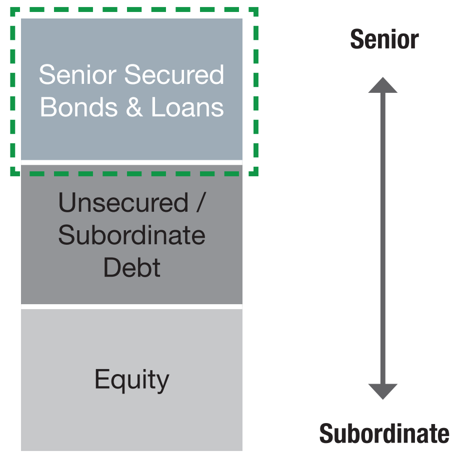
What is Secured Credit?

Secured credit refers to debt instruments backed by specific collateral and positioned higher in a company's capital structure than unsecured credit. This includes asset classes like senior secured loans, senior secured high yield bonds, and collateral loan obligation ("CLO") debt that invest in diversified pools of senior secured loans.

At a high level, secured credit can be understood through three defining features:

- **Seniority:** Positioned at or near the top of the capital structure, with priority of repayment in stressed or distressed scenarios
- **Security:** Secured by a borrower's collateral, which can include tangible assets (e.g., property, equipment) or intangible assets (e.g., trademarks).
- **Breadth:** A broad opportunity set across loans and bonds, spanning industries and geographies as well as accessing directly or through structured vehicles (i.e. CLO debt) that invest in secured debt and have their own structural protections.

Typical Capital Structure



Source: Barings. For illustrative purposes only.

Senior Secured Loans
Senior secured loans are floating-rate instruments issued primarily by below investment grade companies. They are typically secured by all or substantially all of a borrower's assets and sit at the top of the capital structure, giving lenders a priority claim in the event of default.

Senior Secured High Yield Bonds
Senior secured high yield bonds are fixed-rate debt instruments issued below investment grade that are backed by specific collateral. Like loans, they sit higher in the capital structure than unsecured bonds, but differ in structure and trading dynamics, offering investors a combination of income and diversification within liquid credit markets.

Collateralized Loan Obligations (CLOs)
A CLO is an actively managed, securitized product backed by a portfolio of senior secured corporate loans. These loans are typically issued by below investment grade companies and are diversified across issuers and industries. Investors gain exposure to the loan market through different tranches, each offering a distinct risk/return profile and supported by structural protections designed to prioritize debt holders.

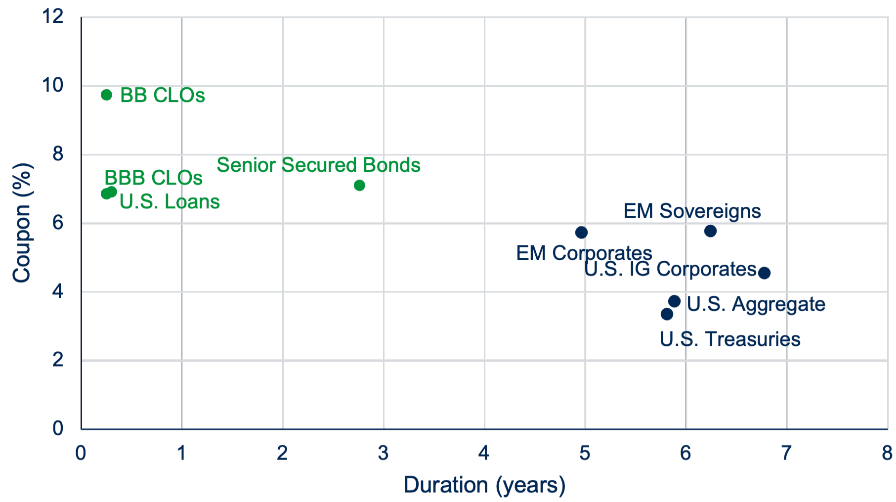
What makes secured credit attractive?

1. Income Generation:
Secured credit has historically provided compelling income relative to many traditional fixed income segments.

- Loans and senior secured bonds generate contractual income through coupons, with floating-rate loans benefiting from elevated base rates
- CLO debt can provide incremental yield across rating tiers, enhancing overall income potential within diversified portfolios.

Coupon Relative to Duration

as of 6/30/26



Sources: Barings.
EM Sovereigns=JPM EMBI Global Diversified, EM Corporates=JPM CEMBI Broad Diversified, U.S. Aggregate= Bloomberg Aggregate, U.S. IG Corporates=Bloomberg Aggregate-Corporates Index, U.S. Treasuries=Bloomberg Aggregate-Treasury Index, U.S. Loans=S&P UBS Leveraged Loan Index, Senior Secured Bonds=ICE BofA, BB-B Secured Bond Index Hw4z, BBB & BB CLOs - JPM Post Crisis BBB and BB CLOIE, CLOIE Index=JPM US CLOIE Index.

2. Credit Loss Protection:
Structural features of secured credit may help mitigate downside risk.

- Senior secured instruments have a priority claim on collateral, which has historically supported higher recovery rates in default scenarios.
- This positioning can provide a cushion relative to unsecured or subordinated debt during periods of market stress.

Recovery Rate (1987 - 2024)[1]

as of 2/28/25

Term Loans	Senior Secured Bonds	Senior Unsecured Bonds	Subordinated Bonds
69.9%	61.4%	47.0%	27.9%

(1)Source: Moody's Investors Services Annual Default Study.

3. Interest Rate Sensitivity:
Secured credit typically exhibits lower interest rate sensitivity than many traditional fixed income sectors.

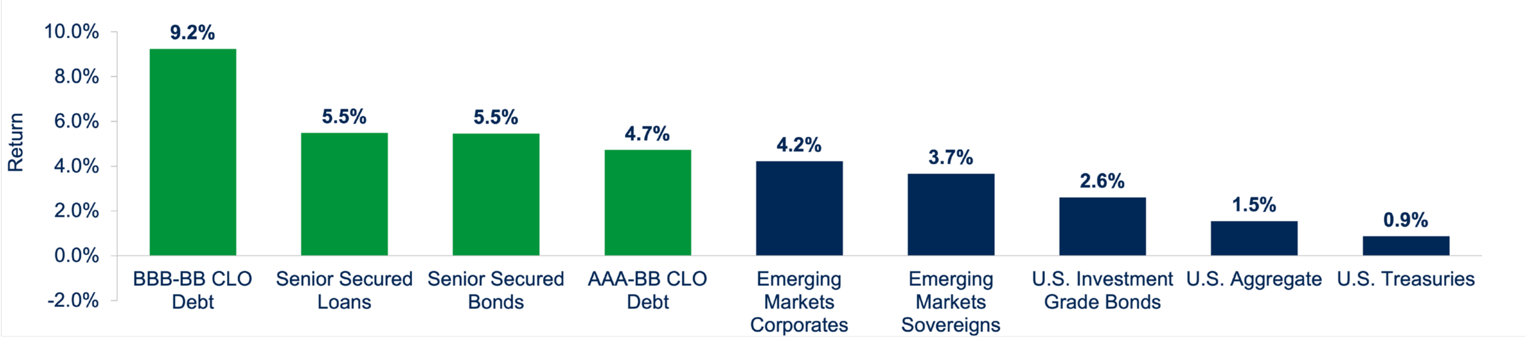
- Floating-rate loans—and the CLOs backed by them—have minimal interest rate duration, helping reduce exposure to rising rates
- Secured bonds tend to have shorter duration and maturity profiles relative to broader fixed income markets
- These characteristics have historically contributed to lower price sensitivity to rate volatility and, at times, low or negative correlation to U.S. Treasuries

4. Performance Over Time:
Returns in secured credit are primarily driven by income, with additional contributions from price stability and credit selection.

- Income has historically been a meaningful component of total returns across loans, bonds and CLOs
- Lower volatility relative to equities and diversification benefits have supported strong risk-adjusted return profiles over time

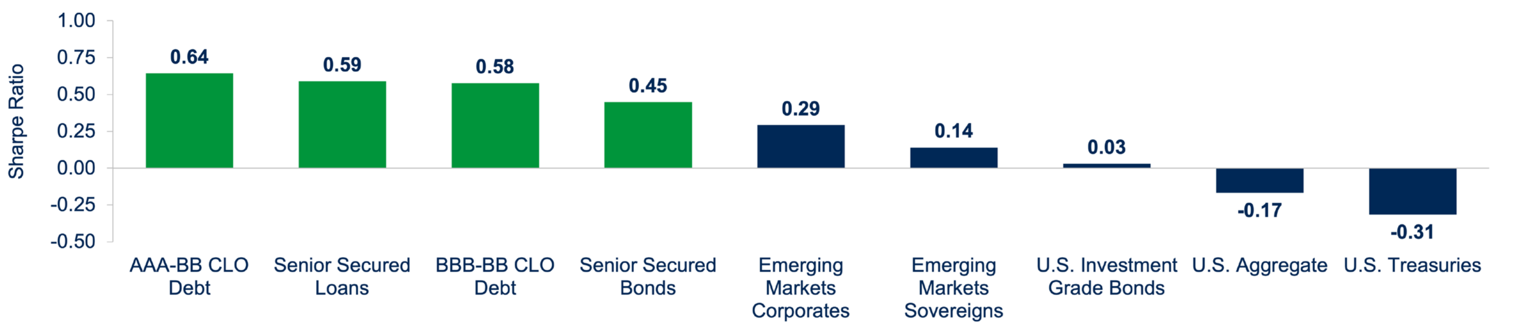
10-Year Annualized Returns by Asset Class

as of 6/30/26



10-Year Sharpe Ratios by Asset Class

as of 6/30/26



5. The Purpose:
Senior secured credit, including high yield bonds, broadly syndicated loans, and CLO debt, has demonstrated resilient performance across market cycles, driven by attractive contractual income, seniority in the capital structure, and lower interest-rate sensitivity than many traditional fixed-income investments.

Sources: Barings. AAA-BB CLO Debt = J.P. Morgan U.S. CLOIE Index; Senior Secured Loans = S&P UBS Leveraged Loan Index; BBB-BB CLO Debt = 50% BBB & 50% BB Sleeves of J.P. Morgan U.S. CLOIE Index; Senior Secured Bonds = ICE BofA BB-B Global High Yield Secured Bond Index; Emerging Markets Corporates = J.P. Morgan CEMBI Broad Diversified; Emerging Markets Sovereigns = J.P. Morgan EMBI Global Diversified; U.S. Investment Grade Bonds = Bloomberg U.S. Aggregate – Corporate Index; U.S. Aggregate = Bloomberg U.S. Aggregate Index; U.S. Treasuries = Bloomberg U.S. Aggregate – Treasury Index. As of May 30, 2026.
PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

The Opportunity:

Gain disciplined access to the yield potential of below-investment-grade corporate credit while benefiting from enhanced downside protection through a focus on senior secured debt backed by all or substantially all of a borrower's assets.

Barings Advantage

The depth and breadth of Baring's globally integrated team uniquely positions Barings to uncover and evaluate opportunities across interconnected high yield credit markets.

Barings' Global High Yield and CLOs Platform

- **Depth of Experience:** High yield investing track records spanning 25+ years across market cycles and 13+ years managing multi-asset high yield products
- **Integrated Platform:** Global capabilities across loans, bonds, and CLOs, enabling relative value insights across markets
- **Scale and Resources:** A large, globally distributed team with dedicated credit research and trading expertise
- **Bottom-up Focus:** Emphasis on fundamental credit analysis, issuer selection, and active risk management

Risk Consideration:

Secured credit investments remain exposed to the creditworthiness of underlying borrowers and broader market conditions. While seniority and collateral may provide structural protection, defaults, declining collateral values or adverse economic conditions can negatively impact performance and principal recovery.

Speak with your financial advisor today to learn more about how to incorporate the Pacer Barings Secured Credit ETF (PBSC) into your portfolio. **For more information, visit www.paceretfs.com.**

Before investing you should carefully consider the Fund's investment objectives, risks, charges, and expenses. This and other information is in the prospectus. A copy may be obtained by visiting www.paceretfs.com or calling 1-877-337-0500. Please read the prospectus carefully before investing.

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Pacer Advisors, Inc. is the fund advisor. Barings LLC serves as investment sub-advisor to the fund.

Not FDIC Insured	May Lose Value	Not Bank Guaranteed

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