Regulated balance sheets and structural creditor protections. BDCs operate subject to statutory asset-coverage requirements that constrain leverage. BDC bonds are generally senior unsecured obligations that rank ahead of preferred and common equity, giving bondholders a structurally different position from investors in BDC equity, while remaining subordinate to secured borrowings.**

The portfolio objective

The objective is not to maximize yield in any one sleeve. It is to combine multiple, understandable sources of income whose sensitivities are not identical. The result can be a more adaptable corporate-income portfolio across stable, rising-rate and slowing-growth environments. Diversification is meaningful but incomplete: all three sleeves remain exposed to the corporate credit cycle.

MARKET MAP

How the corporate-credit market fits together

The structure moves from large-company unsecured bonds to collateralized loans and then to bonds issued by lenders that finance private and smaller U.S. businesses.

The corporate-credit continuum

Segment	Issuer / borrower	Instrument & priority	Primary return driver	Primary risks
IG Corporate Bonds	Large and established public or private companies	Mostly senior unsecured, fixed-rate bonds	Treasury yield + investment-grade credit spread	Interest-rate duration, spread widening, downgrade and default risk
Senior Loans	Leveraged public or sponsor-owned companies	Usually first-lien, senior secured, floating-rate loans	Reference rate + borrower credit spread	Below-investment-grade credit, liquidity, refinancing, recovery and falling-coupon risk
BDC Bonds	Business development companies that own portfolios of loans and investments	Typically senior unsecured, fixed-coupon debt of the BDC	Treasury yield + BDC issuer credit spread; historically wider than comparable investment-grade corporates	BDC leverage, asset quality, nonaccruals, concentration, liquidity, rate risk and subordination to secured debt

PILLAR 1

Investment-Grade Corporate Bonds

Core quality and spread income

Investment-grade corporate bonds are the foundation of the public corporate market. Their issuers generally have scale, rated balance sheets and recurring access to capital. The category ranges from AAA to BBB−: A/AA exposure emphasizes resilience, while BBB exposure offers more spread but sits closer to downgrade risk. Maturity selection matters as much as rating—short and intermediate bonds reduce interest-rate duration, while long bonds offer greater rate sensitivity and potentially larger price moves.

PILLAR 2

Senior Secured Loans

Floating-rate income with leveraged-credit risk

Senior loans are typically syndicated, first-lien obligations of below-investment-grade borrowers. Coupons generally reset periodically using SOFR or another applicable reference rate plus a contractual spread, sometimes subject to a rate floor. This structure produces low interest-rate duration, but not low overall risk. Collateral and seniority may improve recovery prospects relative to unsecured debt, yet credit losses remain possible. Loan prices can weaken when defaults, refinancing stress or market illiquidity rise, and income generally declines when short-term rates fall.

PILLAR 3

BDC Corporate Bonds

Higher-spread, relatively short-duration fixed-rate income with structural protections

Business development companies are closed-end investment companies that elect BDC status under the Investment Company Act of 1940. They generally lend to and invest in private or smaller U.S. companies and must satisfy rules governing qualifying assets, leverage and disclosure. A BDC bond investor owns debt issued by the BDC—not BDC equity and not a direct interest in each underlying loan. Portfolio cash flow supports the BDC's ability to service its obligations, but bondholders depend on the issuer's overall asset quality, leverage, funding and liquidity.

Creditor position and structural protections

BDC bonds are commonly senior unsecured obligations and generally rank ahead of BDC preferred and common equity, although they remain subordinate to secured borrowings and collateralized facilities and do not have a direct lien on the underlying portfolio-company loans. BDCs generally are subject to a 200% asset-coverage requirement unless they have adopted the permitted 150% threshold after the required approvals and disclosures; a 150% requirement generally permits debt of up to approximately two times net assets. These requirements constrain balance-sheet leverage but do not eliminate credit or loss risk.

How the structure works

ETF INVESTOR	→	HBDC	→	BDC ISSUERS	→	PORTFOLIO COMPANIES
Owns HBDC shares		Owns BDC bonds		Own loan and investment portfolios		Pay cash flows to the BDC

Asset coverage is a balance-sheet constraint—not a guarantee. Asset values, leverage, nonaccruals, funding access and recoveries still determine creditor outcomes.

ETF IMPLEMENTATION

Accessing all three pillars through exchange-traded funds

ETFs can package segmented institutional credit markets into exchange-traded sleeves with daily net asset values and intraday market prices. ETF tradability does not eliminate underlying-market liquidity risk; bid-ask spreads and premiums or discounts to NAV can widen during stressed conditions.

Illustrative building blocks

Pillar	Examples	What the ETF owns	Portfolio role	Key diligence
IG Bonds	LQD, USIG, VCIT	Diversified portfolios of U.S.-dollar investment-grade corporate bonds	Core quality, fixed-rate income and potential resilience relative to lower-quality credit	Rating mix, duration, sector exposure, spread, liquidity and index rules
Senior Loans	SRLN, BKLN	Portfolios centered on senior floating-rate loans; holdings and implementation differ by fund	Floating-rate income and low interest-rate duration	Borrower quality, lien position, loan/bond/CLO mix, liquidity, floors, reset terms and fees
BDC Bonds	HBDC	Fixed-coupon bonds issued by BDCs; the index requires at least $250 million outstanding and a current ICE price	Higher-spread, relatively short-duration fixed-rate income; indirect middle-market exposure	Tiered issuer caps, ratings, duration, BDC asset quality, leverage, liquidity and industry concentration

A practical allocation framework

- **Start with the job.** Define required income, duration, liquidity, drawdown tolerance and credit-quality limits before selecting funds.
- **Use investment grade as the core.** Size high-quality and BBB exposure to establish the portfolio's quality and interest-rate profile.
- **Add senior loans for floating-rate exposure.** This sleeve may be more useful when short-term rates remain elevated, but it should be sized for below-investment-grade default and liquidity risk.
- **Add BDC bonds for higher-spread fixed-rate income. The sleeve can provide a yield premium with relatively short duration, while statutory asset-coverage requirements and creditor seniority provide structural discipline. Size the allocation for BDC issuer, asset-quality, liquidity and industry-concentration risk.**
- **Rebalance by risk, not headline yield.** Review interest-rate duration, spread sensitivity, credit migration, liquidity and issuer concentration across the combined portfolio.

HBDC snapshot — June 30, 2026

Holdings	BBB / BBB−	30-Day SEC Yield	Modified Duration	Average YTM	YTW Premium vs. Corp. 1–5 Yr
145	92.5%	5.62%	2.44	5.96%	+125 bps

The 92.5% rating figure applies to the bonds held by the fund—not to the BDCs' underlying middle-market loans. As of June 30, 2026, HBDC had a 5.96% average yield to maturity, 2.44 modified duration and a 125-basis-point yield-to-worst premium versus the Bloomberg U.S. Corporate 1–5 Year Index. Hilton Capital Management states that BDC bonds have typically traded 100–300 basis points wider than comparable investment-grade corporate securities; the actual spread advantage varies with maturity, rating, market conditions and security selection. Holdings and portfolio statistics are subject to change. HBDC gross expense ratio: 0.39%.

FUND PERFORMANCE

HBDC returns across standard reporting periods

Fund Performance %

QUARTER END (Q2 06/30/2026)

	1 MO	3 MO	6 MO	YTD	1 YR	Since Inception (Cumulative)	Since Inception (Annualized)
Market Price	**0.51%**	**2.39%**	**0.66%**	**0.66%**	**3.95%**	**3.75%**	**3.55%**
NAV	**0.35%**	**2.27%**	**1.01%**	**1.01%**	**4.03%**	**3.75%**	**3.55%**
Solactive Hilton Capital BDC Corporate Bond TR Index*	0.34%	2.29%	1.29%	1.29%	4.49%	5.47%	5.18%

* Solactive Hilton Capital BDC Corporate Bond TR Index (Bloomberg ticker: SOLHBDCC)

The performance data quoted represents past performance and is no guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For the most recent month-end performance, please call 1-833-594-4586 or visit the Fund's website at www.hiltonetfs.com. A fund's NAV is the sum of all its assets less any liabilities, divided by the number of shares outstanding. The market price is the most recent price at which the fund was traded.

PORTFOLIO BEHAVIOR

How the mix may respond across market environments

Environment	IG corporates	Senior loans	BDC bonds
Rates stay high	Income remains attractive; longer duration can create price volatility	Higher base rates support coupons, subject to borrower credit and rate floors	Higher spread income remains available; relatively short duration can limit Treasury-rate sensitivity, while BDC issuer spreads continue to drive price moves
Rates decline	Duration can support price gains if credit spreads remain stable	Coupons generally reset lower; credit performance depends on the growth backdrop	Short duration provides less Treasury-driven upside than longer-duration corporates; spread changes, call features and credit conditions remain important
Growth weakens	Higher-quality exposure may be more resilient, although spreads can widen	Defaults, downgrades, recovery values and liquidity become central	Asset quality, nonaccruals, leverage and funding access become central; statutory leverage limits provide balance-sheet discipline but do not eliminate credit risk

A key limitation

The three sleeves diversify coupon structure, duration and market channel more than they diversify recession risk. In a severe credit contraction, correlations can rise and all three sleeves may decline together. Senior loans and BDC bonds can be particularly sensitive to leveraged-company defaults, refinancing pressure and reduced market liquidity.

Bottom line

Investment-grade corporate bonds, senior loans and BDC bonds are not substitutes; they solve different portfolio problems. Together, they can create a broader corporate-income allocation: quality and liquidity from established issuers, floating-rate income from senior secured loans, and higher-spread, relatively short-duration fixed-rate income from bonds issued by BDCs with regulated balance sheets and indirect exposure to the U.S. middle-market lending channel.

The diversification benefit should not be overstated. All three sleeves retain corporate credit risk, and a BDC-bond allocation adds concentrated exposure to the financial condition of BDC issuers. Portfolio construction should therefore be driven by risk budget, liquidity needs and credit-cycle tolerance—not by yield alone.

Investment case at a glance

WHAT IMPROVES	Breadth of issuers, coupon structures, rate sensitivity and access to different corporate-credit channels.
WHAT DOES NOT DISAPPEAR	Default risk, spread widening, liquidity risk and the possibility of correlated losses during a credit downturn.
WHAT MATTERS MOST	Sizing each sleeve according to duration, credit quality, liquidity, concentration and drawdown tolerance.

SOURCES AND IMPORTANT INFORMATION

Primary sources

- Hilton Capital Management — HBDC Fact Sheet, June 30, 2026
- Hilton BDC Corporate Bond ETF — Prospectus, February 26, 2026
- U.S. Securities and Exchange Commission — Staff Responses Regarding BDCs and Section 61(a)
- Investment Company Act of 1940 — BDC definition and qualifying-asset framework
- iShares — LQD and USIG official fund materials
- State Street — State Street Blackstone Senior Loan ETF (SRLN)
- Invesco — Invesco Senior Loan ETF (BKLN)
- Vanguard — Vanguard Intermediate-Term Corporate Bond ETF (VCIT)

ETF examples are illustrative and are not recommendations. Fund holdings, credit ratings, yields, expenses, duration, issuer weights and index methodologies can change. Review each fund's current prospectus, summary prospectus and official portfolio materials before investing.

Definitions

Coupon: In a fixed-income ETF, a **coupon** is the regular interest payment that the underlying bonds pay to the fund. The fund collects these payments from all the bonds it holds. It then passes that cash on to you as dividend income.

Duration - **duration** measures how much the fund's share price will change when market interest rates go up or down. It is expressed in years. If a bond ETF has a duration of 5 years, its price will drop by about 5% if interest rates rise by 1%, and rise by 5% if interest rates fall by 1%.

SOFR - SOFR stands for the Secured Overnight Financing Rate. It is the main benchmark interest rate used for floating-rate income products in the United States. Banks use it to price loans, bonds, and derivatives. It replaces older rates like LIBOR by tracking the cost of borrowing cash overnight backed by U.S. Treasury securities.

SDFR – Short Duration Fixed-Rate - A **short-duration fixed-rate** holding in an ETF portfolio is a bond or fund holding with a steady, unchanging interest payout and an average price sensitivity lifespan of roughly 1 to 3.5 years, making its market value much more stable when interest rates shift.

Bid-Ask Spreads - A corporate bond's bid-ask spread is the difference between the highest price a buyer is willing to pay (the bid) and the lowest price a seller is willing to accept (the ask). It acts as an indirect trading cost and a key sign of market liquidity.

Yield to Worst (YTW) - is the lowest possible yield a bond can produce without the issuer defaulting. It calculates every potential call, put, or prepayment scenario on the bond and finds the smallest return rate for the investor.

Yield to Maturity (YTM) is the total estimated yearly return on a corporate bond if you buy it at the current market price and hold it until it finishes. It counts all regular interest payments, the final return of the face value, and assumes you reinvest all cash payouts at the same rate.

HBDC Prospectus

Risk disclosure

Credit quality ratings of the underlying securities of the fund are derived from ratings provided by Moody's, S&P, and Fitch. If a security has a rating from each of the three agencies, the median rating is used. If a security has two ratings, the lower rating is used. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). If a security only has one rating, that rating is used. If a security is not rated by Moody's, S&P, and Fitch, it will show as "Not Rated", though the security may be rated by a different nationally recognized statistical rating organization (NRSRO).

Investing involves risk, including possible loss of principal. Fixed-income securities are subject to interest-rate, credit, liquidity, call, extension and market risk. Bond prices generally decline when interest rates rise, although the degree of sensitivity varies by duration, coupon and credit spread.

Must be preceded or accompanied by a prospectus. HBDC Prospectus:

Senior loans are generally issued by below-investment-grade borrowers and are subject to significant credit, valuation, liquidity, settlement and refinancing risk. Collateral and seniority do not eliminate the possibility of loss, and floating-rate income generally declines when short-term reference rates fall.

BDC bonds expose investors to the credit worthiness of the BDC issuer, including its leverage, asset quality, non-accruals, portfolio concentration, valuation practices, funding access and liquidity. Senior unsecured BDC bonds generally rank behind secured obligations and do not provide a direct claim on the BDC's underlying portfolio-company loans.

HBDC is a non-diversified fund and is concentrated in the BDC industry. A decline in one or a small number of issuers, or adverse developments affecting BDCs as a group, can have a disproportionate effect on performance. ETF shares trade at market prices and may trade above or below NAV. The liquidity of ETF shares may differ from the liquidity of the underlying securities.

HBDC exposure clarification

HBDC invests in bonds issued by business development companies. HBDC shareholders do not directly own the BDCs' portfolio-company loans or investments. Cash flows from those portfolios support the BDC issuers' overall ability to pay interest and principal on their debt.

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