

A disciplined approach to value in fixed income

Q&A with Adam Abbas, Head of Fixed Income

Bottom line up front:

Harris | Oakmark's value-driven fixed income approach seeks to deliver durable, risk aware outcomes for clients by focusing on what ultimately matters: underlying credit strength. Rather than chasing yield or timing macro shifts, the team applies deep, bottom-up research to identify bonds they believe are mispriced by short-term market pressures. A deliberately concentrated portfolio, enhanced by close collaboration with the equity research team, allows high-conviction ideas to meaningfully impact results. Market volatility is viewed not as a risk to avoid, but as an opportunity to invest in attractively valued credits.

Harris | Oakmark is a known for value investing, how do you define "value" in fixed income?

We define value as buying bonds at a meaningful discount to their intrinsic value: the spread that properly compensates us for true credit risk. When determining intrinsic value, we evaluate an issuer's long-term ability to meet obligations, based on business durability, cash flow strength, balance sheet resilience, recovery prospects, and management's capital allocation approach both in steady states and under stress.

Like Harris | Oakmark equity investing, we focus on identifying value over a medium- to long-term horizon at the company or issuer level. Rather than making short-term, macro-driven bets, such as quarter-to-quarter rate calls, we concentrate on bottom-up opportunities where we think the market is mispricing risk. When we can buy a bond at a wider spread than its intrinsic value implies, we're being "overpaid for the risk"—often due to short-term technical pressures or overdone negative sentiment rather than weakening long-term fundamentals. Ultimately, we believe value in fixed income is the relationship between price and true creditworthiness, and our aim is to be more than fairly compensated for the risk we take.

What most differentiates your strategy, and how does it add value for clients?

The process for generating returns through true bottom-up, concentrated credit selection and value-guided asset allocation rather than relying on making large non-consensus duration or macro calls is what we believe most differentiates our strategy. This approach is rooted in the Harris | Oakmark tradition, bringing thoughtful, company-level research to fixed income investing. Every position begins with a fundamental credit thesis, not an economic forecast, giving our analysts the freedom to uncover mispriced, idiosyncratic opportunities that have the potential to meaningfully influence performance in a way that is not heavily reliant on specific short-run macroeconomic outcomes.

Our portfolio is intentionally concentrated enough for individual ideas to matter, and we pair this with the discipline Harris | Oakmark has applied for decades: understanding long-term business fundamentals, cashflow durability, default risk, and management behavior. We also benefit from an integrated research platform in which our fixed income team works with our firm's equity analysts, giving us differentiated insight across the capital structure.

Ultimately, the value we add comes from delivering a low-volatility core-plus bond strategy that invests primarily in investment grade securities, can stand alone or complement a core allocation, and has performance driven by a rigorous, repeatable credit selection investment process.

Do you collaborate with the equity research team?

Yes. We believe one of the most powerful advantages of the Harris | Oakmark platform is the depth of collaboration between fixed income and equity teams.

We often describe this as a specialized strategy with a broad platform, meaning our fixed income capabilities are meaningfully supported by the firm's equity resources. As such, we get vital access to management teams, which we believe is imperative to understanding capital allocation and management's general competence, as well as how to think about balance sheet risk relative to future return on capital initiatives. Almost every position in the portfolio has been vetted across teams, resulting in valuable insights gleaned from the equity side.

Overall, the equity team's deep understanding of management decision-making and long-term fundamentals enhances the fixed income team's ability to move quickly and confidently when market opportunities arise—and nimbly capture value over the long term.

To what extent is credit selection a driver of returns in your strategy?

Our portfolio is built from the bottom up, driven by individual credit merit and idiosyncratic return potential; macro views never drive credit selection. We identify our best ideas first, then size and structure them to create what we believe will be the strongest overall portfolio.

Portfolio construction is applied only after credits are selected for our universe to choose from; it never dictates which bonds we buy.

Once we identify the credits we view as the best idiosyncratic opportunities, we focus on sizing to balance upside and downside risks, and aggregate positions so that the implementation aligns with our value framework at the sector, quality, curve, and overall duration level. For example, when our best bottom-up ideas also offer superior relative value at the sector level for thematic reasons, we weight them more heavily or move out the duration curve to maximize both idiosyncratic and sector-level return potential.

How do you think about short-term volatility in your approach?

When spreads widen and markets become more volatile and fearful, we tend not to get scared, but excited. Correlations often increase the most at the sector, asset class, and index level, and there is less discernment at the individual company or security level. That creates more inefficiency.

Indeed, if you look at our track record since inception, our best periods of outperformance have historically come after "risk-off" periods, when there is measurable fear in the marketplace. During those times, we are generally deploying capital out of treasuries, high-quality agencies, and our highest quality credit bets, into our favorite ideas to own over the long horizon.

Where do you typically find the most attractive opportunities?

Opportunities take many forms, but the unifying thread for us is always that we think the market is undervaluing something fundamental about a business over the long term. Often, this happens when investors focus too heavily on short-term technical pressures like momentum, sentiment, and supply dynamics or when fixed income managers, motivated by asymmetric downside bond outcomes and very small position

sizes, sell first and analyze later. It can also occur when the market fails to recognize a company's flexibility in managing its balance sheet, accessing capital, refinancing or repurchasing debt, or shifting capital allocation between growth and preservation. These overlooked dynamics frequently create the most compelling opportunities for us.

About Harris | Oakmark

For five decades, Harris | Oakmark has delivered value-centric investment solutions with a highly active, disciplined, and long-term approach. Headquartered in Chicago, IL, with approximately \$105 billion in assets under management as of March 31, 2026, the firm follows a differentiated research-intensive approach to uncovering intrinsic value. Investment teams leverage intensive, bottom-up fundamental research, rigorous debate, and value discipline to construct concentrated portfolios designed for consistent, competitive performance over market cycles. The firm's investment solutions span U.S., global and international equities, and fixed income – and are offered in various vehicles spanning mutual funds, SMAs, LPs, CITs and actively managed ETFs.

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GEN-5083-0427