ANGELO, GORDON & CO.

CAPITAL MARKETS PERSPECTIVES

FIRST QUARTER 2014

ANGELO, GORDON & CO. is a privately held investment management firm that was founded in 1988 to focus on alternative money management activities and currently has assets under management of $25 billion. The firm's investment philosophy combines fundamental in-depth research and a conservative valuation approach with a diversification strategy designed to reduce downside risk and protect principal.

Investment disciplines encompass four principal business lines: (i) credit; (ii) real estate; (iii) private equity and (iv) multi-strategy. Funds are managed in single-strategy vehicles or multi-strategy vehicles. A great deal of synergy exists among the investment teams and their ability to work together has proven to be a key element in the firm's success.

PORTFOLIO MANAGERS' CORNER

BRUCE MARTIN
Portfolio Manager
Non-Investment Grade Corporate Credit

Performance in the credit markets in first quarter of 2014 was unexpectedly solid. Despite near-consensus fears of rising rates, rates actually fell. And despite contagion fears from emerging markets and more recently, geopolitical instability, corporate credit spreads remained intact. It was probably the frigid weather's damper on the U.S. economy that helped 10-year Treasury rates drop from 3% to 2.7%, driving high yield bond returns of just under 2.5% through mid-March. Annualizing that return would imply a very strong performance for high yield in 2014. For this to happen, the 10-year Treasury rate would need to continue to decline to a year-end level approaching 1.5% without high yield experiencing any spread widening, an occurrence which we believe is extremely remote. Leveraged loans returned roughly 1% through March, much more in line with their historical levels and on track to earn 4-5% for the year. We see one potential cloud on the horizon that could affect market technicals and lead to some trading volatility as net inflows into high yield mutual funds and ETFs have recently turned negative and inflows into retail loan funds have slowed.

THOMAS FULLER
Portfolio Manager
Distressed Debt

The high yield capital markets are following last year's trends with both the bond and loan markets starting the year with record levels of new issuance. Money continues to flow freely into both markets. Based on strong underlying market fundamentals and stable economic conditions in the U.S., corporate defaults remain low at approximately 2%. Despite the fact that that rate is set to nearly double due to the singular event of TXU's impending default, the main opportunity in the U.S. is limited to creative solutions to the maturity walls of the remaining '07-vintage mega-deals. In Europe, however, the market is ripe for investment. A combination of an end to the runway of 'band-aid' restructurings combined with the ECB's new regulatory guidance is causing banks across the continent to actively sell down their corporate loans. As a result, we believe European banks afford an especially promising source of investment opportunities.

ARTHUR PEPONIS
Portfolio Manager
Private Equity

The first quarter of 2014 continued many of the trends seen throughout 2013 for private equity. Although Federal regulators expressed concern late last year about the poor quality of leveraged loans on the balance sheets of the large banks and demanded that banks improve their loan book, high yield and leveraged loan issuance remained strong in the first quarter. Further, leverage levels approached, and sometimes exceeded, those seen during the 2006 and 2007 buyout "boom." Although it is still early in the year, LBO M&A deal volume is strong and multiples continue to be equal to or higher than last year. The market is starting to see more situations where sponsors are "pre-empting" formalized sell-side processes in order to secure assets. Finally, we anticipate that given the relatively favorable equity, credit, and M&A markets, private equity firms will continue to pursue public offerings, dividend recaps, and M&A dispositions of portfolio companies.

DAVID KAMIN
Portfolio Manager
Merger Arbitrage

Merger arbitrage spreads remain tight in the first quarter with the average annualized net spread at approximately 5%. The first quarter saw North American deal value increase 18% year-over-year. However, deal volumes have run below 2010-13 levels in four of the last five weeks. Cross-border deals and a few 'mega deals', including Time Warner, Forest Labs, and Beam Inc., highlighted what was otherwise a quiet quarter. Activist investors continue to play a bigger role in the boardroom pushing for the short-term actions they favor – share repurchases, increased dividends, and the leverage spin-off. Boards and management teams have generally acquiesced to these activist investors as they too seem to prefer the path of least resistance.

GARY WOLF
Portfolio Manager
Convertible Arbitrage

The convertible securities market has continued to perform well in the first quarter supported by declining rates, low credit spreads, and a strong technical backdrop as money continues to flow into the market. Additionally, some large issues have been placed even though total issuance has not kept pace with expectations. The Bank America Merrill Lynch all US Convertibles Index was up by 3.27% through March 28th. The All US Hedge Index was up by 2.00% over the same period versus a 1.00% return for the S&P 500. Large new issues included a dual tranche $2 billion deal from Tesla and a $1.15 billion deal from Herbalife. Volatility has remained muted except for a brief spike in January.

TODD DITTMANN
Portfolio Manager
Energy Direct Lending

Repeated drillbit success, continued production gains, and healthy commodity prices combined to produce another year of solid operating margins for oil and gas companies. At $35 per equivalent barrel and about twice the annual depletion of investment costs, operating margins were again more than sufficient to sustain the long-term expansion of capital budgets across the energy value chain, including oil and gas exploration, oil service, midstream, infrastructure, transportation and other energy-related companies. These compelling economics have remained or improved year-to-date 2014, with continued operational successes, the achievement of drilling efficiencies and oil and gas prices that have averaged in excess of $98 for oil and $4.50 for natural gas. Despite robust industry-wide results, it remains the case that only the larger energy companies enjoy access to ample capital, with oil and gas high yield issues averaging in excess of $500 million per new offering and currently trading at sub 7% yields. In contrast, the more numerous smaller energy companies do not enjoy the same access and their capital needs are underserved. As a result, we continue to see opportunity in smaller borrowing transactions which typically offer better credit coverage than do larger borrowers with access to the regular capital markets.

JONATHAN LIEBERMAN
Portfolio Manager
Residential and Consumer Debt (RMBS/ABS)

The RMBS and ABS markets delivered solid and stable returns throughout first quarter of 2014. Credit RMBS and ABS continue to materially outperform traditional fixed income sectors and the Barclay's Aggregate Fixed Income Index. Mortgage and consumer credit markets shrugged off greater interest rate volatility and the selloffs in equities and emerging markets. Geopolitical issues had no discernible effect on liquidity, demand for yield or credit spreads. Improving household fundamentals and strong technical demand for yield are driving sector outperformance. Outstanding consumer debt continues to shrink with households still deleveraging and repairing their balance sheets. Negative net issuance remains a powerful positive technical and investor sponsorship continues to broaden with the re-engagement of pension funds. Liquidity and the depth of the market remains superior to other fixed income credit sectors with the exception of U.S. Treasuries. At this time, we do not see any imminent risks to supportive fundamentals and the strong technical demand for RMBS and ABS. Disciplined sourcing and underwriting of better collateral stories and strong bond structures remain the keys for superior risk adjusted returns. We continue to see pockets of opportunity in mortgage put back litigation securities, legacy whole loans, European RMBS, and new issue short duration RMBS. As for the housing market, housing starts and building permits are showing signs of recovery after a sluggish fourth quarter. Due to decreasing supplies of cheaper existing homes, buyers are turning toward the new home market, driving an improvement in new home sales.

ANDREW SOLOMON
Portfolio Manager
Real Estate Debt (CMBS)

The often-talked about "January effect", where an influx of cash at the calendar flip results in a January market rally, was bifurcated in CMBS this year. Dealers and end accounts both began to add risk as early as November of last year and as a result of this early positioning the year started off on a relatively quiet note. It was not until later in the first quarter that the market gained steam and legacy junior AAA bonds rallied several points. Of note, the CMBS market largely shrugged off many of the macro concerns that caused other markets to sell off. Market technicals remain quite strong, as the legacy market continues to shrink while demand for legacy securities remains robust. A better than expected outcome from a large public auction of over $3.4 billion in unpaid principal balance of real estate and delinquent commercial mortgage loans has also positively affected the market. We expect servicers to continue to liquidate larger loans going forward and thus anticipate the ultimate performance of legacy CMBS deals to vary widely. With respect to supply, 2014 is expected to potentially be the first year of positive net issuance in CMBS since the onset of the financial crisis. The new issue market is enjoying healthy investor sponsorship across the capital structure, thus contributing to what we believe to be 'priced to perfection' underwriting.

GORDON J. WHITING
Portfolio Manager
Net Lease Real Estate

Supply and demand dynamics in the net lease market remain favorable. The number of attractive deals continues to be robust in the first quarter after a strong fourth quarter. We have seen an increase in potential build-to-suit transactions this year which could be a sign of the improving health of the economy, of deferred capital expenditures, or an indicator of management optimism regarding their own future growth and profitability. A survey of 25 net lease brokers published by Morgan Stanley & Co. indicates that brokers expect deal pipelines to remain strong in 2014 despite the potential for rising interest rates. Cap rates are expected to remain flat or to slightly compress further especially for deals with long-term lease structures. Currently, CMBS lenders remain the most aggressive lenders and we are still seeing typical loan quotes with 60%-65% LTVs, 30-year amortization periods and 3-5 years of interest-only periods.

ADAM SCHWARTZ
Portfolio Manager
Head of U.S. and Europe Real Estate

During the first quarter, the U.S. real estate market continued it's exit from the major deleveraging cycle of the last three years. Values accelerated as investors deployed capital into real estate. We anticipate further market appreciation will be driven by a recovery in fundamentals, rather than by capital flows. We expect 2014 to continue to be an attractive time to invest selectively in commercial real estate provided that investors take advantage of under-managed assets while avoiding certain overheated markets. The greater yield available in non-major markets should draw investors away from the initial "flight to safety" strategy which the major markets offered earlier in the recovery.

In Europe, we are continuing to see a theme of distress as unintentional / reluctant owners including banks, funds, and syndicates sell legacy assets. These sales are accelerating, mostly driven by older vintage debt reaching maturity or default. Recent deal flow reflects these trends and our current investment pace is averaging twice that of 2013. We are finding opportunities in high quality, unstabilized assets in core markets which can be bought from special situations. The typical seller purchased at the top of the market, but has taken until now to make disposition decisions. With 85% of all commercial real estate loans in Europe having been originated before 2008, and the maturity balloon unfolding in the next few years, we expect to see continued opportunities.

WILSON LEUNG
Portfolio Manager
Asia Real Estate

The real estate markets in Asia continue to be attractive as China remains on its emerging market growth track, Japan reaches the bottom of its real estate cycle, and Korea offers appealing distressed investment opportunities. China's economy was on track in 2013, and despite a recent decline in a few economic indicators, most economists expect China to continue achieve 7.0%+ GDP growth in 2014. Demand in China's housing sector continued to keep pace with the supply completed in 2013 and pricing increased by a steady 7.7% over the past year. Meanwhile, urban disposable income grew at 9.7% year-over-year, driving the creation of an emerging middle class. Although land prices in the major cities have increased significantly in the past year, there continues to be selective opportunities to invest in residential development deals in the large second and third tier Chinese cities where middle-income end users are the large majority of buyers.

Five years after the global financial crisis where Japanese real estate values fell 40%, real estate fundamentals appear to be in the early stages of a recovery. With the economy supported by 'Abenomics' and the Bank of Japan's loose monetary policy, Tokyo Grade-A office vacancy levels have declined to below 7.0% and asking rents for the higher quality buildings are on the rise. Japanese REITs have been exceptionally active in buying core, stabilized real estate at increasingly lower cap rates. The spread between cap rates and borrowing costs continue to be wide, offering high cash-on-cash returns and a buffer against the potential for rising interest rates. We believe that this is a particularly attractive time to be investing in Japan as this is one of the few major markets worldwide where we have yet to see a significant rise in asset values and where market fundamentals are improving.

In Korea, the office vacancy rate in Seoul has continued to climb despite 1.5 million square feet of absorption in the fourth quarter of 2013. New office supply outpaced demand and the overall vacancy rate rose to 12.4% as of year-end. Transaction volumes in Seoul are robust, supported by strong interest from domestic institutions acquiring core, stabilized properties. We see attractive distressed opportunities in the office sector, as well as selective residential development deals which have high profit margins in strong, in-fill locations.

ECONOMIC DASHBOARD

ANGELO, GORDON & CO.

MARKET INDICES

First Quarter 2014

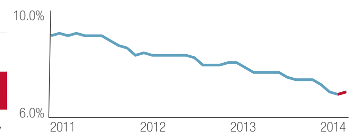
JOB MARKET

Macro Economics | Three Year Trend

US – Unemployment Rate

As of 3/07/2014

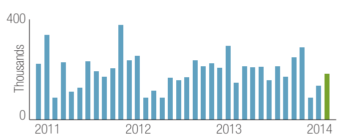
Latest Level	6.7
Changes from Prior Month	0.1
Latest Direction	Deteriorating
Frequency	Monthly



US – Non Farm Payroll

As of 3/07/2014

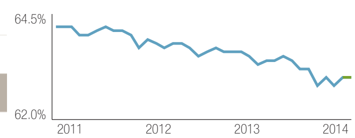
Latest Level	175
Changes from Prior Month	46
Latest Direction	Improving
Frequency	Monthly



US – Labor Participation Rate

As of 3/07/2014

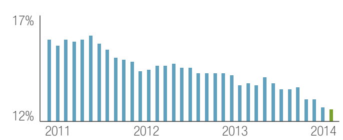
Latest Level	63.0
Changes from Prior Month	0.0
Latest Direction	No Change
Frequency	Monthly



US – U-6 Unemployed & Margin & Part Time as % of Labor Force & Margin

As of 3/07/2014

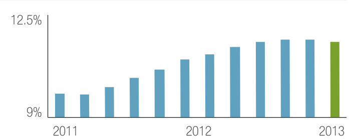
Latest Level	12.6
Changes from Prior Month	(0.1)
Latest Direction	Improving
Frequency	Monthly



Eurozone Unemployment Rate

As of 12/31/2013

Latest Level	12.0
Changes from Prior Quarter	(0.1)
Latest Direction	Improving
Frequency	Quarterly



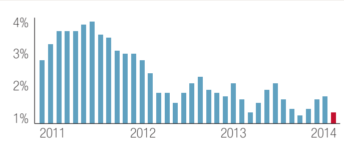
INFLATION

Macro Economics | Three Year Trend

US Inflation CPI

As of 2/28/2014

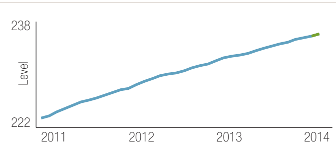
Latest Level	1.1
Changes from Prior Month	(0.5)
Latest Direction	Decreasing
Frequency	Monthly



US CPI Goods Excl Food and Energy

As of 2/28/2014

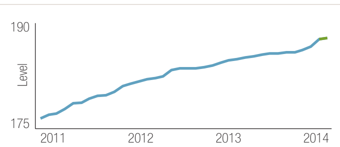
Latest Level	236.1
Changes from Prior Month	0.3
Latest Direction	Increasing
Frequency	Monthly



PPI – Producer Price Index

As of 2/28/2014

Latest Level	187
Changes from Prior Month	0.2
Latest Direction	Increasing
Frequency	Monthly



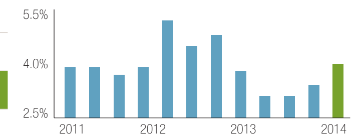
GDP GROWTH

Macro Economics | Three Year Trend

US – GDP Y-o-Y %

As of 12/31/2013

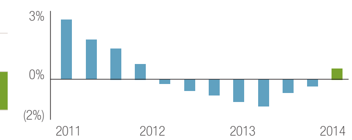
Latest Level	4.0
Changes from Prior Quarter	0.6
Latest Direction	Improving
Frequency	Quarterly



Eurozone – GDP Y-o-Y %

As of 12/31/2013

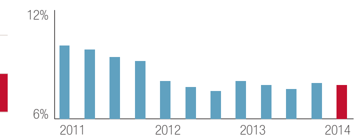
Latest Level	0.5
Changes from Prior Quarter	0.8
Latest Direction	Improving
Frequency	Quarterly



China – GDP Y-o-Y %

As of 12/31/2013

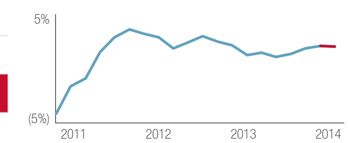
Latest Level	7.7
Changes from Prior Quarter	(0.1)
Latest Direction	Deteriorating
Frequency	Quarterly



World – GDP Y-o-Y %

As of 12/31/2013

Latest Level	2.5
Changes from Prior Quarter	(0.0)
Latest Direction	Deteriorating
Frequency	Quarterly



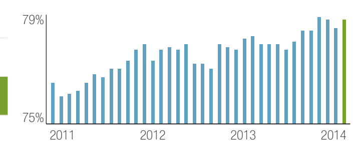
US ECONOMIC & MARKET CONFIDENCE

Macro Economics | Three Year Trend

Capacity Utilization as a % of Capacity

As of 2/28/2014

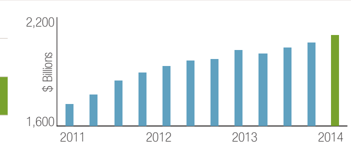
Latest Level	79
Changes from Prior Month	0.3
Latest Direction	Improving
Frequency	Monthly



Private Fixed Investment Nonresidential SAAR

As of 12/31/2013

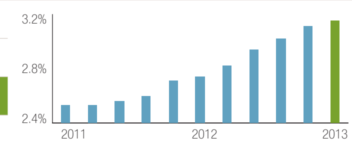
Latest Level	2,103
Changes from Prior Quarter	42.8
Latest Direction	Improving
Frequency	Quarterly



Residential Fixed Investment as a % of GDP

As of 9/30/2013

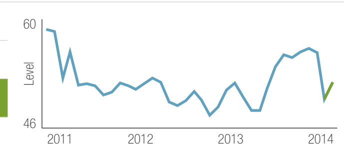
Latest Level	3
Changes from Prior Quarter	0.0
Latest Direction	Improving
Frequency	Quarterly



ISM Manufacturing Index

As of 2/28/2014

Latest Level	53
Changes from Prior Month	1.9
Latest Direction	Improving
Frequency	Monthly



Source: Bloomberg (All)

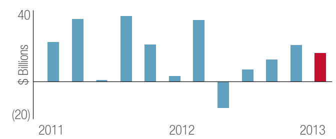
ECONOMIC DASHBOARD *(continued)*

ECONOMIC & MARKET CONFIDENCE *(continued)*

Macro Economics — Three Year Trend

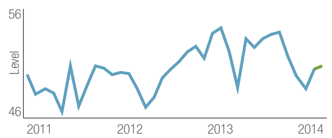
Manufacturing Inventory
As of 12/31/2013

Latest Level	16
Changes from Prior Quarter	(4.3)
Latest Direction	Decreasing
Frequency	Quarterly



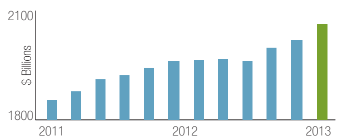
Architecture Firms Billings Index
As of 2/28/2014

Latest Level	51
Changes from Prior Month	0.3
Latest Direction	Improving
Frequency	Monthly



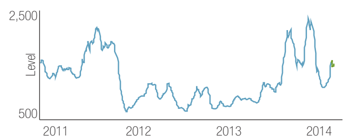
Exports of Goods/Services
As of 12/31/2013

Latest Level	2,064
Changes from Prior Quarter	45.9
Latest Direction	Improving
Frequency	Quarterly



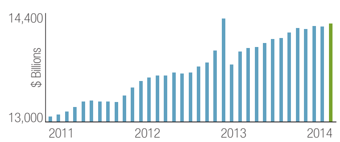
Shipping Rates
As of 3/18/2014

Latest Level	1,373
Changes from Prior Month End	115
Latest Direction	Improving
Frequency	Daily



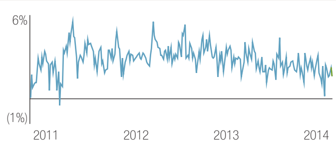
Personal Income Level
As of 2/28/2014

Latest Level	14,398
Changes from Prior Month	89
Latest Direction	Improving
Frequency	Monthly



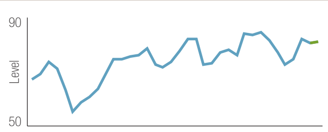
US Retail Chain Store Sales Y-o-Y
As of 3/22/2014

Latest Level	1.7
Changes from Prior Month End	0.2
Latest Direction	Improving
Frequency	Weekly



Michigan Consumer Confidence Sentiment
As of 2/28/2014

Latest Level	82
Changes from Prior Month	0.4
Latest Direction	Improving
Frequency	Monthly

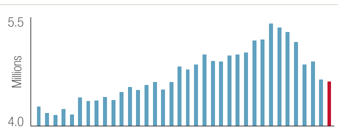


HOUSING

Macro Economics — Three Year Trend

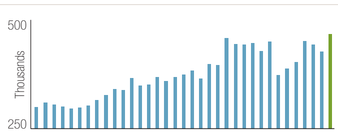
Existing Home Sales
As of 2/28/2014

Latest Level	4.6
Changes from Prior Month	(0.0)
Latest Direction	Deteriorating
Frequency	Monthly



New Homes Sales
As of 2/28/2014

Latest Level	440
Changes from Prior Month	14.0
Latest Direction	Improving
Frequency	Monthly

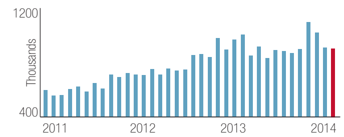


HOUSING *(continued)*

Macro Economics — Three Year Trend

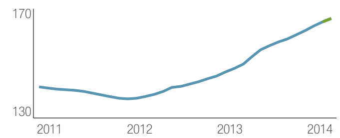
Housing Starts
As of 2/28/2014

Latest Level	907
Changes from Prior Month	(2.0)
Latest Direction	Deteriorating
Frequency	Monthly



Case-Shiller Index of Home Value in 20 cities
As of 2/28/2014

Latest Level	168.0
Changes from Prior Month	1.4
Latest Direction	Improving
Frequency	Monthly



COMMODITIES

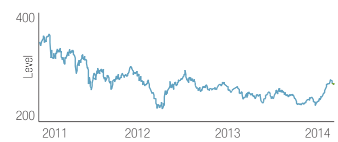
Macro Economics — Three Year Trend

Gold
As of 3/28/2014

Latest Level	1,295.2
Changes from Prior Month End	(31.2)
Latest Direction	Decreasing
Frequency	Daily

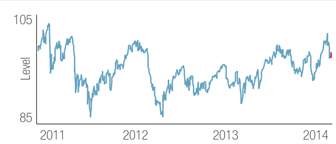
Reuters/Jefferies Commodity Index
As of 3/28/2014

Latest Level	305.2
Changes from Prior Month End	2.8
Latest Direction	Increasing
Frequency	Daily



WTI Crude Oil Price
As of 3/28/2014

Latest Level	101.7
Changes from Prior Month End	(0.2)
Latest Direction	Decreasing
Frequency	Daily

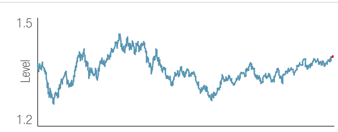


FOREIGN EXCHANGE RATE

Macro Economics — Three Year Trend

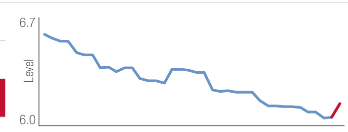
Euro Spot Rates vs 1 USD
As of 3/28/2014

Latest Level	1.38
Changes from Prior Month End	(0.01)
Latest Direction	Deteriorating
Frequency	Daily



Yuan Spot Rate vs 1 USD
As of 3/28/2014

Latest Level	6.21
Changes from Prior Month End	0.07
Latest Direction	Deteriorating
Frequency	Daily



Source: Bloomberg (All)

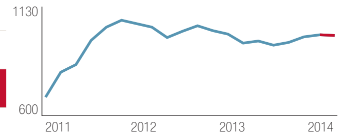
ECONOMIC DASHBOARD *(continued)*

EQUITY

Macro Economics | Three Year Trend

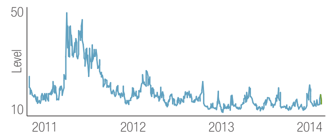
US Equity Markets – Russell 3000
As of 3/28/2014

Latest Level	1114.4
Changes from Prior Month End	(6.2)
Latest Direction	Decreasing
Frequency	Daily



US Equity – VIX
As of 3/28/2014

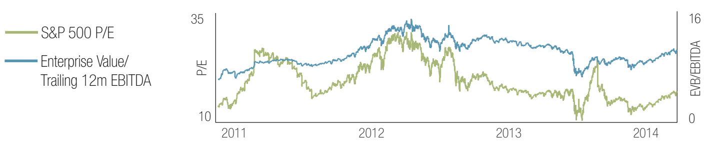
Latest Level	14.4
Changes from Prior Month End	0.4
Latest Direction	Increasing
Frequency	Daily



S&P 500 Percentage Exceeding Earning Estimates
As of 3/27/2014

Latest Level	66
Changes from Prior Month End	(0.5)
Frequency	Daily

S&P 500 Historical Valuation Levels

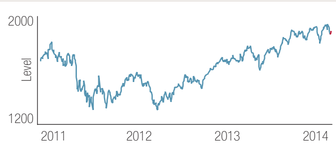


Trailing P/E on S&P 500
As of 3/28/2014

Latest Level	17.3
Changes from Prior Month End	0.1
Latest Direction	Increasing
Frequency	Daily

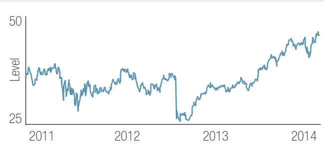
Equity Markets – MSCI EAFE
As of 3/28/2014

Latest Level	1,904.1
Changes from Prior Month End	(31.8)
Latest Direction	Decreasing
Frequency	Daily

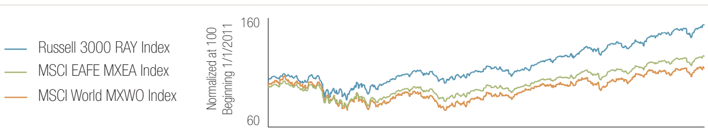


Equity Markets – MSCI Emerging Markets
As of 3/28/2014

Latest Level	452.1
Changes from Prior Month End	1.0
Latest Direction	Increasing
Frequency	Daily

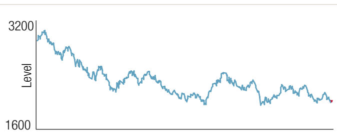


Russell 3000, MSCI EAFE, MSCI World



Equity Markets – Euro Stoxx
As of 3/28/2014

Latest Level	2,041.7
Changes from Prior Month End	(14.6)
Latest Direction	Decreasing
Frequency	Daily

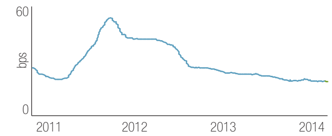


RATES

Macro Economics | Three Year Trend

LIBOR 3M
As of 3/28/2014

Latest Level	0.23
Changes from Prior Month End	0.00
Latest Direction	Increasing
Frequency	Daily



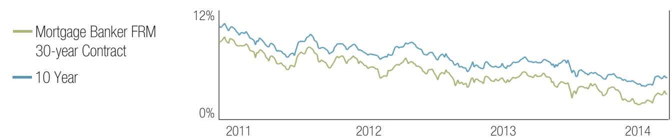
Swaps 2Y vs 10Y
As of 3/28/2014

Latest Level	226.85
Changes from Prior Month End	2.93
Latest Direction	Steepening
Frequency	Daily

Treasury 10 Yr Yield
As of 3/28/2014

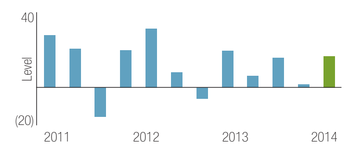
Latest Level	2.72
Changes from Prior Month End	(0.03)
Latest Direction	Decreasing
Frequency	Daily

30 Yr Mortgage and 10 Yr Treasury



Bank Lending Survey: Net Percentage Reporting Strong Level
As of 1/31/2014

Latest Level	16
Changes from Prior Level	15.0
Latest Direction	Increasing
Frequency	Quarterly

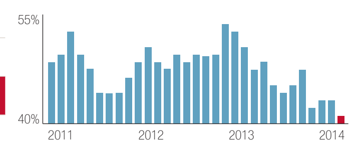


POLITICS

Macro Economics | Three Year Trend

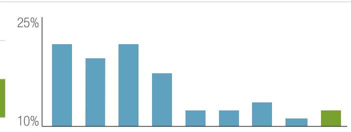
NBC NEWS/WSJ Poll Obama Approval Rating[1]
As of 3/1/2014

Latest Level	41.0
Changes from Prior Month	(2.0)
Latest Direction	Decreasing
Frequency	Monthly



NBC NEWS/WSJ Poll Congress Approval Rating[1]
As of 1/31/2014

Latest Level	13.0
Changes from Prior Level	1.0
Latest Direction	Increasing
Frequency	Semi-Annual

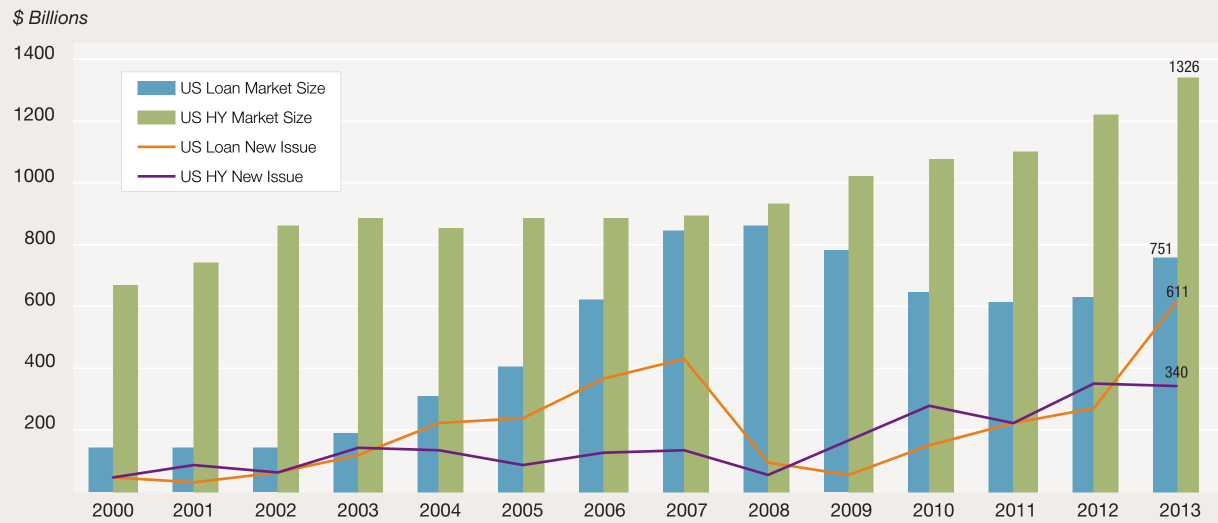


Source: Bloomberg (Except where noted)

(1) NBC News/Wall Street Journal Survey

NON-INVESTMENT GRADE CORPORATE CREDIT

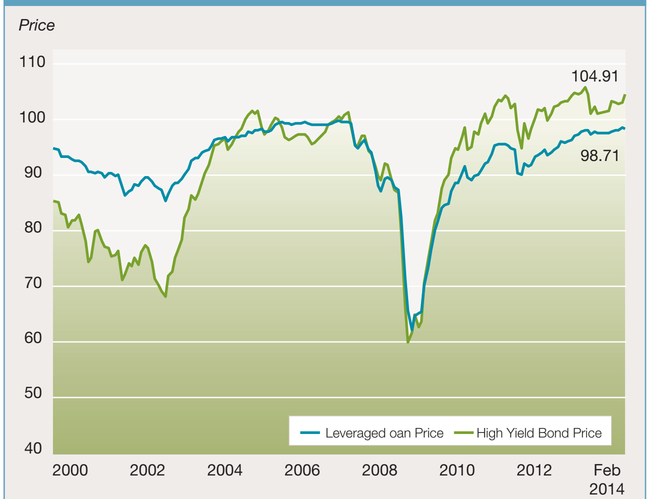
HIGH YIELD BOND & LEVERAGED LOAN MARKET SIZE AND NEW ISSUE VOLUME



Source: Credit Suisse

High Yield Bond and Leveraged Loan markets continue to expand to keep up with investor demand for yield

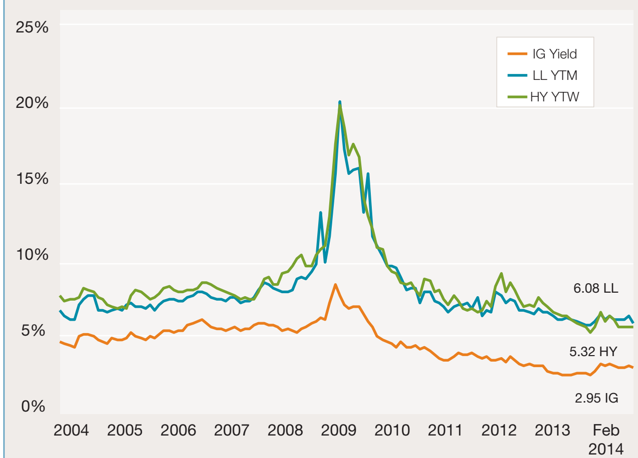
LEVERAGED LOAN & HIGH YIELD BOND AVERAGE PRICE



Source: Credit Suisse

Little room left for further price appreciation in High Yield Bonds

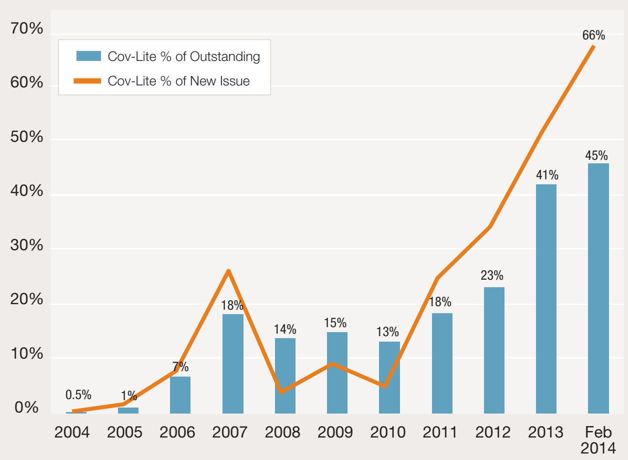
INVESTMENT GRADE VS HIGH YIELD BOND VS LEVERAGED LOAN YIELDS



Source: Credit Suisse

Corporate securities yielding near their all-time lows. Leveraged Loan yield attractive compared to lower in the capital structure High Yield Bond yield

COV-LITE PERCENTAGE OF NEW ISSUE LOANS & PERCENTAGE OF OUTSTANDING LOANS

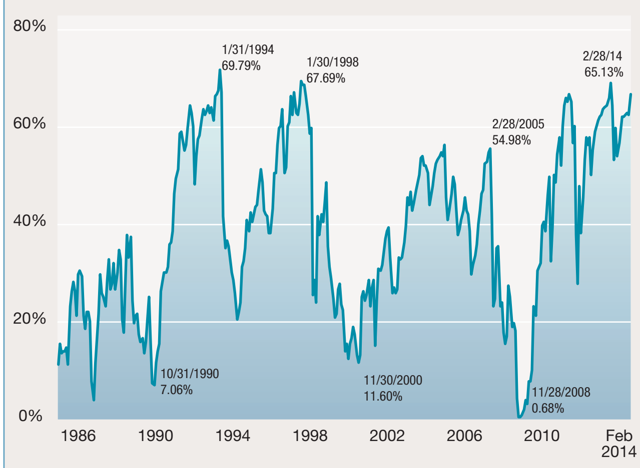


Source: JP Morgan/Credit Suisse

A new reality for loan investors?

PERCENTAGE OF HIGH YIELD BONDS TRADING AT OR ABOVE CALL PRICE

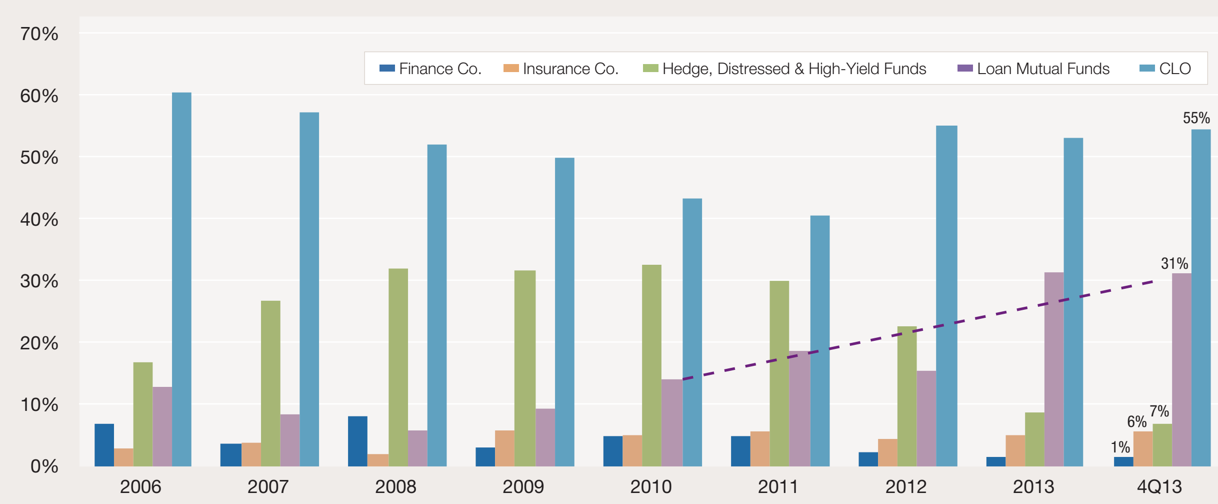
% of HY Index Trading to Call



Source: Credit Suisse

Current level near all-time high

BUYERS OF NEW ISSUE LEVERAGED LOAN BY INVESTOR TYPE

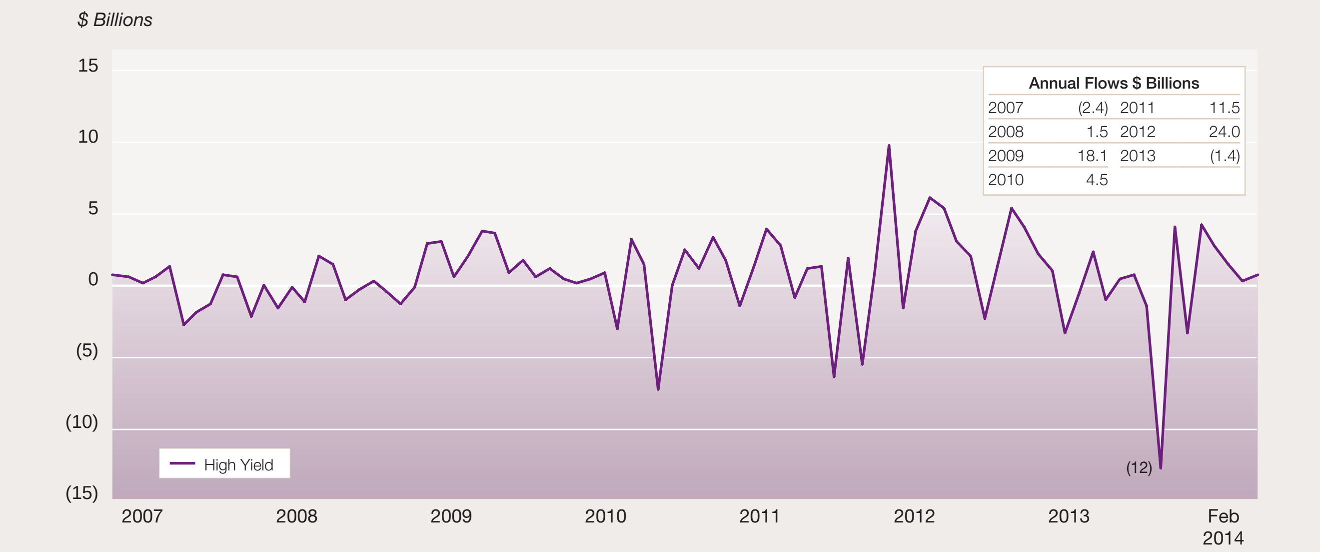


Source: JPMorgan

Mutual Funds have become far more important. Watch out if weekly inflows into Mutual Funds turn into weekly outflows

NON-INVESTMENT GRADE CORPORATE CREDIT *(continued)*

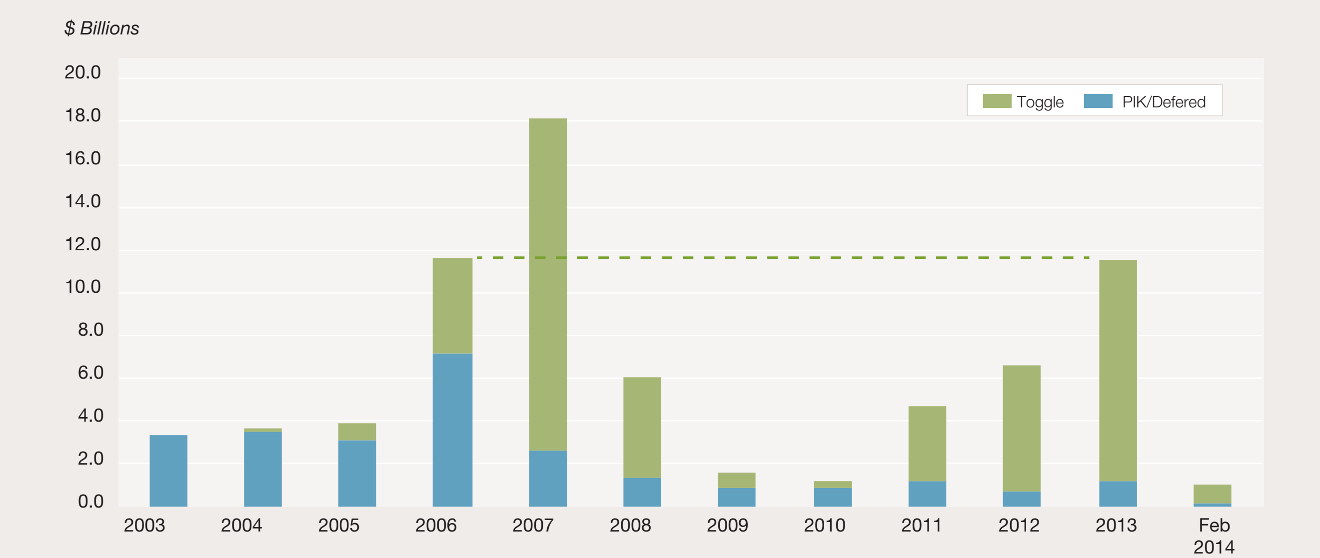
MONTHLY CASH FLOWS INTO HIGH YIELD MUTUAL FUNDS



Source: ICI - Trends in Mutual Fund Investing

High Yield Bonds lost 3.10% from May 2013 through June 2013. When cash flows turn negative, look out for volatile returns (JPMorgan Domestic High Yield)

AMOUNT OF PIK AND PIK TOGGLE ISSUANCE

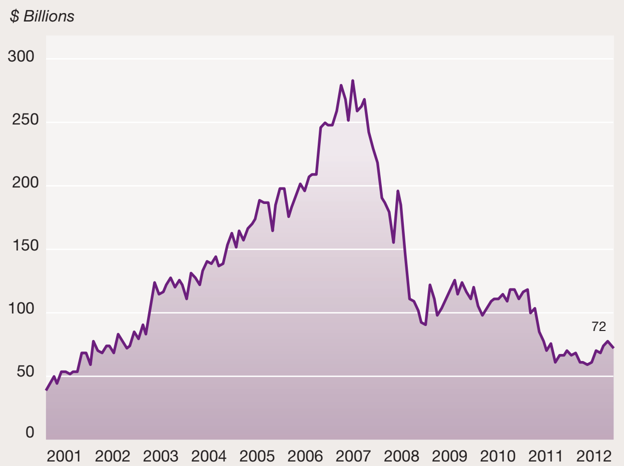


Source: JPMorgan

PIK Payment-in-kind

Credit standards getting looser which is a sign of a "toppy market"

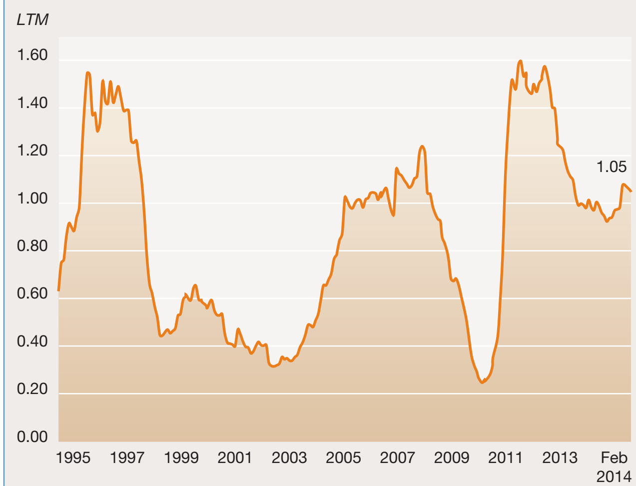
PRIMARY DEALER POSITIONS – CORPORATE SECURITIES



Source: Bloomberg

Reduced bank balance sheets have contributed to increased volatility since 2008

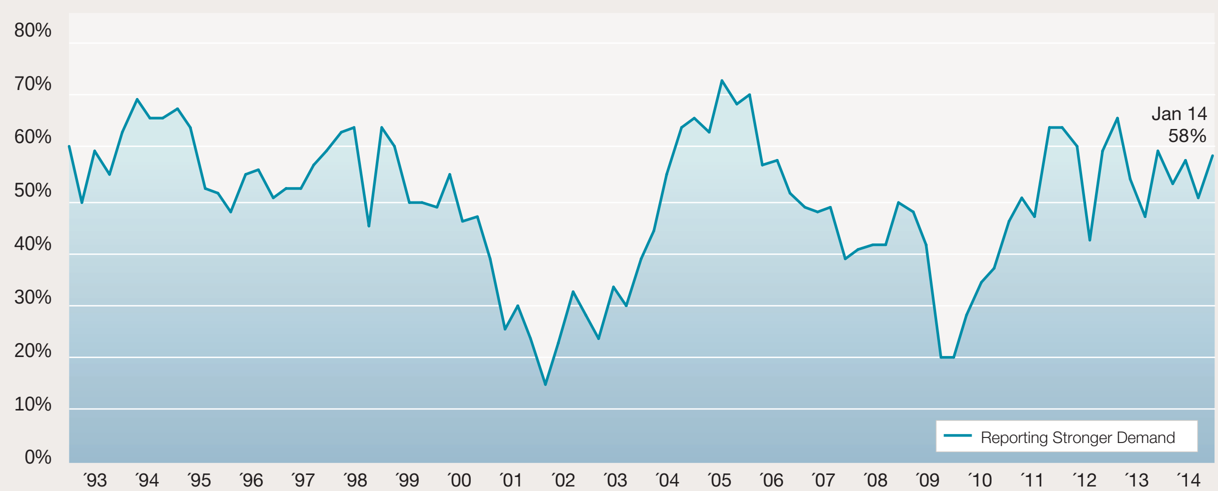
UPGRADE-TO-DOWNGRADE RATIO



Source: JPMorgan

Corporate balance sheets continue to strengthen

BANK LENDING SURVEY – PERCENTAGE REPORTING STRONGER DEMAND FOR COMMERICAL AND INDUSTRIAL LOANS

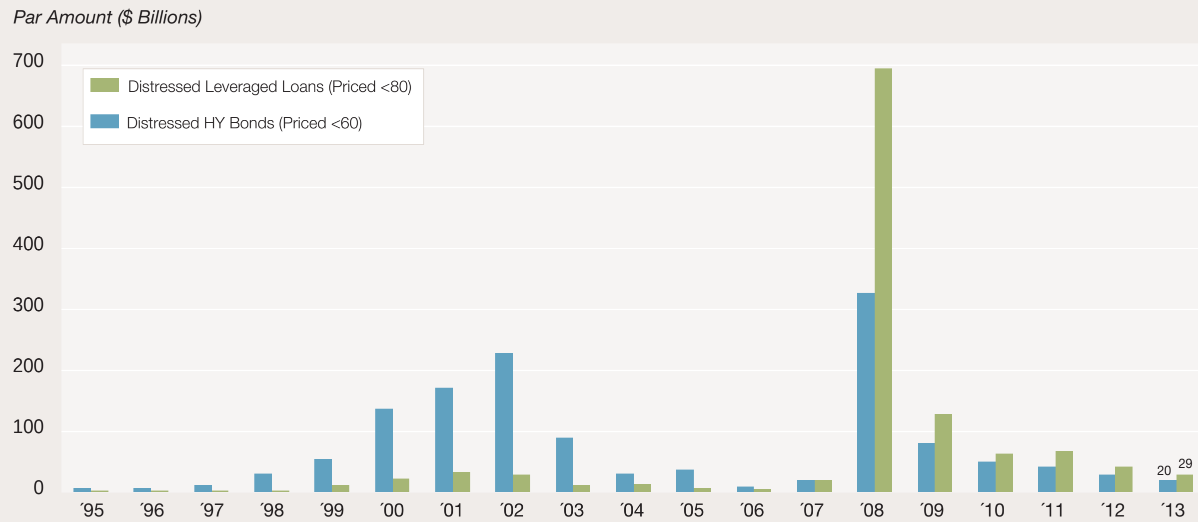


Source: Bloomberg

Bank Lending Surveys are sometimes referred to as "Senior Loan Officer Surveys"

Credit demands expanding as economy grows

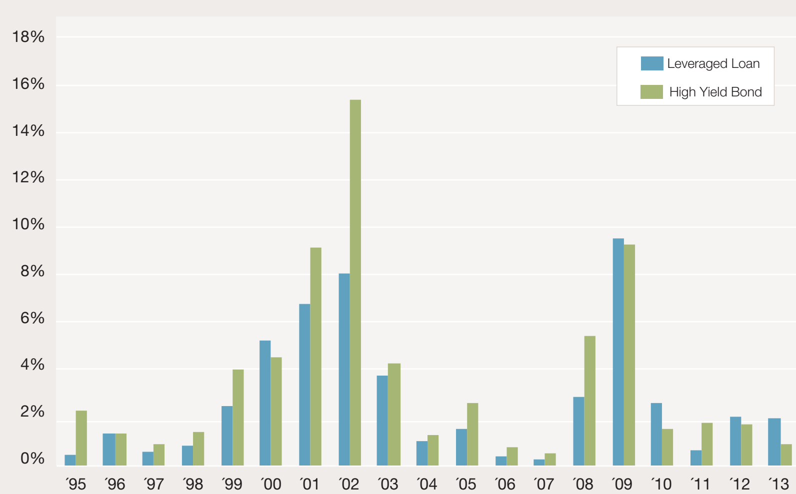
SIZE OF DISTRESSED DEBT MARKET



Source: Credit Suisse

Approximately $50 billion of distressed US Leveraged Loans and High Yield Bonds at the end of 2013

DEFAULT RATES – HIGH YIELD BOND & LEVERAGED LOAN



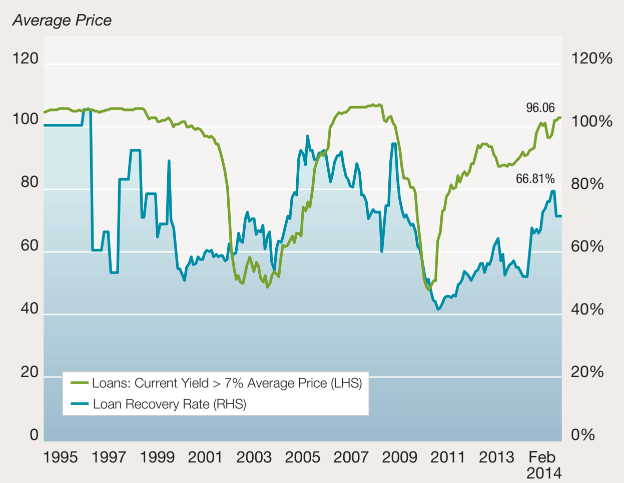
Source: Credit Suisse

Recent loose lending standards and refinancings have resulted in current low default rates

HIGH YIELD BOND VS. LEVERAGED LOAN: RECOVERY RATES

Date	*Leveraged Loan*	*High Yield Bond*
1995	94.00%	42.44%
1996	56.92%	46.64%
1997	78.00%	53.71%
1998	73.58%	37.69%
1999	51.17%	31.27%
2000	56.75%	26.47%
2001	57.09%	27.99%
2002	62.59%	29.96%
2003	66.97%	44.30%
2004	83.41%	52.94%
2005	86.09%	50.54%
2006	66.08%	66.20%
2007	88.63%	59.64%
2008	53.65%	34.83%
2009	43.18%	27.36%
2010	50.54%	58.37%
2011	55.44%	54.07%
2012	56.78%	55.41%
2013	66.81%	58.37%
Average	**65.67%**	**45.17%**

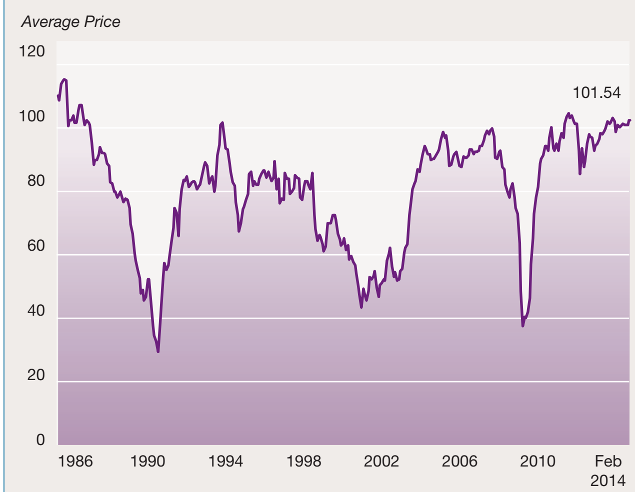
AVERAGE PRICE OF STRESSED LOANS VS LOAN RECOVERY RATE



Source: Credit Suisse

Higher prices of "stressed loans" have historically resulted in higher recovery rates for defaulted loans

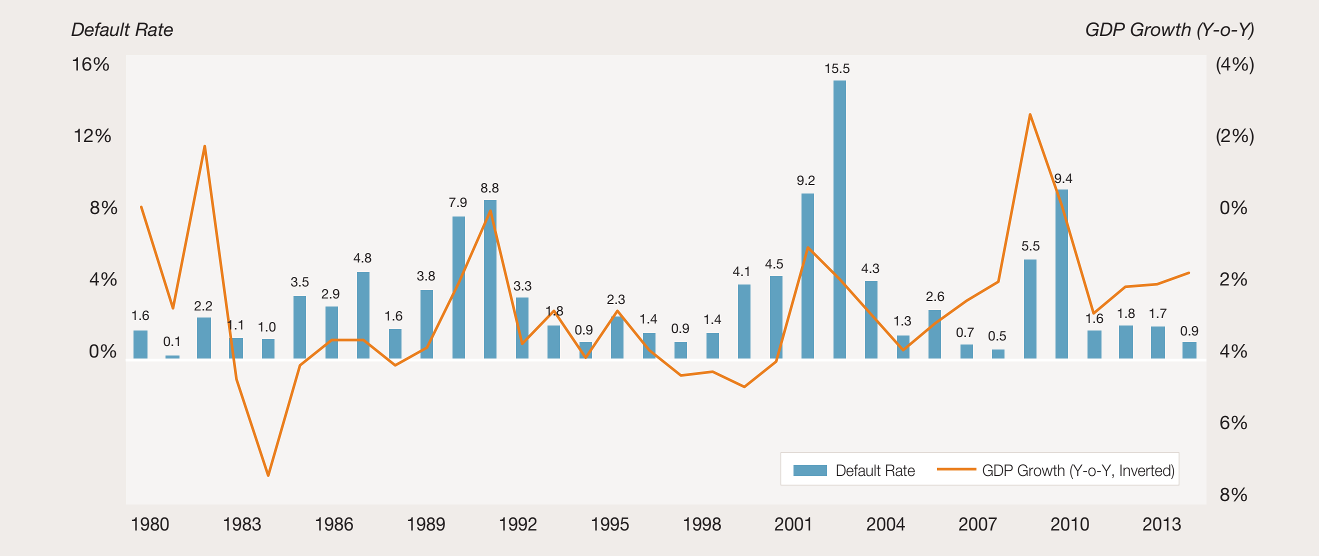
CCC HIGH YIELD BOND AVERAGE PRICE



Source: Credit Suisse
CCC/Split CCC High Yield Bond

Continued search for yield regardless of credit quality

HIGH YIELD DEFAULT RATE VS. INVERTED GDP GROWTH



Source: Credit Suisse

Falling GDP growth has historically correlated with increasing default rates

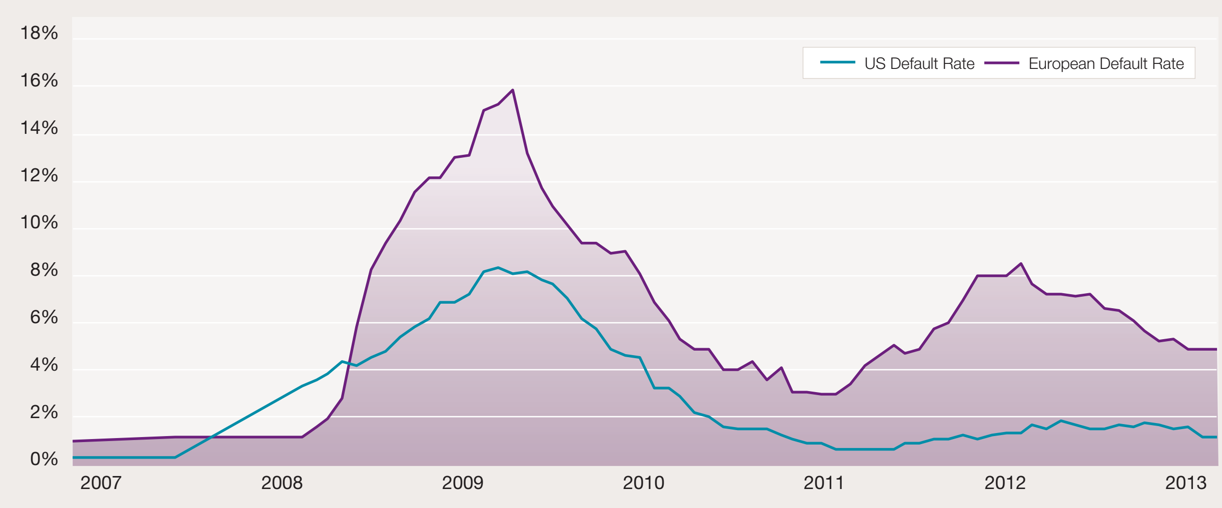
DISTRESSED DEBT– EUROPE

EUROPEAN HIGH YIELD BOND AND LEVERAGED LOAN MARKET

Source: Credit Suisse

Growth of European High Yield Bond market is due, in part, to a lack of traditional bank lending

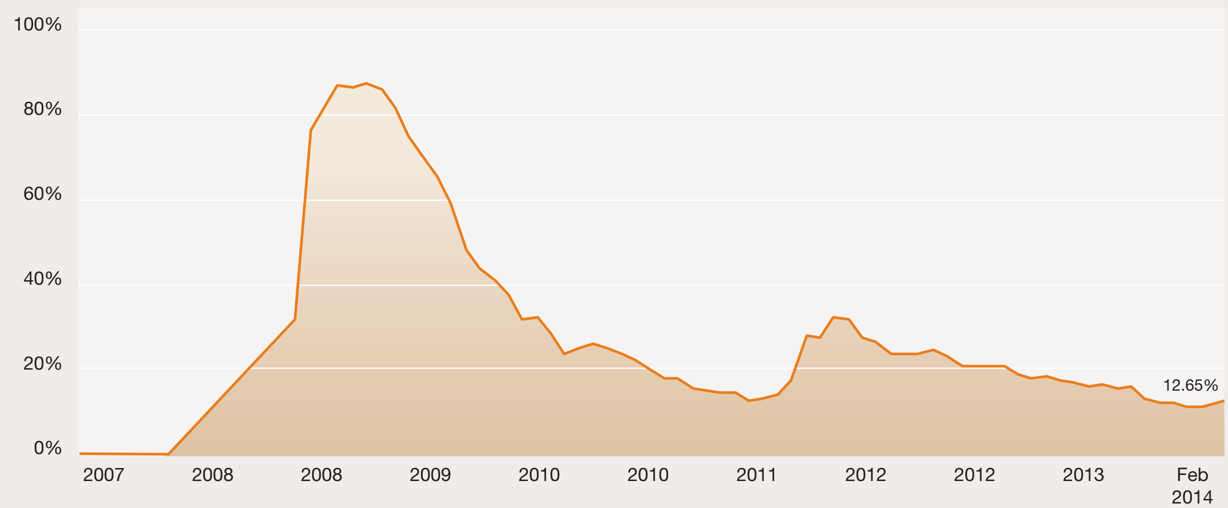
US AND EUROPEAN LEVERAGED LOAN DEFAULT RATE



Source: S&P/LSTA Leveraged Loan Index, S&P European Leveraged Loan Index

European default rates outpace those in the US creating more distressed investment opportunities

EUROPEAN DISTRESSED RATIO – LEVERAGED LOAN

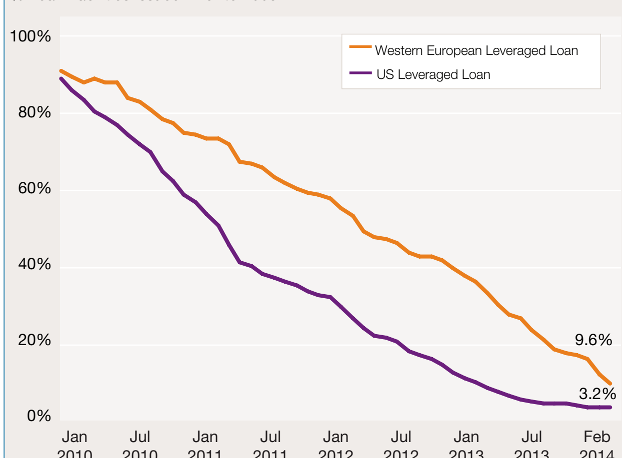


Source: S&P European Leveraged Loan Index

Leveraged Loan Distressed Ratio is defined as the percentage of performing loans trading below 80 cents on the dollard

PERCENTAGE OF LEVERAGE LOAN FACILITIES OUTSTANDING ISSUED PRIOR TO 2009 – US AND EUROPE

% Loan Facilities Issued Prior to 2009



Source: Credit Suisse

Approximately 10% of European Leveraged Loan Facilities outstanding were issued prior to 2009 and have not refinanced upcoming maturities

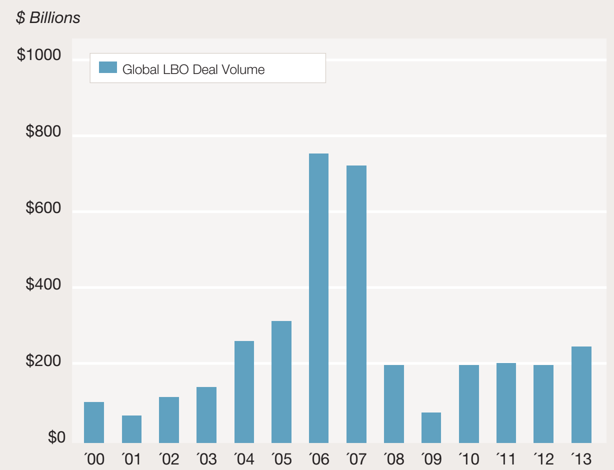
EUROPEAN LEVERAGED LOAN INDEX – RATED CCC+ OR LOWER

Source: S&P European Leveraged Loan Index

Post 2008, a larger portion of leveraged loans are lower rated and will need to be restructured

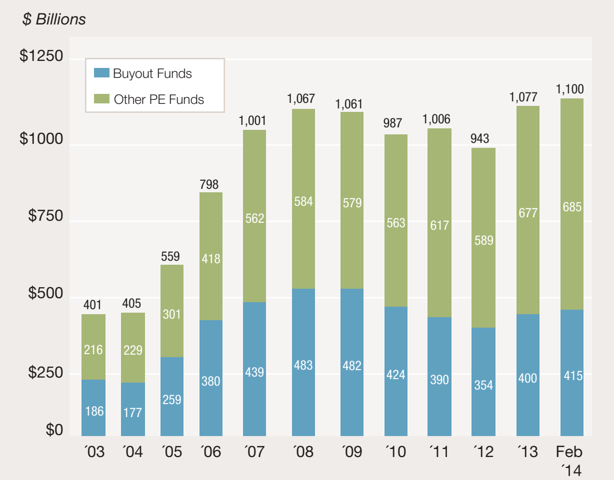
PRIVATE EQUITY

GLOBAL LBO DEAL VALUE



Source: Dealogic

GLOBAL PRIVATE EQUITY DRY POWDER



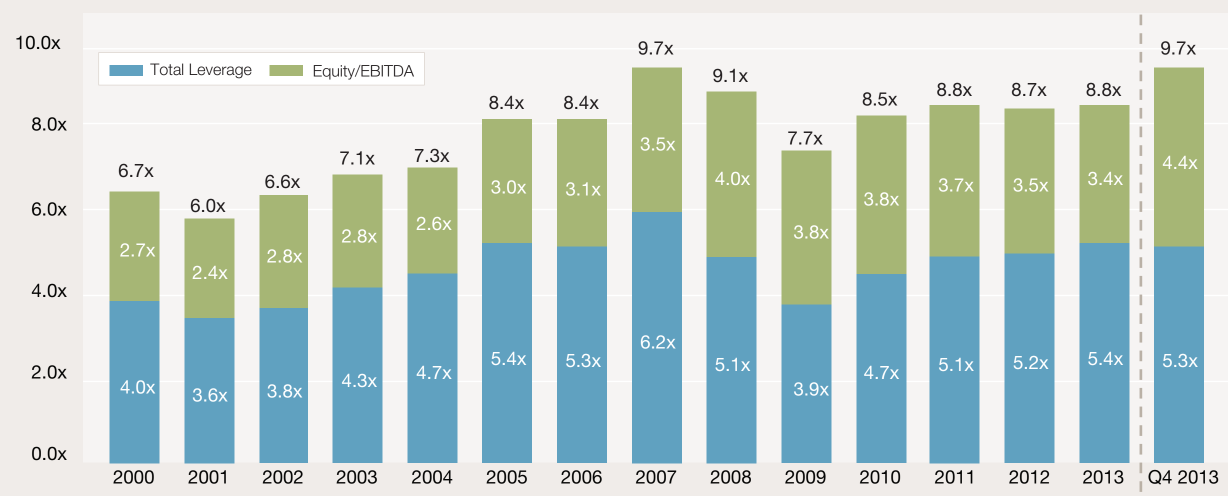
Source: Preqin

Other PE Funds: Real Estate, Venture, Infrastructure, Growth, Distressed, Mezzanine, Other

Global LBO Volume in 2013, excluding the Dell and Heinz buyout ($49 billion), was roughly comparable to the prior 3 years

Buyout dry powder increased to $400 billion in 2013 but remains below peak levels

LBO PURCHASE PRICE BREAKDOWN

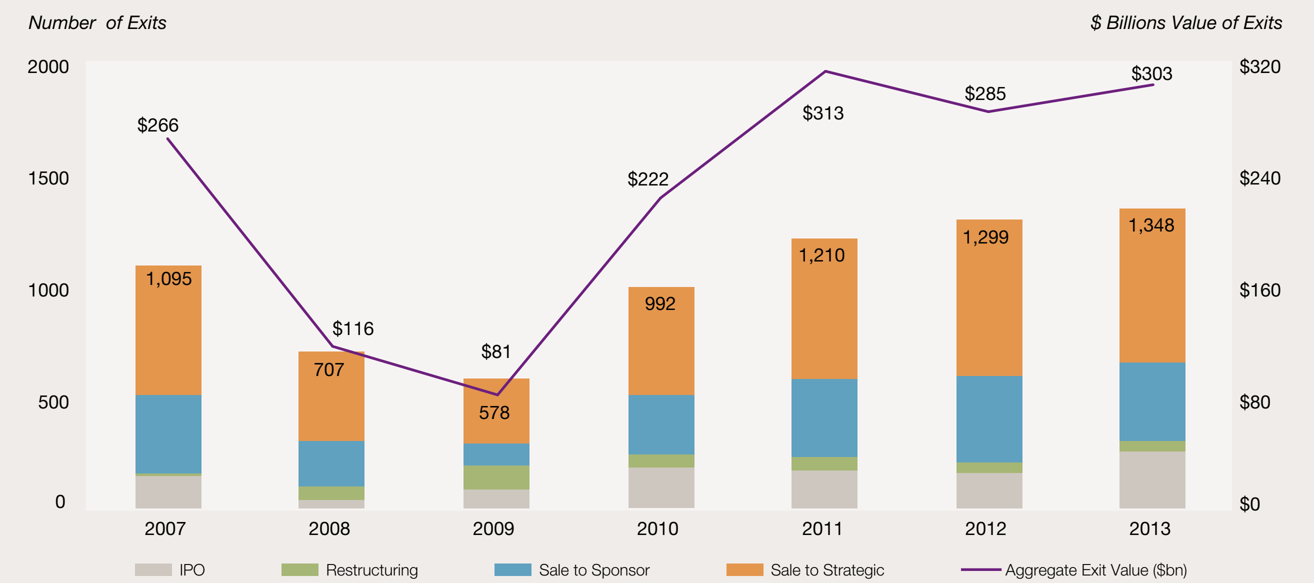


Equity Contribution	**40%**	**40%**	**42%**	**39%**	**36%**	**36%**	**37%**	**36%**	**44%**	**49%**	**45%**	**42%**	**40%**	**39%**	**45%**

Source: Preqin

LBO purchase multiples in 2013 are consistent with levels seen since 2010. However, multiples experienced a significant increase in Q4 2013 driven by robust equity markets and PE firms' desire to deploy capital before commitment periods ended

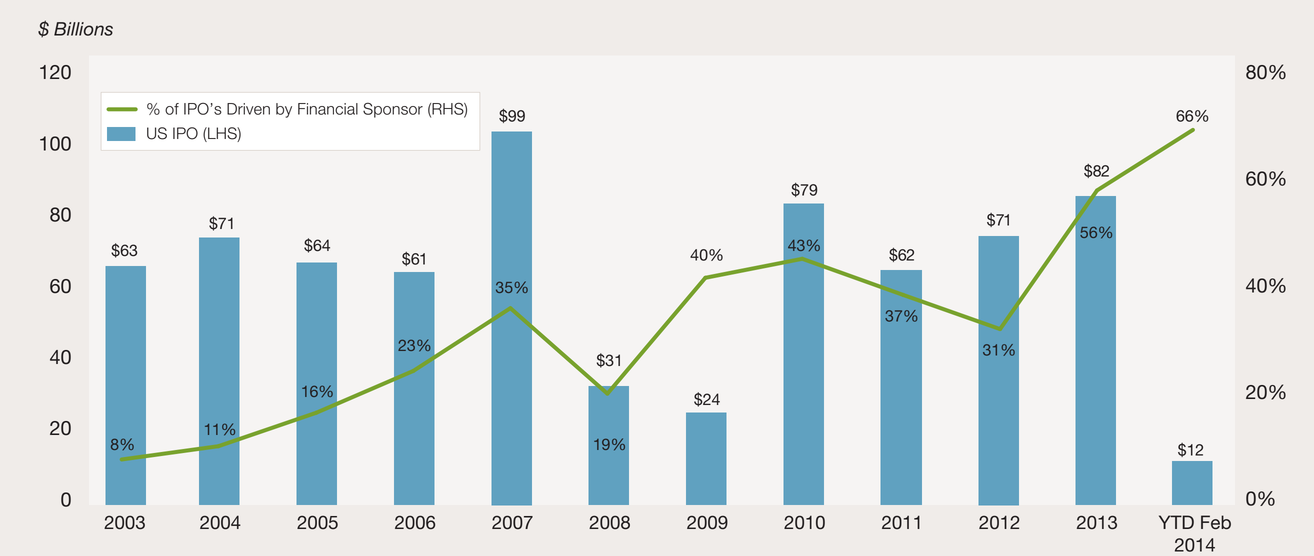
PRIVATE EQUITY EXITS



Source: S&P LCD/Cap IQ

Private equity exits reached an all-time high for number of deals and near all-time highs for exit values

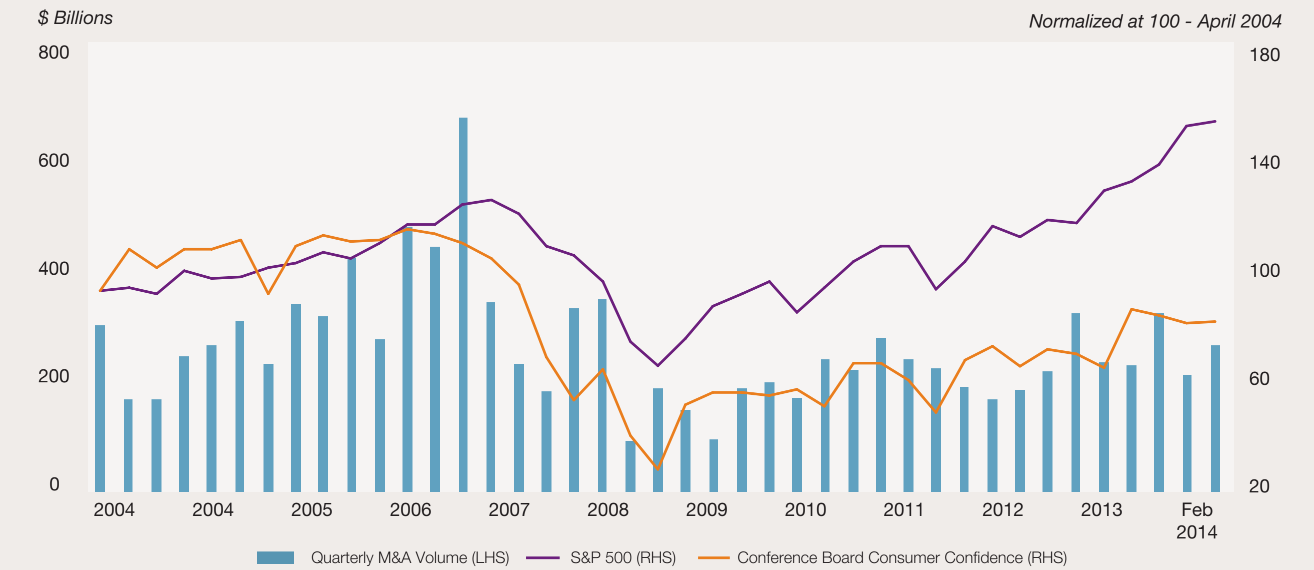
FINANCIAL SPONSOR EXIT BY IPO



Source: S&P LCD/Cap IQ

Driven by a robust equity market in 2013, sponsors executed more IPO's as a means to monetize their portfolios. Sponsor-backed companies also represented a significant percentage of IPO's in the marketplace

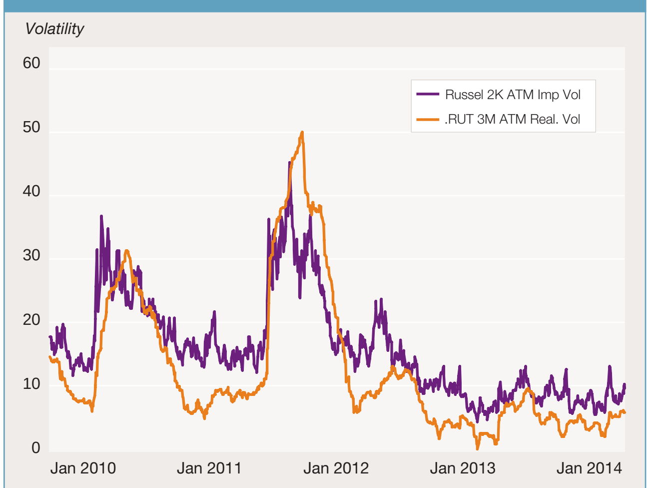
QUARTERLY NORTH AMERICAN M&A VOLUME VS. S&P 500 AND CONSUMER CONFIDENCE



Source: Bloomberg

Equities, driven by low interest rates and earnings growth, have surpassed 2007 peak levels but M&A and Consumer Confidence have not

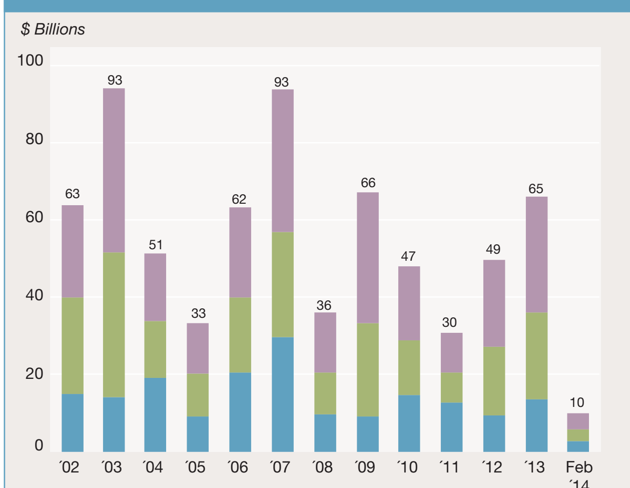
RUSSELL 2000 3-MONTH "AT THE MONEY" IMPLIED VOLATILITY VS. REALIZED VOLATILITY



Source: Deutsche Bank

Volatility has remained at absolute low levels since the beginning of 2012

CONVERTS ANNUAL GLOBAL ISSUANCE BY REGION

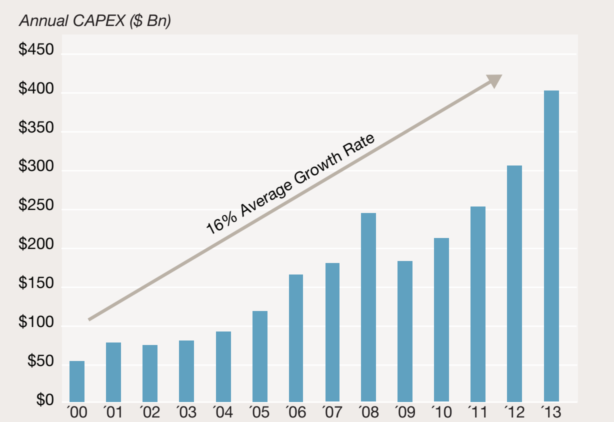


Source: Barclays

Global issuance of convertible securities has increased considerably since 2011. In particular EMEA ("Europe, the Middle East and Africa") has had increased issuance

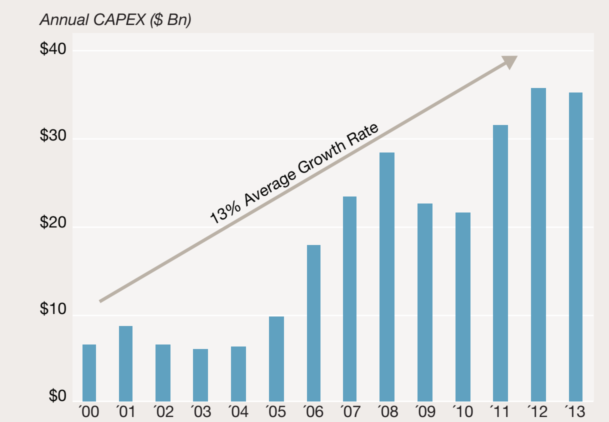
ENERGY DIRECT LENDING

OIL & GAS CAPITAL SPENDING



Source: Cap IQ; Wall Street Research. Acquisitions excluded

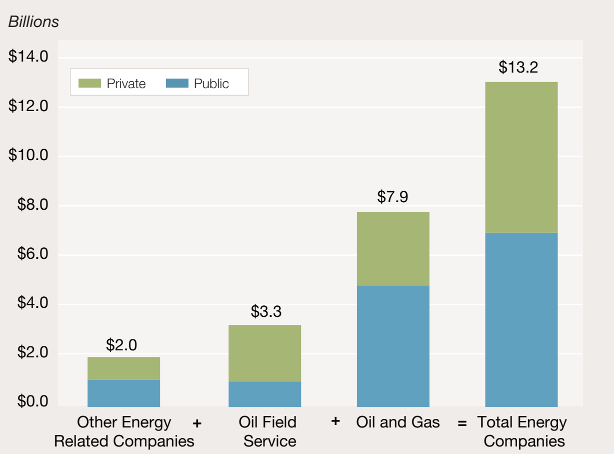
OILFIELD SERVICE CAPITAL SPENDING



Source: Cap IQ; Wall Street Research. Acquisitions excluded

Across its major sectors, the energy industry has maintained its robust multi-year spending trajectory

FUNDING GAP[1] – SMALLER ENERGY COMPANIES[2]

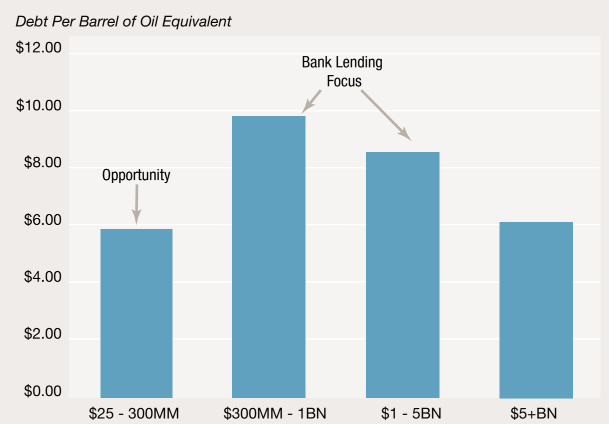


Source: Cap IQ, Wall Street Research

(1) Capex overspend relative to operating cash flow and bank financing 2012 data.

(2) Public companies with $10-75mm EDITDA, plus actual number of private companies assuming private company size / funding gap (per company) is 10% of public company results

OIL AND GAS COMPANY LEVERAGE BY SIZE



Source: Cap IQ

Values displayed are 2.5% truncated means. Most recent reported data as of 11/2/2013

Traditional funding sources fall short of small company financing needs. Despite that, a large number of those companies offer superior credit risk profiles

RESIDENTIAL AND CONSUMER DEBT (RMBS/ABS)

SUBPRIME INDEX

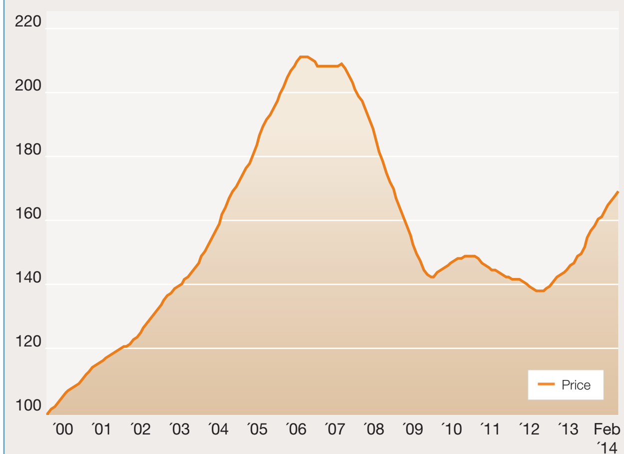
Source: Nomura - ABX 2006-2 AAA

The Index represents a basket of reference obligations of twenty originally rated AAA subprime bonds issued in the first half of 2006 and is treated as a benchmark for similar vintage bonds

The index continues to rally but trading volumes remain light

S&P/CASE-SHILLER COMPOSITE – 20 HOME PRICE INDEX

Normalized at 100 – Jan 2000



Source: Bloomberg

The S&P/Case-Shiller Composite of 20 Home Price Index is a value-weighted average of the 20 metro area indices. These metro areas include: Boston, Chicago, Denver, Las Vegas, Los Angeles, Miami, New York City, San Diego, San Francisco, Washington, DC, Atlanta, Charlotte, Cleveland, Dallas, Detroit, Minneapolis, Phoenix, Portland, Seattle and Tampa.

After a brief pause in the 4th quarter of last year, home prices continue to appreciate

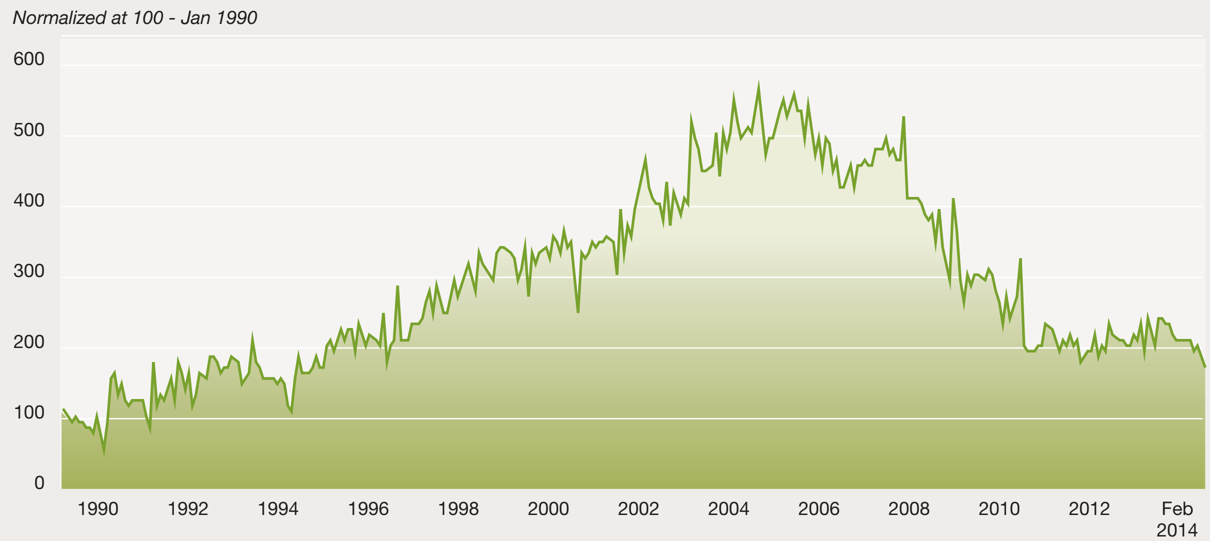
30-YEAR MORTGAGE FIXED RATE

Source: Bloomberg – Freddie Mac US Mortgage Market Survey 30-Year homeowner Commitment Ratio.

This concept measures movements of interest rates on residential real estate loans that are usually secured by a mortgage.

Despite increasing from below 4%, 30-year mortgage rates are still near all-time lows

MORTGAGE APPLICATION INDEX

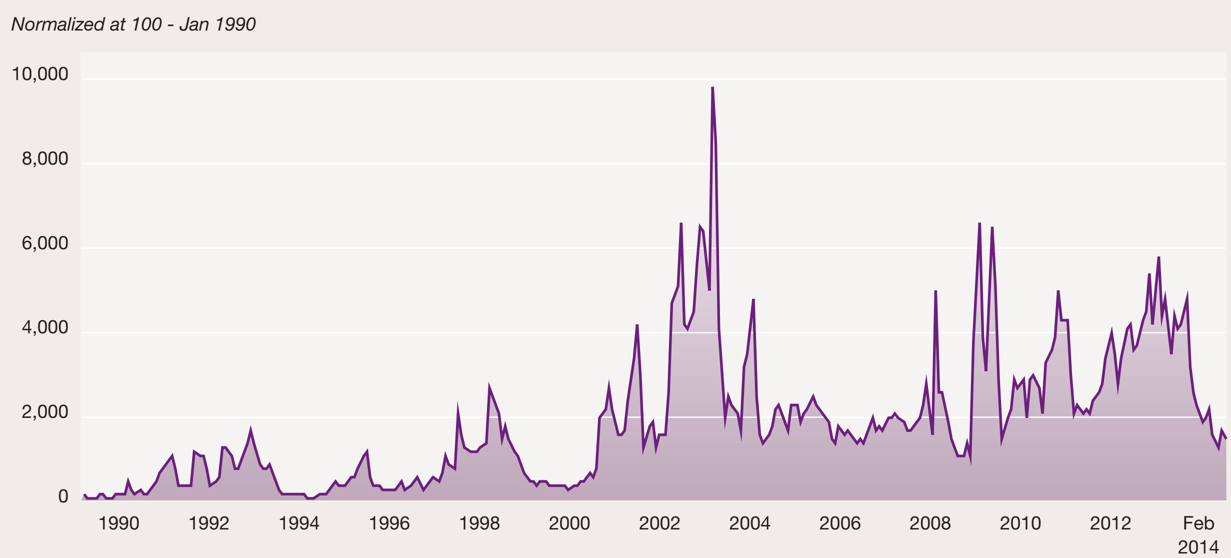


Source: Bloomberg – Mortgage Bankers Association – Seasonally readjusted

The index tracks the volume of mortgage loan applications that have been submitted to lenders

New mortgage applications continue to lag due to stringent underwriting guidelines that only allow pristine credit borrowers to qualify

MORTGAGE REFINANCING INDEX



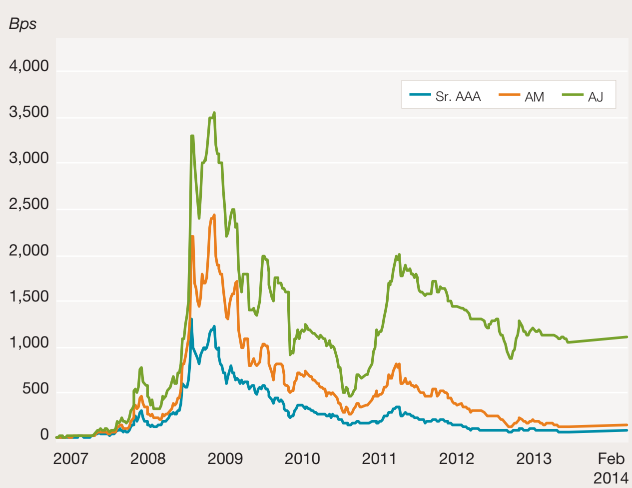
Source: Bloomberg – Mortgage Bankers Association – Seasonally readjusted.

The index tracks the volume of mortgage loan applications for refinancing that have been submitted to lender

As mortgage rates rose from their historic lows, refinancing activity dropped off commensurately

COMMERCIAL REAL ESTATE DEBT (CMBS)

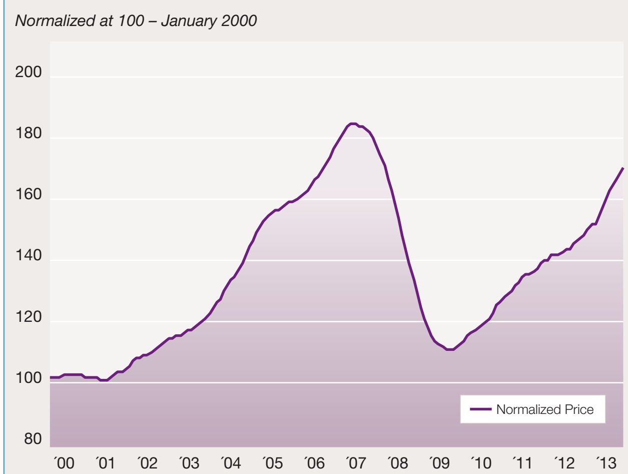
HISTORICAL CMBS SPREADS



Source: Bank of America (Merrill Lynch)

Spreads on senior AAA bonds have returned to pre-crisis levels while AJ spreads have remained elevated

COMMERCIAL PROPERTY PRICE INDEX – ALL PROPERTY

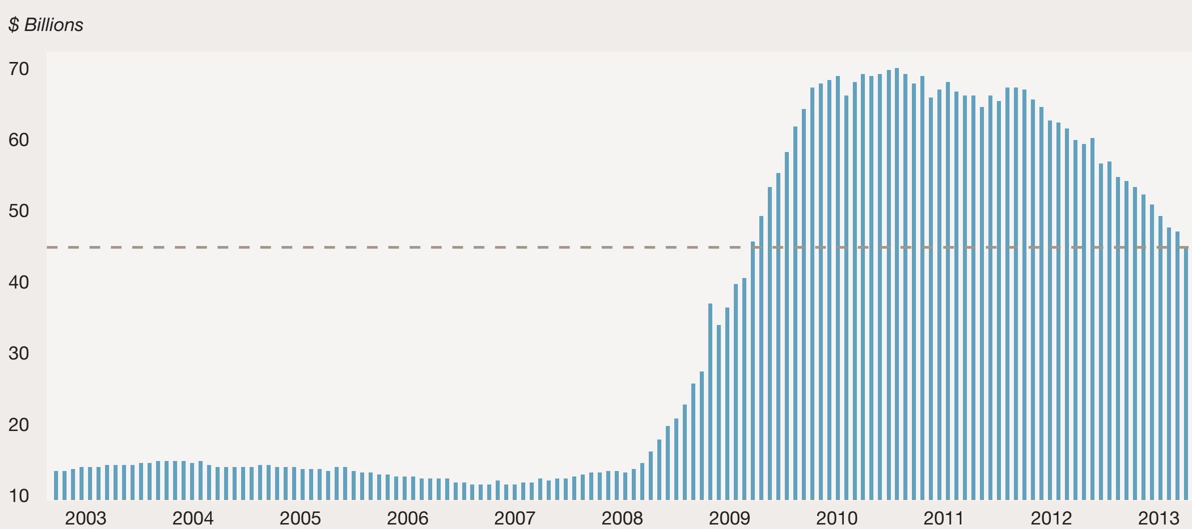


Source: Bloomberg

The Moody's/RCA Commercial Property Price Indices are transaction based indices that measure property prices at a national level. Indices cover Apartment, Retail, Office and Industrial sectors

Commercial property values are rapidly approaching peak levels

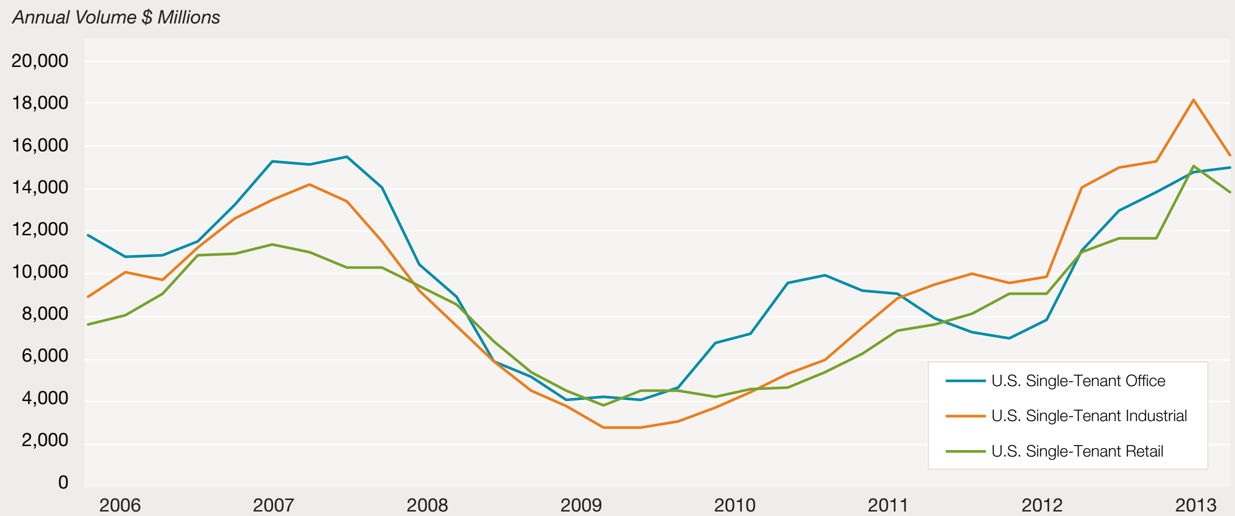
HISTORICAL CMBS DELINQUENCY BY UNPAID BALANCE



Source: Morningstar

Delinquency rates are declining as problem loans are being resolved

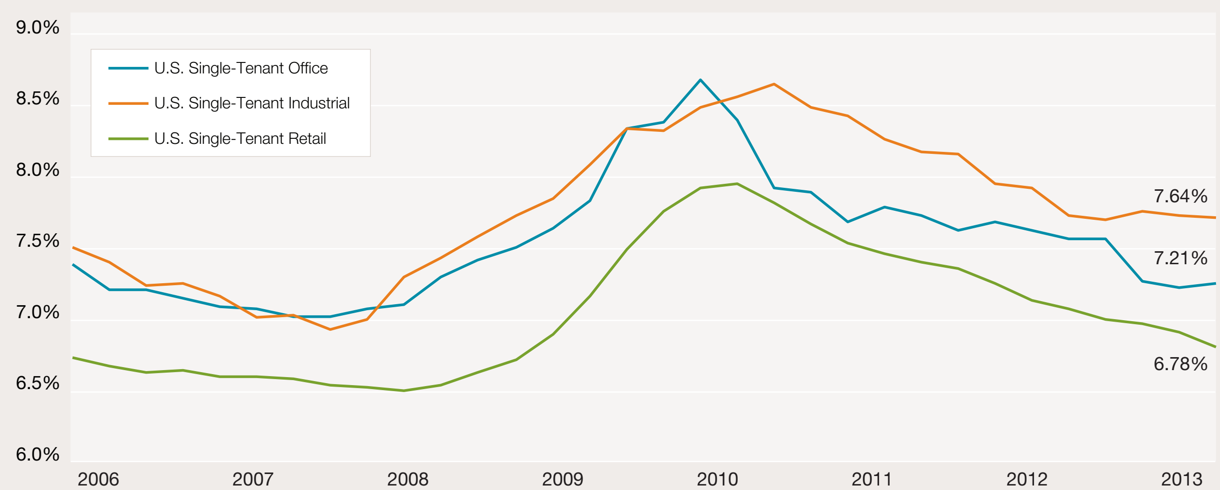
12-MONTH ROLLING SINGLE TENANT DEAL VOLUME



Source: Real Capital Analytics

Activity has increased

AVERAGE SINGLE-TENANT CAP RATES

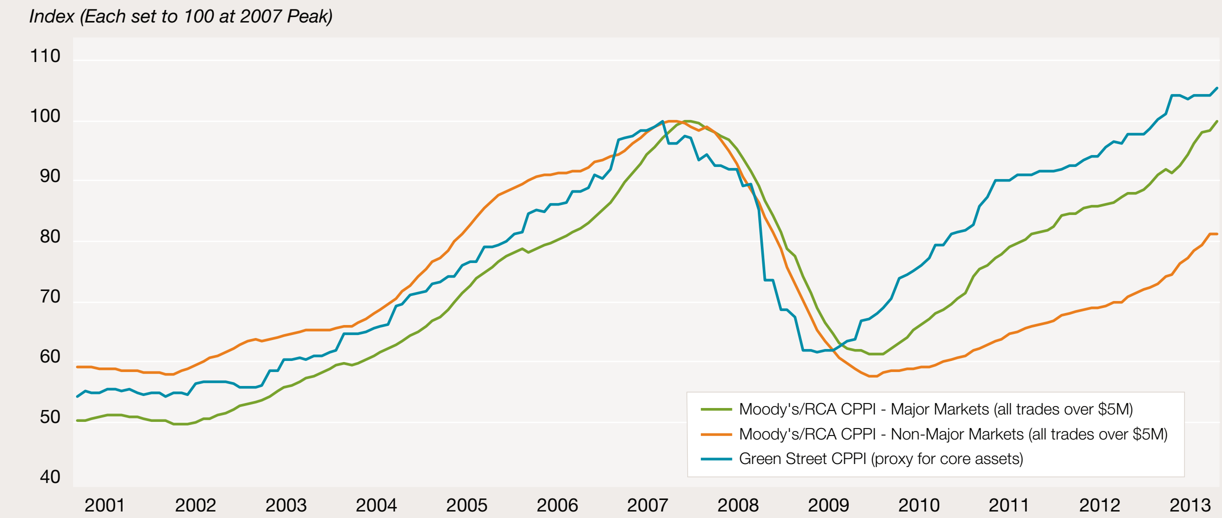


Source: Real Capital Analytics

Pricing has strengthened

UNITED STATES REAL ESTATE

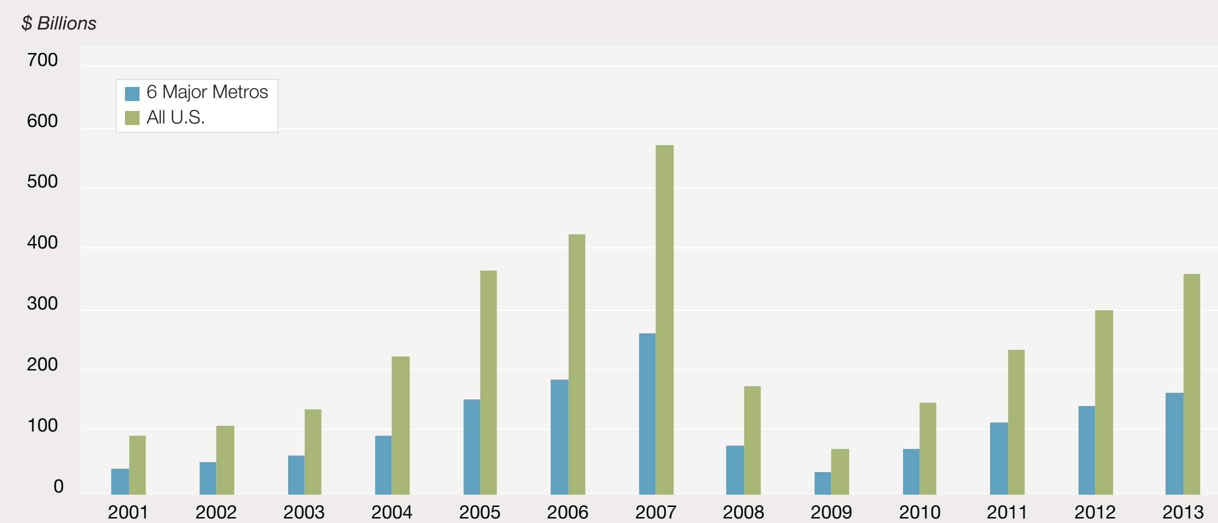
COMMERCIAL REAL ESTATE PRICE INDICES



Source: Real Capital Analytics

Prices have significantly recovered but bifurcation by market and by type of asset persist...

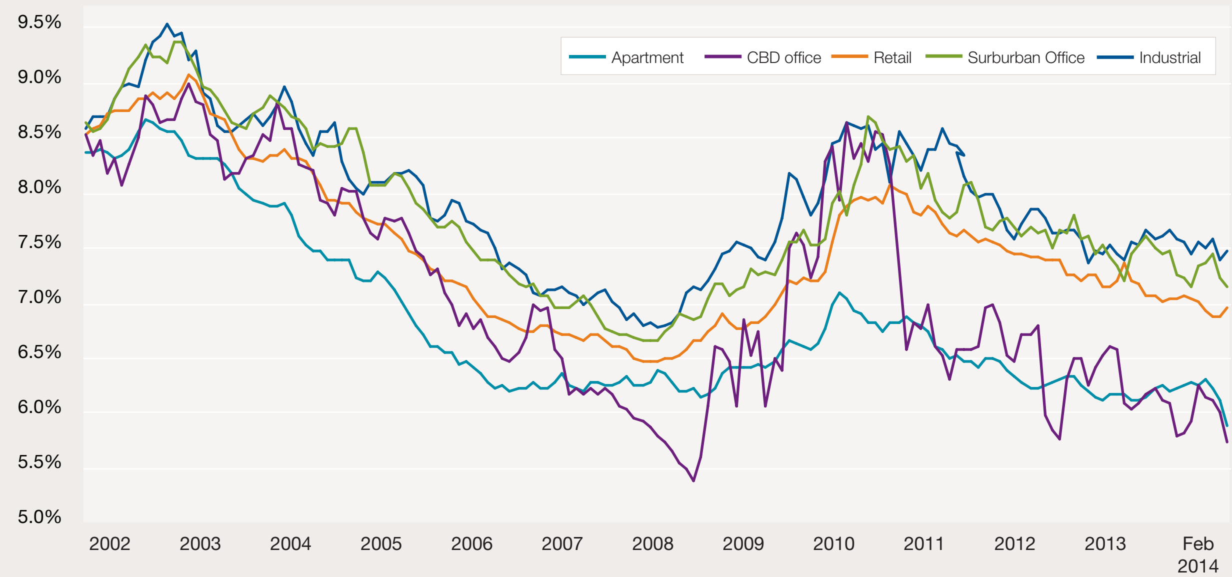
US INVESTMENT SALES VOLUME OF APARTMENTS, HOTELS, INDUSTRIAL, OFFICE, RETAIL AND DEVELOPMENT SITES



Source: Real Capital Analytics

...Driven by divergent capital flows

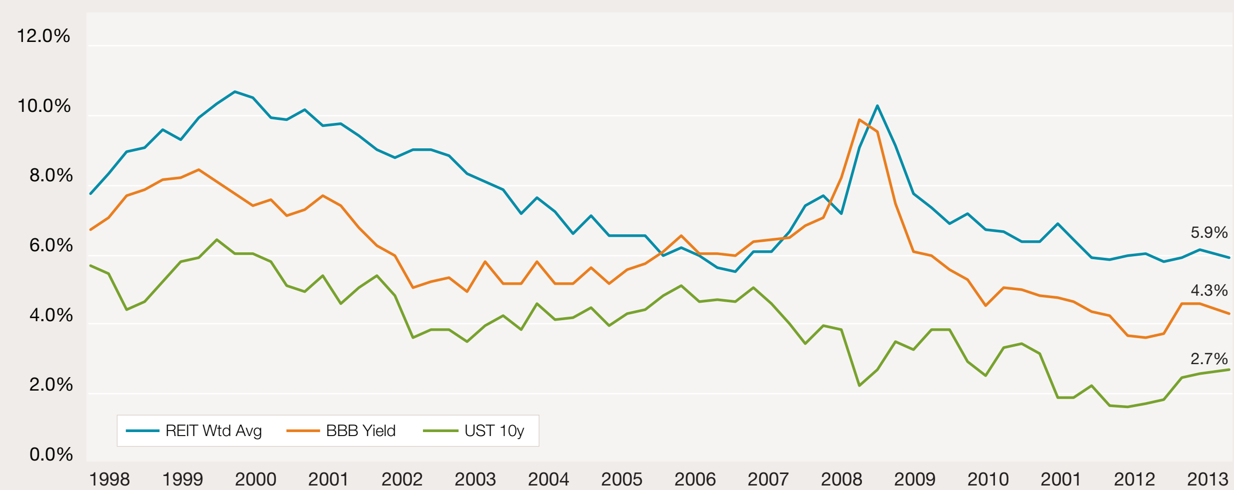
AVERAGE CAP RATES BY REAL ESTATE SECTOR



Source: Real Capital Analytics

Cap rates trending to historically low levels…

REIT IMPLIED CAP RATE VS. BBB YIELD VS. UST 10-YEAR YIELD



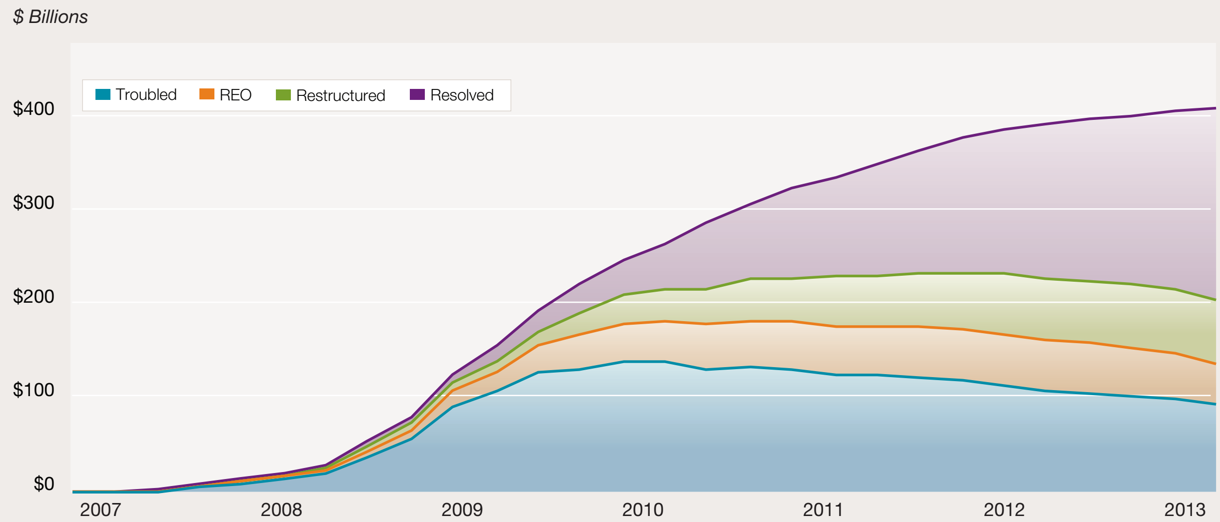
Source: Company Documents, Data Stream, SNL Financial, Morgan Stanley Research

Note: REIT implied cap rates are calculated as the market cap-weighed average of companies' NOI/EV, where EV = Price

** Reported Shares + Debt – Other Net Assets*

…But provide attractive spread to alternative assets

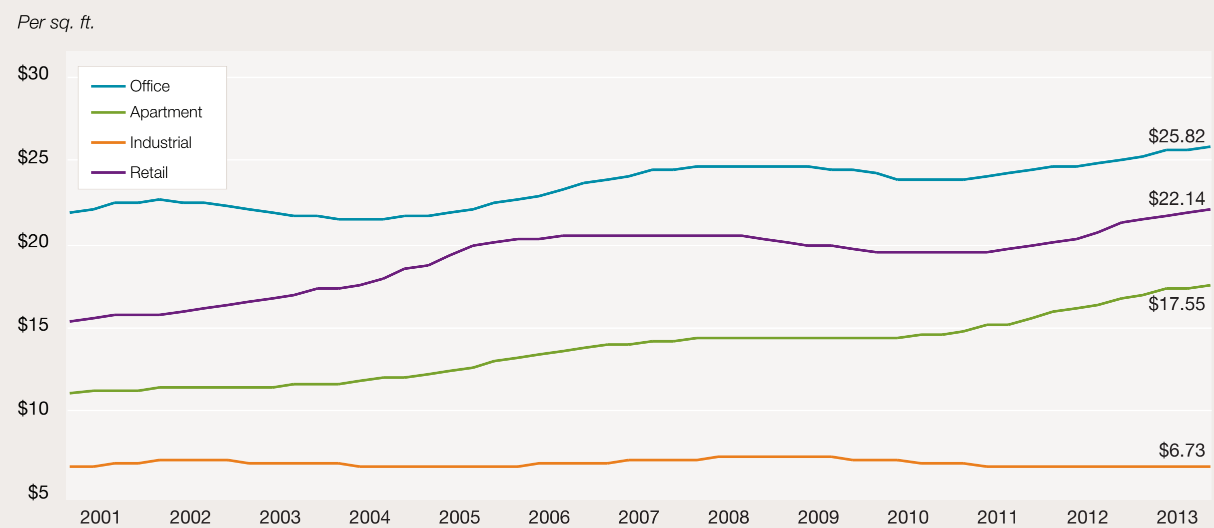
CUMULATIVE DISTRESS FOR ALL PROPERTY TYPES



Source: Real Capital Analytics

Approximately 65% of distressed assets have been resolved or restructured

RENTAL RATES

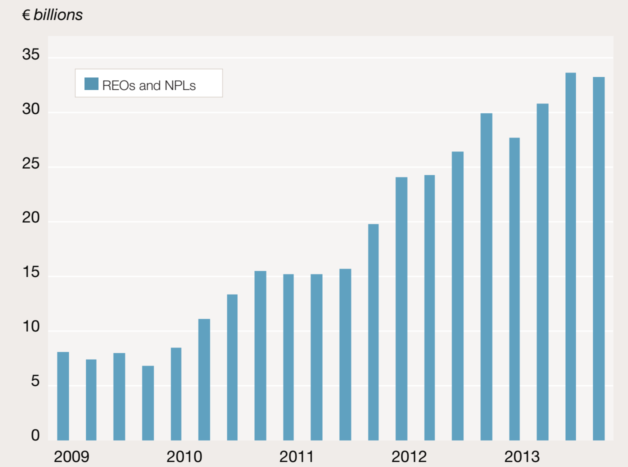


Source: Real Capital Analytics

With limited new supply, rents should accelerate

EUROPE REAL ESTATE

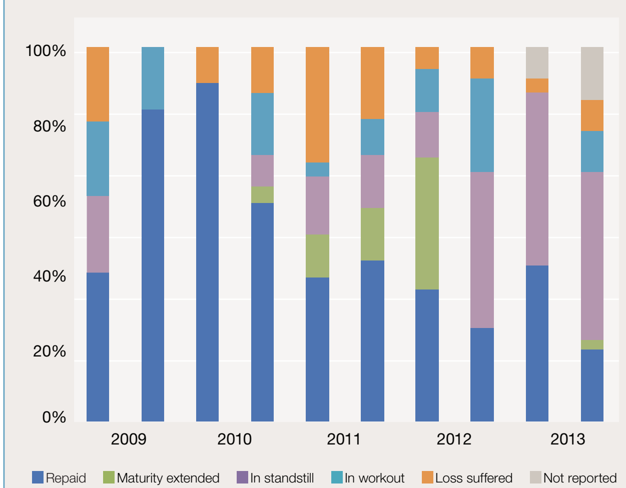
BANK ASSET DISPOSALS



Source: Real Capital Analytics (rolling 12 month total)

Bank sales accelerating

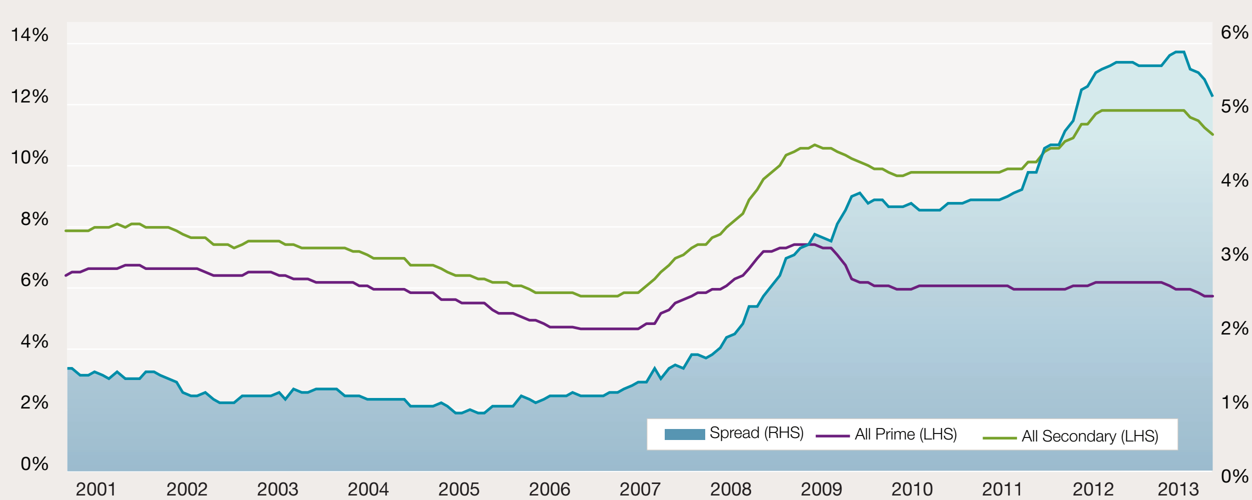
EUROPEAN CMBS MATURITY RESOLUTIONS



Source: Fitch

Loan impairment increasing

YIELD GAP IN THE UK: PRIME VERSUS SECONDARY ALL PROPERTY YIELDS



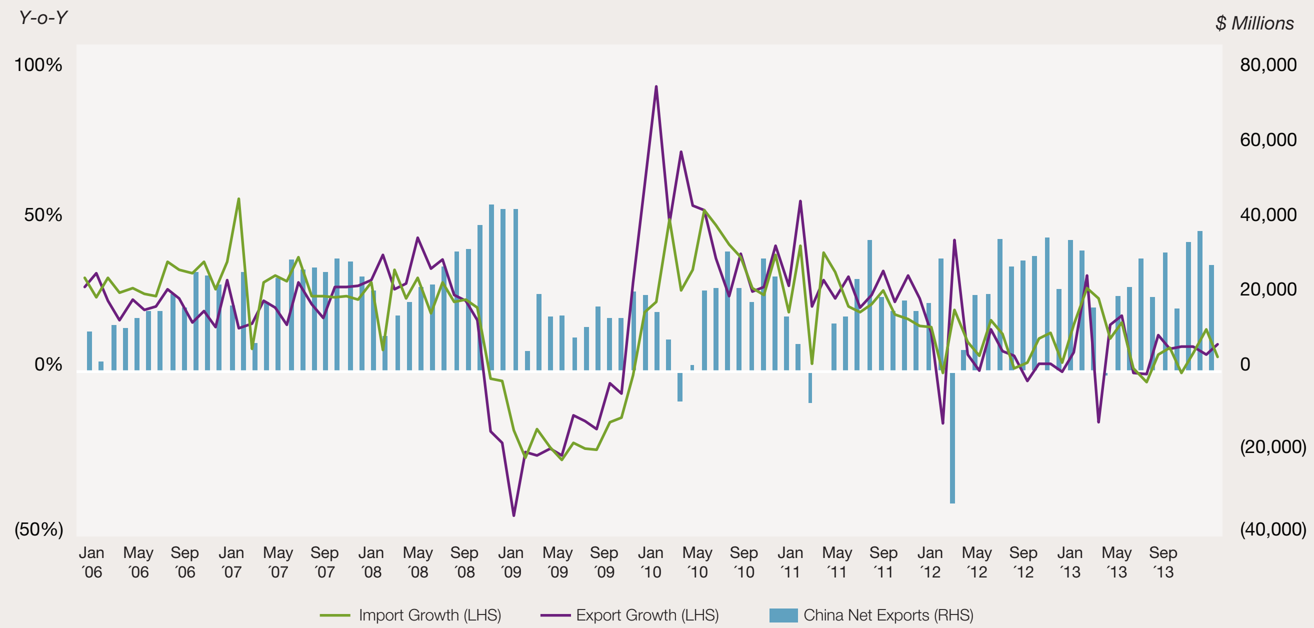
Source: CBRE

Strong demand for stabilized properties; transitional assets offer significant spread premium

ASIA REAL ESTATE

CHINA

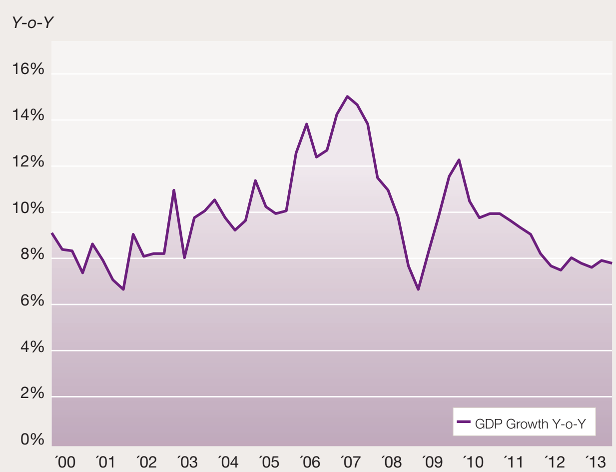
CHINA GROSS IMPORT/EXPORT GROWTH AND NET EXPORTS



Source: National Bureau of Statistics of China

Import and export growth continued to be in positive territory

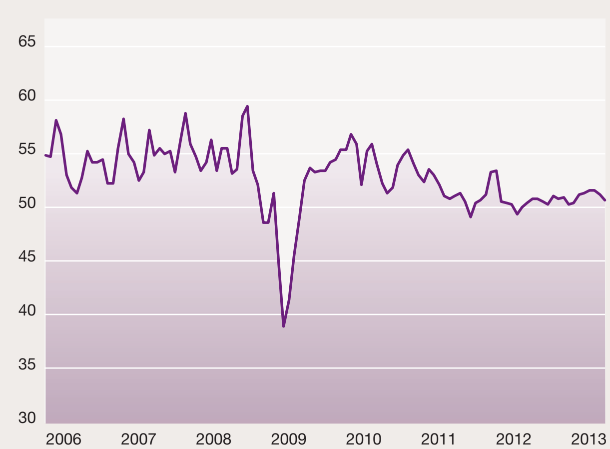
CHINA GDP GROWTH RATE



Source: National Bureau of Statistics of China

GDP growing at a steady pace

PMI FOR MANUFACTURING SECTOR

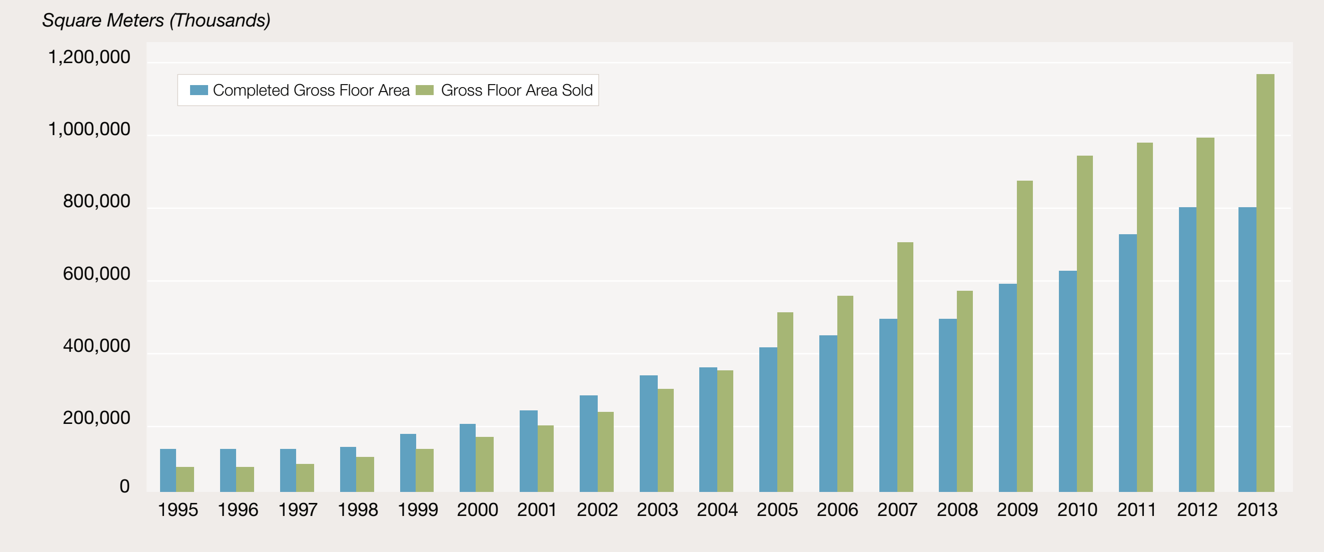


Source: National Bureau of Statistics of China

PMI survey tracks sentiment among purchasing managers at manufacturing and construction firms. A figure above 50 indicates expansion and a figure below 50 indicates a contraction.

PMI stayed above 50 throughout 2013

NATIONAL PRIMARY RESIDENTIAL SUPPLY AND SALES



Source: National Bureau of Statistics of China

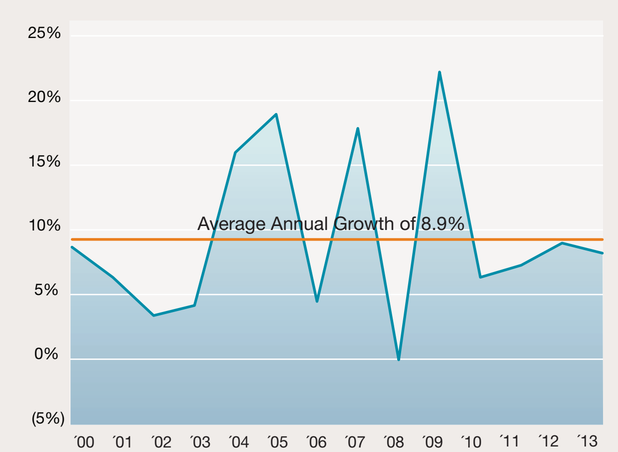
Residential demand is keeping pace with supply

URBAN DISPOSABLE INCOME

Source: National Bureau of Statistics of China

Urban disposable income growth is creating an emerging, wealthy middle class seeking to become homeowners

ANNUAL HOUSING PRICE GROWTH

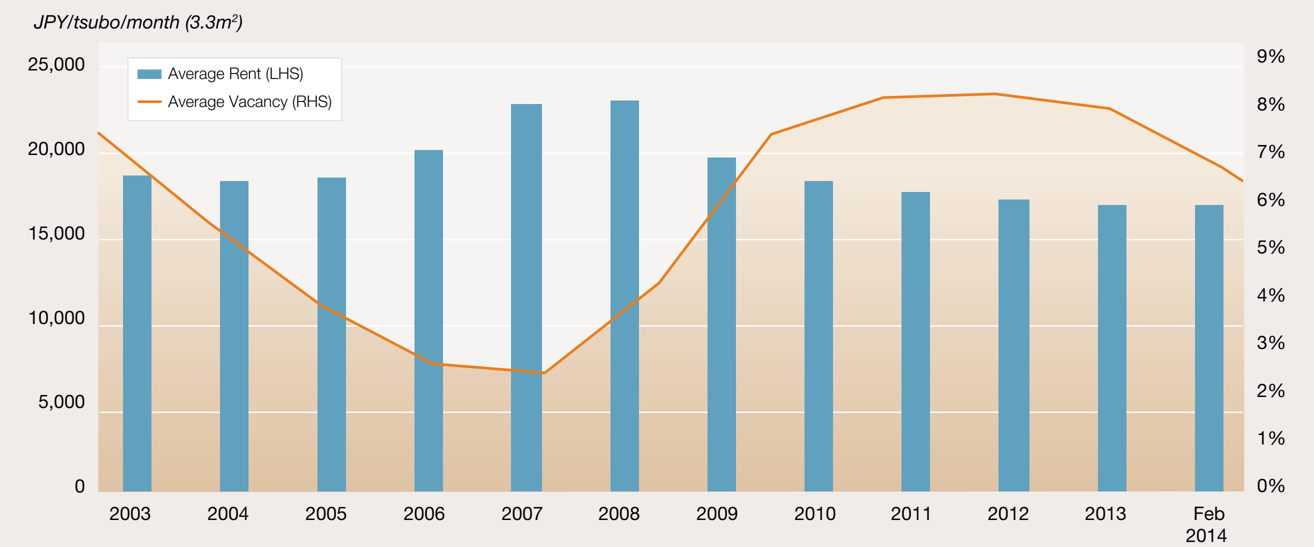


Source: National Bureau of Statistics of China

Housing prices grew 7.7% in 2013

JAPAN

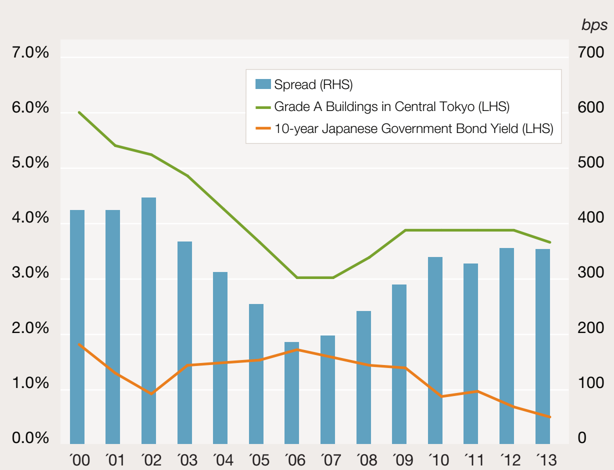
TOKYO'S 5 CENTRAL WARDS GRADE A OFFICE RENT AND VACANCY RATE



Source: MIki Shoji

Tokyo's office market is in the early stages of a recovery

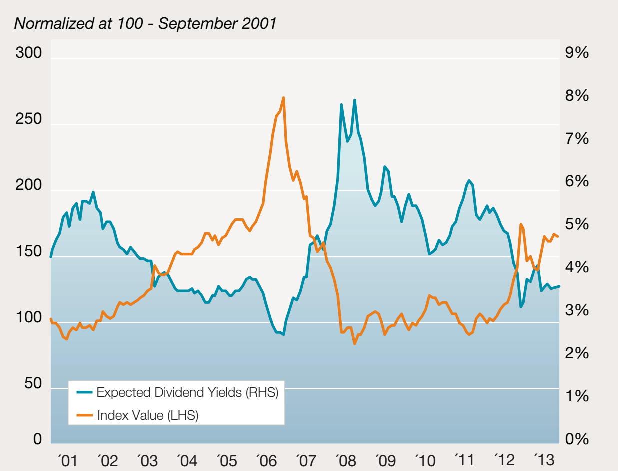
CAP RATES OF GRADE A OFFICE BUILDINGS VS BORROWING COSTS



Source: Japan Real Estate Institute

Wide spread between cap rates and borrowing rates of nearly 340bps offer attractive cash on cash returns

JAPANESE REAL ESTATE INVESTMENT TRUST (J-REIT) INDEX AND DIVIDEND YIELD

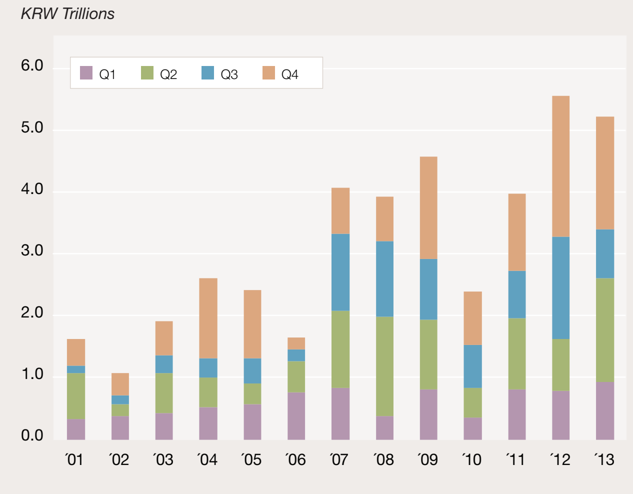


Source: Sumitomo Mitsui Trust Research Institute Co.

J-REIT Index up ~35% over last 12 months driving down dividend yields (and thereby implied cap rates) by ~150bps

KOREA

TRANSACTION VOLUME OF PRIME/ SECONDARY OFFICE BUILDINGS IN SEOUL



Source: Savills Research

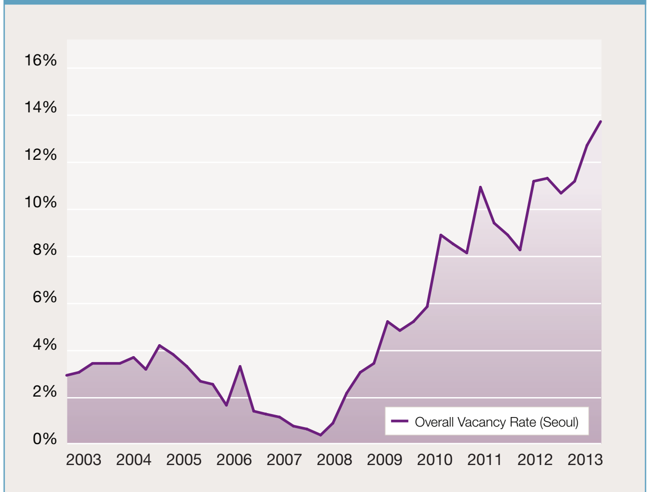
Strong office sales volume driven by aggressive domestic core investors

KOREA GDP GROWTH

Source: Bank of Korea

GDP growth continues to improve

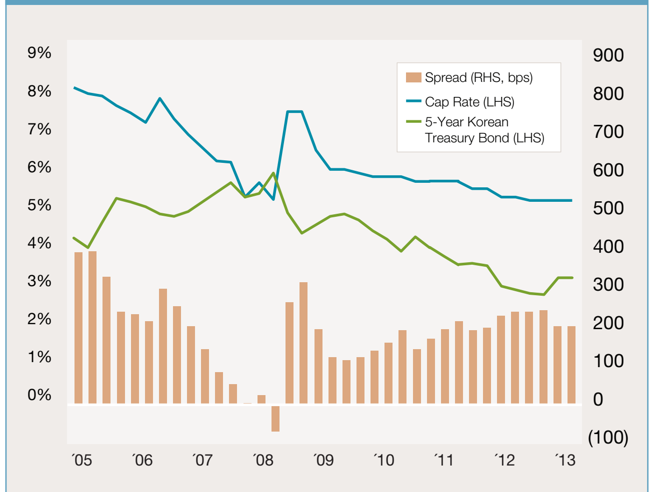
SEOUL OFFICE VACANCY RATE



Source: Jones Lang Lasalle Research

Seoul office vacancy continues to increase driven by supply overhang

PRIME OFFICE CAP RATE & SPREAD OVER 5-YEAR TREASURY YIELD



Source: Savills Research

Spreads beginning to tighten as domestic core property investors get more aggressive

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