ANGELO, GORDON & CO.

CAPITAL MARKETS PERSPECTIVES

FOURTH QUARTER 2014

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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 $27 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.

TODD DITTMANN
Portfolio Manager
Energy Direct Lending

Crude oil prices closed at $47 per barrel by the second week of January 2015, dropping more than $26 since the November OPEC meeting and plummeting to the lowest level in five years. This is the ninth time crude oil has fallen more than 30% since the WTI NYMEX contract started trading in 1983 and it is the third longest decline of the nine. Natural gas prices are also down significantly, falling 25% since Thanksgiving. Nevertheless, U.S. shale production continues to increase, while the Saudis are serious about maintaining market share and Libyan production remains stable. On the demand side, Chinese demand is weak, the dollar is strong, and emerging market currencies are struggling. Since June of last year, the International Energy Agency has cut its oil demand forecast five times.

The industry response has already been significant. Cuts to 2015 drilling budgets have been material, with higher cost and more levered producers – the smaller companies and MLPs -- slashing budgets by a greater degree than the larger and better capitalized producers *(See Chart)*. Over 40 companies have announced their capital budgets since early December, with average year over year spending reductions exceeding 30%. U.S. land rig activity for both horizontal and vertical rigs continues to fall across most basins. While there is debate over the timing of U.S. production declines, most analysts predict the inflection point to be at or after mid-year 2015.

Regarding the energy capital markets, energy stocks flipped from being the best performing sector to the worst. Energy bonds also traded off materially during the quarter, as noted by Bruce Martin below. Both equity and bond prices were highly correlated with oil prices on the way down. We expect such correlations will hold if and when oil prices recover, with bonds offering a superior and more defensive means of playing that recovery. Bank revolving credit availability is already under pressure across the sector, and we believe the biggest cuts are yet to come. If banks reduce lending price decks in a manner similar to 2008-2009 both existing and new borrowers will be forced to explore alternative senior secured debt arrangements *(See Chart)*. We have already seen some senior secured refinancing opportunities created by reductions in bank borrowing bases, and expect to see more. In assessing these opportunities, we are highly focused on cost structures, decline curves, maintenance capex, hedging, leverage and liquidity. This ongoing withdrawal of capital from the sector should greatly increase the opportunity set of financing opportunities, large and small, originated and sourced in the secondary market, for healthy companies, acquisitions, and distressed companies.

BRUCE MARTIN
Portfolio Manager
Non-Investment Grade Corporate Credit

The non-investment grade corporate credit markets hit an oil slick in the fourth quarter of 2014. Energy related credits were the largest sector of the high yield market at the beginning of the fourth quarter comprising roughly 20% of the market. In the leveraged loan universe, energy names comprised roughly 4% of the index. Combined, energy related credits represent over $230 billion of outstanding debt spread across more than 430 distinct issues. As the price of a barrel of oil plummeted 42% during the quarter from $91 to $53 ($47 as of this writing), the price of energy sector high yield bonds and loans plummeted as well. The JP Morgan High Yield Index fell 157 bps during the fourth quarter including an inexplicable 200+ bp rally in the third week of December, resulting in a full year total return of 2.17% *(See Chart)*. Energy names lost 6% - 7% in December, with some energy bonds down in excess of 40%. The JP Morgan Leveraged Loan Index had negative returns of 98 bps in December but managed to end the year up 2.05%. The price moves in the fourth quarter for the high yield and leveraged loan markets were driven by a combination of fear of the energy sector specifically and forced selling of non-energy credits due to a continuation of very heavy mutual fund outflows. The leveraged loan market experienced over $7 billion of outflows in December, and the $1.8 billion of outflows in the second week of December was the largest single week redemption since the Greece default scare of August 2011. Open-end leveraged loan mutual funds experienced 24 straight weeks of outflows and had outflows for 35 out of the last 37 weeks in 2014 totaling $22 billion over that span *(See Chart)*. High yield bond mutual funds experienced $8.2 billion of outflows during the month of December, greater than 35% of the full year total outflow of $22 billion. At the end of December the JP Morgan High Yield Bond and Leveraged Loan indices yielded 7.1% and 6.2%, respectively *(See Chart)*.

Looking ahead, it feels as if the health of the high yield bond market in 2015 will be driven by the price of oil. Given the noted absence of forecasters who predicted the precipitous 50% price drop, the market has a low level of confidence in oil price predictions. As such, the high yield market is filled with uncertainty heading into 2015. Additional uncertainties facing the markets include how the debt and economies of oil dependent countries such as Russia and Venezuela could impact the broader markets, as well as the risk that the severe drop in commodity prices experienced in 2014 could be a harbinger of slower global growth in general, and therefore low energy prices for a longer period of time.

PORTFOLIO MANAGERS' CORNER *(continued)*

THOMAS FULLER
Portfolio Manager
Distressed Debt

While leveraged loan and high yield default rates remained low during the fourth quarter, episodic credit market volatility returned towards the end of year. Although overall spread widening led to sagging primary issuance and a downward gap in prices, it is premature to know if the recent sector-specific price correction in energy will catalyze an actionable distressed opportunity set. Accelerating retail outflows exacerbated waning demand which affected both refinancing and dividend-related issuance in particular. Unsteady primary pricing has yet to fully affect the secondary credit market, with bonds and loans still generally priced off the creditworthiness of underlying issuers. In Europe, regulatory and economic pressure on Eurozone banks to shrink their balance sheets increased. Consequently, actual non-core asset sales surpassed expectations for 2014 and are likely to continue apace in 2015 *(See Chart)*.

ARTHUR PEPONIS
Portfolio Manager
Private Equity

The private equity market ended 2014 on a strong note. Deal volume was the highest since 2007, although it was still less than 50% of volume achieved in that year. "Dry powder" increased over 10% in 2014 from 2013 levels. Further, despite increasing regulatory scrutiny, lenders still maintained an aggressive posture toward the amount and terms that they were offering private equity sponsored deals. The leverage in 2014 as a multiple of EBITDA reached 5.8x which was the highest level since 2007 *(See Chart)*. In addition, issuer friendly terms such as "covenant-lite" represented an all-time record of 66% of new issuance in 2014 versus a prior record of 50% in 2013. Finally, purchase price as a multiple of last twelve month ("LTM") EBITDA reached an all-time high of 9.8x in 2014 eclipsing 2007's level of 9.7x *(See Chart)*. 2014 was also a robust year for sponsor exits. Both in terms of dollar volume and number of exits, 2014 was a record year for the monetization of sponsor assets. Despite the recent volatility in the credit and equity markets, attractive alternatives remain for sponsors to monetize quality assets in a mix of IPOs and sales. As we look to the early part of 2015, we anticipate a continued strong M&A pipeline as private equity funds and corporations seek to shed assets. We believe that 2015 acquisition multiples will, in part, be determined by lenders' level of aggressiveness in the face of increasing regulatory pressure to limit the number of highly levered transactions banks underwrite and maintain on their books.

DAVID KAMIN
Portfolio Manager
Merger Arbitrage

While 2014 was the most active year for mergers and acquisitions since 2007, the fourth quarter was turbulent *(See Chart)*. On the first day of the quarter, the very popular event-driven trade of Fannie Mae and Freddie Mac both tumbled approximately 40% as a U.S. District Court dismissed all of the investor suits against the U.S. Government causing collateral damage in merger arbitrage spreads. Just two weeks later, in response to unilateral Treasury actions to reduce the economic incentives for inversion deals, the pain was compounded when AbbVie terminated its deal with Shire Plc. While the average annualized spread in our deal universe began and ended the quarter at approximately 8%, the early quarter events provided an attractive opportunity as spreads widened to an average of approximately 12.5% which prompted money to flow into the strategy. Activists remained busy during the quarter, successfully pushing companies to sell themselves – i.e. Allergan Inc. and Riverbed Technology – and winning board seats on others. LBO activity saw an uptick led by BC Partners' acquisition of PetSmart Inc. The busiest industry of the year was oil and gas and we saw continued activity in the space with Halliburton agreeing to acquire Baker Hughes and Respol SA buying Talisman Energy. We would not be surprised if this industry sees further consolidation in 2015 with oil at these levels; however, it is more likely a 2H15 event. There will be attractive assets at depressed levels for the integrated companies and "distressed" companies could be forced to merge or be acquired as a reduction in capital expenditures alone might not rescue them.

GARY WOLF
Portfolio Manager
Convertible Arbitrage

Directional convertible bond strategies recovered from the more difficult third quarter, with the BAML Global 300 Convertible Index returning 2.56% (in local currency terms) during the final three months of the year, taking the annual return to 7.27%. This was largely driven by equity market strength and helped by an overall supportive credit and rate environment. However, a number of factors, including several name-specific events and the significant underperformance of the lower grade market segment, particularly across the energy sector, weighed on hedged convertible strategies during the period *(See Chart)*. The BAML All US Hedge Index, as an indicator for convertible arbitrage returns, declined 0.98% in the fourth quarter, reducing the annual return to just 0.82%. Global new issuance grew to $16.4 billion in Q4 ($8.1 billion US, $4.6 billion Europe, $2.7 billion Japan), according to UBS data. The 2014 deal total reached $97.8 billion, slightly topping the previous year's level and continuing the overall rebound in the primary market. New issuance is expected to stay robust in 2015 as investor demand for new bonds remains high and issuers can achieve reasonable valuations while credit spreads are still tight and equities are close to recent highs. General refinancing needs, as well as funding for M&A and share buybacks continue to be relevant drivers for issuance. As outright returns have been strong, often outperforming comparable equities, the asset class should see further inflows of outright capital. This should drive valuations of investment grade and balanced convertibles higher, especially the constituents of the major benchmark indices. Competitive pressures may continue to ease in the convertible arbitrage segment of the market as underperforming participants are forced to reduce their exposure to the strategy, leaving what we see as an attractive overall opportunity set to fewer investors.

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

RMBS and ABS markets during the fourth quarter experienced modest softness for first time since the summer of 2013. Credit, Agency, and ABS experienced modest spread widening as securities prices dipped in response to volatility and weakness in other capital markets. The sharp decline in oil prices, unanticipated lower interest rates, and losses in other markets such as Fannie and Freddie equity securities spilled over into the structured credit markets. Interest rates declined in response to modest U.S. economic activity, geopolitical concerns, and declining worldwide interest rates. Trading volumes slowed materially in October and November before rebounding in December. Negative net issuance for RMBS and ABS continues to be supportive for RMBS. We have seen an acceleration in mortgage refinance activity in early January which is supportive for housing and non-agency MBS. With respect to borrower performance, the trend of improving consumer and mortgage credit quality continued to hold *(See Chart)*. Home sale volume remained below historical averages but appeared to be settling into a new normalized level reflective of slow U.S. economic growth.

ANDREW SOLOMON
Portfolio Manager
Real Estate Debt (CMBS)

Despite broader market turmoil during the last quarter of 2014, volatility in the CMBS market declined after having picked up in the third quarter. The more credit-sensitive parts of the CMBS market were down a couple of percentage points in early October, but tended to retrace much of that decline by year end. The lower-yielding portions of the market followed a similar, but less pronounced trend. One small area that showed significant weakness was the floating rate CMBS market. After several years of low new issue volume, a significant number of floating rate deals came to market in 2014. The unexpected supply was poorly absorbed, and shifted pricing power to buyers. New transaction issuance volume increased for the fifth consecutive year with 2014 the fourth most active year for issuance in the history of this asset class *(See Chart)*. This new issuance volume was nearly identical to the amount of legacy CMBS loans that were either repaid or liquidated, thereby resulting in nearly flat net supply for the year. We expect this robust issuance trend to continue and in late 2015 it is likely that the overall size of post-crisis issued deals ("CMBS 2.0") will exceed the size of the pre-crisis ("Legacy") market for the first time.

Despite the fact that commercial real estate prices nationwide are at an all-time high and fundamentals generally appear favorable, we do find some causes for concern. Within the legacy space, as the market continues to shrink we believe legacy trading volumes and liquidity will decline. This could result in great bouts of technically-driven volatility. We are also monitoring how realized losses continue to work their way up higher in the capital structures of legacy deals. By October 2014, forty-nine individual transactions had experienced losses on bonds originally rated single A or higher *(See Chart)*. We expect this number will grow over the next few years, in large part due to the profile of the loans maturing in 2015, 2016 and 2017. These upcoming maturities may prove more difficult to refinance than those loans that have matured over the last few years. This could create a great opportunity to provide commercial property owners with short-term, higher-yielding loans, but will most likely have a negative impact on the performance of Legacy CMBS pools.

The trend of more aggressive underwriting for 2.0 deals continued in 2014 and we expect it to further accelerate in 2015. The influence of traditional "credit standard" enforcers such as the rating agencies and first-loss buyers has been watered down by the sheer number of institutions now active in these portions of the market. Over time, these weaker quality loans will result in unexpected losses in these new deals. With most of these bonds originally issued with average lives of 10 years, the prospects for a significant price correction in times of distress appear good

GORDON J. WHITING
Portfolio Manager
Net Lease Real Estate

Activity in the net lease market remained robust during the fourth quarter. Despite the interest rate volatility, pricing in the net lease market continued to strengthen throughout the period as demand remained strong. Cap rates for industrial properties with below investment-grade tenants are now in the mid-6% to low-8% range depending on real estate quality and lease term *(See Chart)*. The acquisition landscape has become more competitive due to the growth in the non-traded REIT space as well as in the public REIT market. Deal supply has also been healthy as pricing has improved. Additionally, supply has increased in part due to activist investors who have become more vocal about unlocking the capital tied up in corporate-owned real estate. The lending environment continued to be very attractive during the quarter as CMBS issuance remained steady. Lenders priced loans at narrower spreads to U.S. Treasury yields and routinely offered two- to five-year interest-only periods on our typical ten-year loan quotes.

PORTFOLIO MANAGERS' CORNER *(continued)*

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

Total transaction volume as of November 2014 exceeded the full year 2013 volume with December activity still pending. Given the strong velocity of the market, we expect that December will add significantly to the tally. While portfolio and REIT M&A activity is down versus the peak pace of 2007, individual property transactions appear to be nearing highs. For the year, prices grew by 10% according to the Green Street Index (tracks REIT holdings, a good proxy for core) while Moody's/CPPI's broader all-property index increased approximately 15% and the publicly REIT index was up 32% *(See Chart)*. All indices were boosted by strong capital flows and a 10-year Treasury that fell from approximately 3% to 2.2% over the course of 2014 and stand at 1.8% as of this writing. Cap rates are near or below their levels seen in the last peak, although, interest rates are significantly lower today as well. Over the course of December, cap rates fell by approximately 21 bps and BBB bond yields increased by 7 bps resulting in the cap rate/BBB bond spread falling from 169 to 141 and moving below the long term average of 150 bps.

Debt capital continues to increase in origination capacity. The year saw CMBS issuance just slightly ahead of last year's amount, decreased origination by Freddie and Fannie, but increasing activity from banks and insurance companies more than filing the gap. While underwriting standards remain largely in check, we will watch for signs of erosion in 2015. The distribution of prices between the best properties and markets and the worst continues to widen as investors continue to chase the best assets and shun the worst. For the top 10% of properties, cap rates are typically 200 bps or more below the mean *(See Chart)*. While pricing and cap rate indicators signal a reminder of the froth at the last peak, the speculation, underwriting exuberance, and excessive leverage is not as evident in today's marketplace. Operating fundamentals are improving materially and look sound for the upcoming years with the strengthening economy driven by long-awaited healthy and continuing job growth. New supply is increasing but remains below long term averages with the exception of apartments which are now approximately 15-20% above their 30 year average of 290k units per annum. We have not yet seen any impact from decreasing oil prices but we are cautious on those markets most exposed to energy and expect that dislocations in those markets may trigger deal flow.

In Europe, 2014 ended with over €100 billion of loan assets sold, nearly twice the pace of 2013. The 2014 figure is on top of €46 billion in 2012 and €64 billion 2013. This is a significant amount of transaction volume in any market environment but for Europe it remains a drop in the €2.4 trillion bucket of unwanted and non-performing assets. This deleveraging is being driven by a combination of bank profits allowing for increased capacity to make write-downs, increased regulatory pressures to force Eurozone banks to sell legacy assets, and continuing underperformance within collateral which forces banks to dispose of assets before they become real-estate owned or "REO." The Asset Quality Review, completed in the fourth quarter of 2014, will continue to be a driver of disposals as the market digests the information available on the state of banks' balance sheets. For all of these reasons we expect the process of selling distressed assets in Europe to continue for a number of years. We expect that political instability will play out in 2015 and even if results of upcoming elections are politically benign, the noise of these events (ex. Greek bonds moving from sub 5% in 2Q 2014 to just under 15%) may highlight to the world that Europe is still in a difficult position, weighed down by high debt and weak growth. ECB monetary expansion is still not articulated but is widely expected; with rates already at near zero it will be interesting to see what impact this has.

WILSON LEUNG
Portfolio Manager
Asia Real Estate

The vacancy rate in the Tokyo office sector continued to improve to 5.7%. Rents rose 1.0% in the first nine month of 2014 – the first increase since the period before the global financial crisis in 2008 *(See Chart)*. Japanese REITs continue to enjoy strong share price performance which has driven down dividend yield – allowing them to buy core stabilized assets at lower implied cap rates (yields) which are still accretive to the REIT. In addition, with the Japanese Yen continuing to devalue, core properties in Central Tokyo are now more attractive to foreign core buyers. This increase in liquidity is positive for investors who are looking to buy underperforming assets, stabilize them, and sell them to these aggressive buyers. That said, the Japanese real estate market is still in an early recovery stage as office asset values remain to be 25% to 30% below 2007 peak levels and real estate fundamentals have only just begun to improve. We believe that there is significant opportunity to buy transitional assets that need capital improvement, a new leasing program, or professional asset management.

In Korea, while the Seoul office market vacancy rate remained high by historic standards, we continued to see improvement with vacancy falling below 10% – the first time in over two years *(See Chart)*. Distress in the office sector is an opportunity although we expect further improvements in market fundamentals given the limited new supply that will be delivered in 2015 and 2016. The spread between cap rates and borrowing costs widened to 245 bps with 5-Year Korean Treasury Bonds falling to 2.8%. This will continue encourage buyers with strong interest in core Korean real estate assets.

In China's housing market, the sustained decline in sales volume continued into the third quarter with sales volumes falling 10.3% in the first nine months of 2014. Sales pricing, however, began to show some resilience with prices rising 0.5% as of the third quarter of 2014. This may be an early sign that developers are becoming more confident as the government implements its program of credit and home purchase policy loosening aimed at supporting the real estate market. We expect that these policy changes should have a more significant positive impact on the market over the next 12 to 24 months.

ANGELO, GORDON & CO.

ECONOMIC DASHBOARD

MARKET INDICES

Fourth Quarter 2014

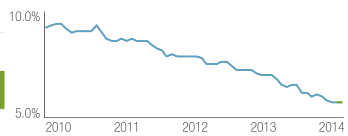
JOB MARKET

Macro Economics — Five Year Trend

US – Unemployment Rate

As of 12/31/2014

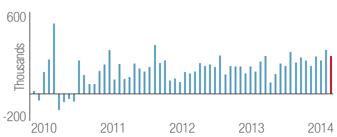
Latest Level	5.6
Changes from Prior Month	(0.2)
Latest Direction	Improving
Frequency	Monthly



US – Non Farm Payroll

As of 12/31/2014

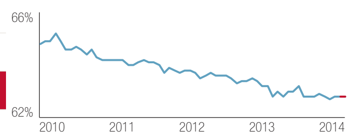
Latest Level	252.0
Changes from Prior Month	(101.0)
Latest Direction	Deteriorating
Frequency	Monthly



US – Labor Participation Rate

As of 12/31/2014

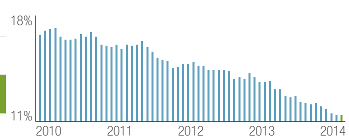
Latest Level	62.7
Changes from Prior Month	(0.2)
Latest Direction	Deteriorating
Frequency	Monthly



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

As of 12/31/2014

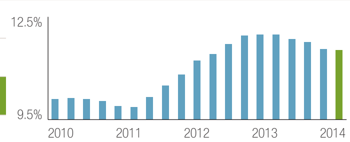
Latest Level	11.2
Changes from Prior Month	(0.2)
Latest Direction	Improving
Frequency	Monthly



Eurozone Unemployment Rate

As of 9/30/2014

Latest Level	11.5
Changes from Prior Quarter	(0.0)
Latest Direction	Improving
Frequency	Quarterly



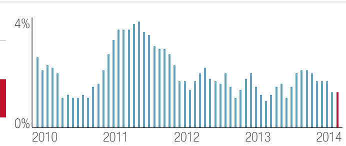
INFLATION

Macro Economics — Five Year Trend

US Consumer Price Index (CPI) Y-o-Y %

As of 12/31/2014

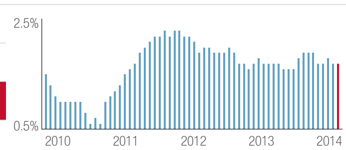
Latest Level	0.8
Changes from Prior Month	(0.5)
Latest Direction	Decreasing
Frequency	Monthly



US CPI Goods Excl Food and Energy Y-o-Y %

As of 12/31/2014

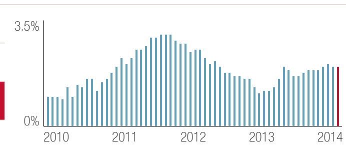
Latest Level	1.6
Changes from Prior Month	(0.1)
Latest Direction	Decreasing
Frequency	Monthly



US Producer Price Index (PPI) Y-o-Y %

As of 12/31/2014

Latest Level	1.8
Changes from Prior Month	(0.2)
Latest Direction	Decreasing
Frequency	Monthly



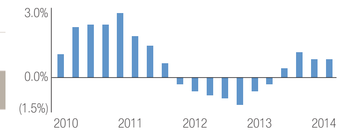
GDP GROWTH

Macro Economics — Five Year Trend

US – GDP Y-o-Y %

As of 9/30/2014

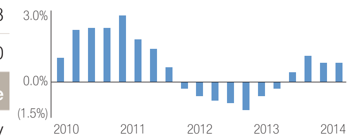
Latest Level	4.3
Changes from Prior Quarter	0.0
Latest Direction	No Change
Frequency	Quarterly



Eurozone – GDP Y-o-Y %

As of 9/30/2013

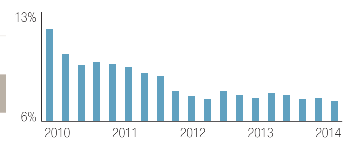
Latest Level	0.8
Changes from Prior Quarter	0.0
Latest Direction	No Change
Frequency	Quarterly



China – GDP Y-o-Y %

As of 12/31/2014

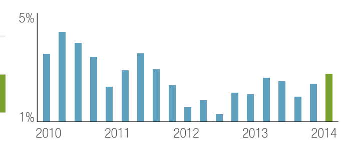
Latest Level	7.3
Changes from Prior Quarter	0.0
Latest Direction	No Change
Frequency	Quarterly



World – GDP Y-o-Y %

As of 9/30/2013

Latest Level	2.8
Changes from Prior Quarter	0.4
Latest Direction	Improving
Frequency	Quarterly



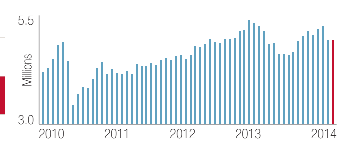
HOUSING

Macro Economics — Five Year Trend

Existing Home Sales

As of 11/30/2014

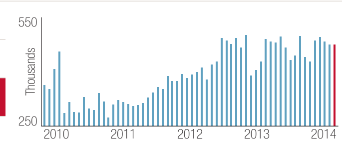
Latest Level	4.9
Changes from Prior Month	(0.3)
Latest Direction	Deteriorating
Frequency	Monthly



New Homes Sales

As of 11/30/2014

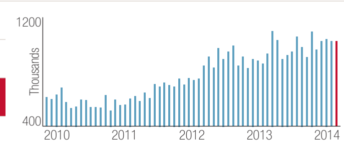
Latest Level	438.0
Changes from Prior Month	(7.0)
Latest Direction	Deteriorating
Frequency	Monthly



Housing Starts

As of 11/30/2014

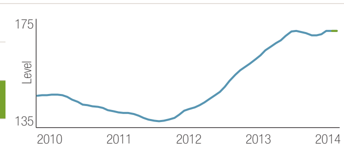
Latest Level	1,028
Changes from Prior Month	(17)
Latest Direction	Deteriorating
Frequency	Monthly



Case-Shiller Index of Home Value in 20 cities

As of 10/31/2014

Latest Level	171.4
Changes from Prior Month	1.3
Latest Direction	Improving
Frequency	Monthly



Source: Bloomberg (All)

"Latest Direction" is from the last "Frequency" measurement

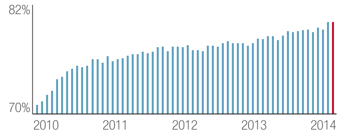
ECONOMIC DASHBOARD *(continued)*

ECONOMIC & MARKET CONFIDENCE

Macro Economics | Five Year Trend

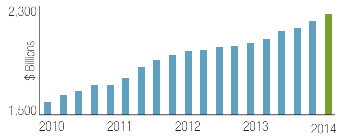
Capacity Utilization as a % of Capacity
As of 12/31/2014

Latest Level	79.7
Changes from Prior Month	(0.3)
Latest Direction	Deteriorating
Frequency	Monthly



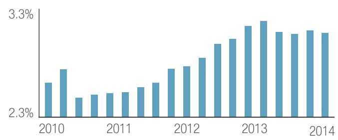
Private Fixed Investment Nonresidential SAAR
As of 9/30/2014

Latest Level	2,244.3
Changes from Prior Quarter	53.1
Latest Direction	Improving
Frequency	Quarterly



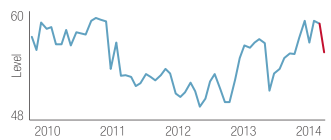
Residential Fixed Investment as a % of GDP
As of 9/30/2013

Latest Level	3.1
Changes from Prior Quarter	0.0
Latest Direction	No Change
Frequency	Quarterly



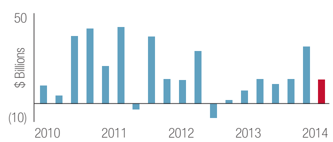
ISM Manufacturing Index
As of 12/31/2014

Latest Level	55.5
Changes from Prior Quarter	(3.2)
Latest Direction	Deteriorating
Frequency	Monthly



Manufacturing Inventory Change Q-o-Q $
As of 9/30/2014

Latest Level	13.3
Changes from Prior Quarter	(18.4)
Latest Direction	Decreasing
Frequency	Quarterly

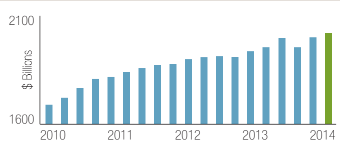


Architecture Firms Billings Index
As of 11/30/2014

Latest Level	50.9
Changes from Prior Month	(2.8)
Latest Direction	Deteriorating
Frequency	Monthly

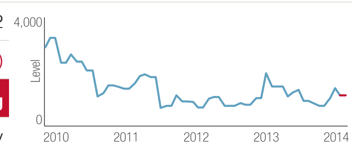
Exports of Goods/Services
As of 9/30/2014

Latest Level	2,104
Changes from Prior Quarter	23
Latest Direction	Improving
Frequency	Quarterly



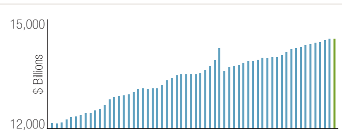
Shipping Rates
As of 12/24/2014

Latest Level	782
Changes from Prior Quarter End	(371)
Latest Direction	Deteriorating
Frequency	Quarterly



Personal Income Level
As of 11/30/2014

Latest Level	14,930
Changes from Prior Month	54
Latest Direction	Improving
Frequency	Monthly

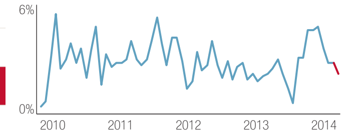


ECONOMIC & MARKET CONFIDENCE *(continued)*

Macro Economics | Five Year Trend

US Retail Chain Store Sales Y-o-Y
As of 12/31/2014

Latest Level	2.2
Changes from Prior Month End	(0.6)
Latest Direction	Deteriorating
Frequency	Monthly



Michigan Consumer Confidence Sentiment
As of 12/31/2014

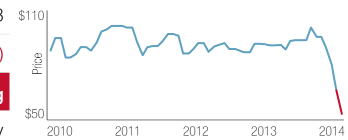
Latest Level	93.6
Changes from Prior Month	4.8
Latest Direction	Improving
Frequency	Monthly

COMMODITIES

Macro Economics | Five Year Trend

WTI Crude Oil Price
As of 12/31/2014

Latest Level	53.3
Changes from Prior Month End	(13.0)
Latest Direction	Decreasing
Frequency	Monthly



Reuters/Jefferies Commodity Index
As of 12/31/2014

Latest Level	230.0
Changes from Prior Month End	(24.4)
Latest Direction	Decreasing
Frequency	Monthly

Gold
As of 12/31/2014

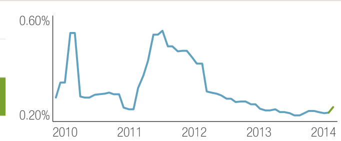
Latest Level	1,184.4
Changes from Prior Month End	17.0
Latest Direction	Increasing
Frequency	Monthly

RATES

Macro Economics | Five Year Trend

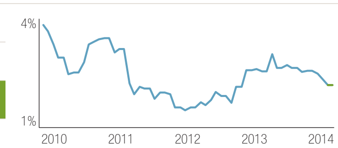
LIBOR 3M
As of 12/31/2014

Latest Level	0.26
Changes from Prior Month End	0.02
Latest Direction	Increasing
Frequency	Monthly



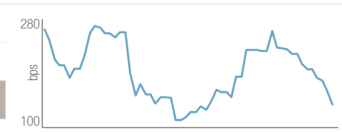
Treasury 10 Yr Yield
As of 12/31/2014

Latest Level	2.17
Changes from Prior Month End	0.01
Latest Direction	Increasing
Frequency	Monthly



Swaps 2Y vs 10Y
As of 12/31/2014

Latest Level	138.25
Changes from Prior Month End	(22.85)
Latest Direction	Flattening
Frequency	Monthly



Source: Bloomberg (All)

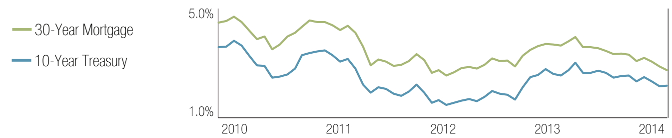
"Latest Direction" is from the last "Frequency" measurement

ECONOMIC DASHBOARD *(continued)*

RATES *(continued)*

Macro Economics | Five Year Trend

30 Yr Mortgage and 10 Yr Treasury



EQUITY

Macro Economics | Five Year Trend

US Equity Markets – Russell 3000

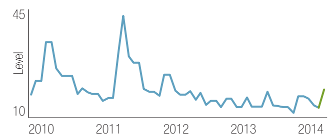
As of 12/31/2014

Latest Level	1,224.1
Changes from Prior Month End	(2.0)
Latest Direction	Sell Off
Frequency	Monthly

US Equity – VIX

As of 12/31/2014

Latest Level	19.2
Changes from Prior Month End	5.9
Latest Direction	Increasing
Frequency	Monthly



S&P 500 Percentage Exceeding Earning Estimates

As of 12/17/2014

Latest Level	74.5
Changes from Prior Quarter End	(0.3)
Latest Direction	Decreasing
Frequency	Monthly

S&P 500 Historical Valuation Levels

Trailing P/E on S&P 500

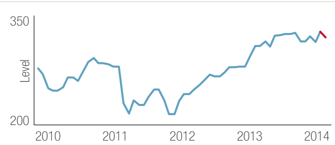
As of 12/31/2014

Latest Level	18.2
Changes from Prior Month End	0.4
Latest Direction	Increasing
Frequency	Monthly

Equity Markets – Euro Stoxx

As of 12/31/2014

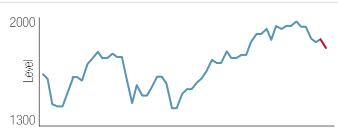
Latest Level	319.7
Changes from Prior Month End	7.9
Latest Direction	Decreasing
Frequency	Monthly



Equity Markets – MSCI EAFE

As of 12/31/2014

Latest Level	1,774.9
Changes from Prior Month End	(64.8)
Latest Direction	Decreasing
Frequency	Monthly



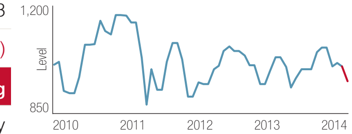
EQUITY *(continued)*

Macro Economics | Five Year Trend

Equity Markets – MSCI EM

As of 12/31/2014

Latest Level	956.3
Changes from Prior Month End	(48.4)
Latest Direction	Decreasing
Frequency	Monthly



Russel 3000 - MSCI EAFE - MSCI EM

FOREIGN EXCHANGE RATE

Macro Economics | Five Year Trend

Euro Spot Rates vs 1 USD

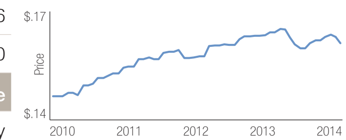
As of 12/31/2014

Latest Level	1.21
Changes from Prior Month End	(0.04)
Latest Direction	Deteriorating
Frequency	Monthly

Yuan Spot Rate vs 1 USD

As of 12/31/2014

Latest Level	0.16
Changes from Prior Month End	0.0
Latest Direction	No Change
Frequency	Monthly



Yen Spot Rates vs 1 USD

As o 12/31/2014

Latest Level	0.01
Changes from Prior Month End	0.0
Latest Direction	No Change
Frequency	Monthly

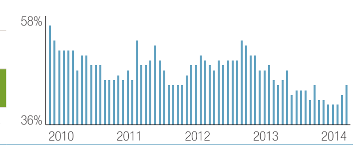
POLITICS

Macro Economics | Five Year Trend

NBC NEWS/WSJ Poll Obama Approval Rating[1]

As of 11/17/2014

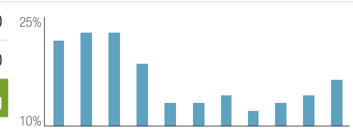
Latest Level	44.0
Changes from Prior Month	2.0
Latest Direction	Increasing
Frequency	Monthly



NBC NEWS/WSJ Poll Congress Approval Rating[1]

As of 12/14/2014

Latest Level	16.0
Changes from Prior Level	2.0
Latest Direction	Increasing
Frequency	Semi-Annually

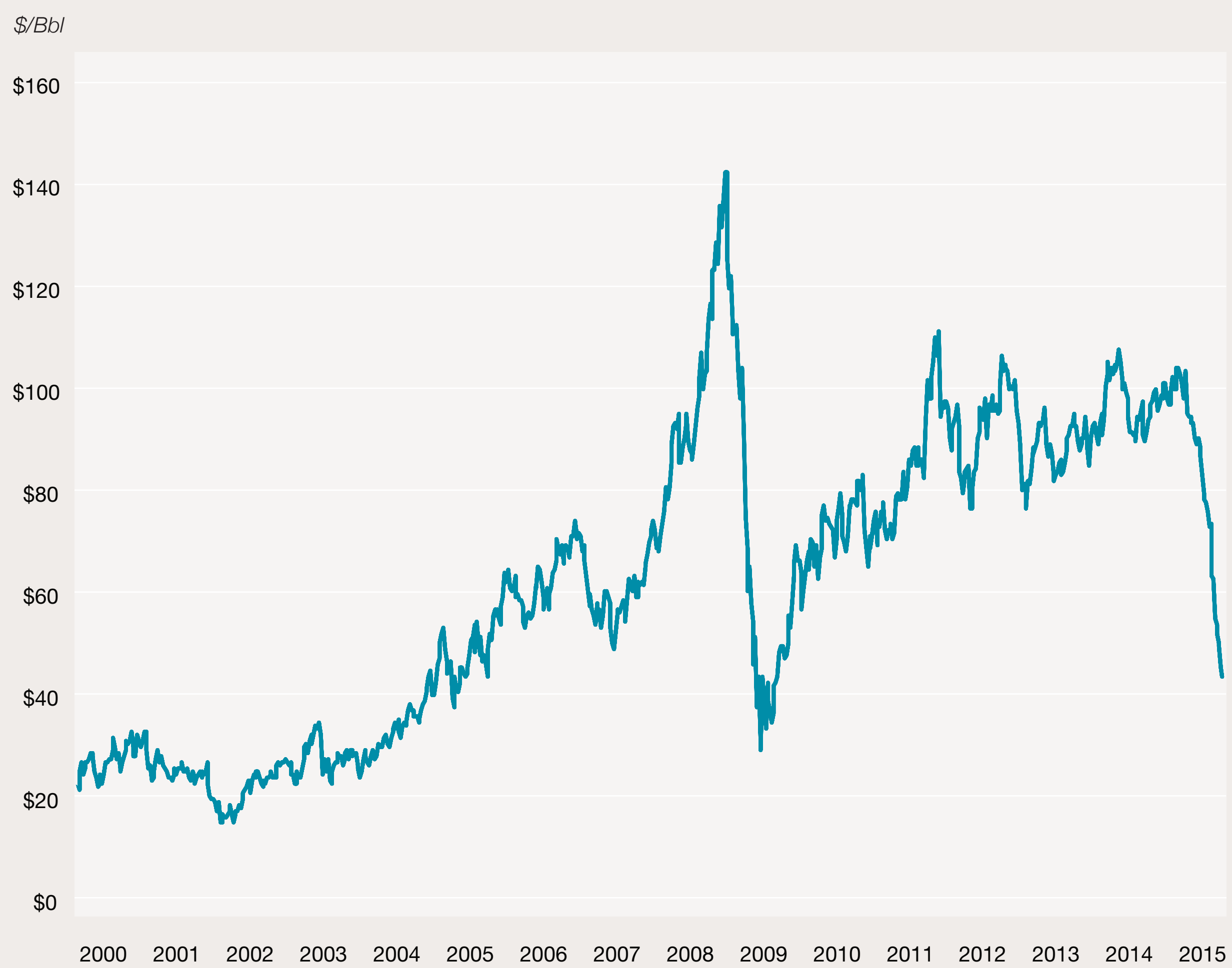


Source: Bloomberg (Except where noted)

(1) NBC News/Wall Street Journal Survey

"Latest Direction" is from the last "Frequency" measurement

WTI SPOT PRICE

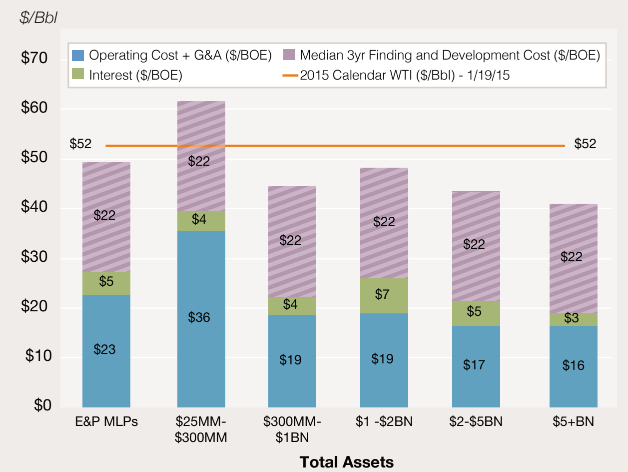


Source: Bloomberg - West Texas Intermediate (WTI) Cushing Oil Spot Price

WTI crude closed the year at $53, down over 50% from its July 2014 high and approached $46 by the second week of January. The decline in oil prices accelerated substantially after OPEC's Thanksgiving announcement affirming the status quo in production levels.

ENERGY DIRECT LENDING *(Return to PM Corner)*

OIL & GAS COMPANY COST STRUCTURE VS. WTI



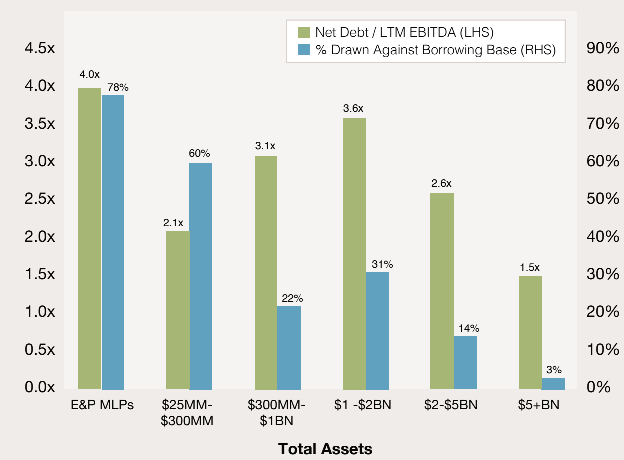
BOE: Barrel of Oil Equivalent (natural gas converted at 6:1 ratio)
WTI: West Texas Intermediate Crude Oil

2015 Calendar WTI ($/Bbl) - Average of 2015 monthly forward prices

Figures rounded to nearest $

Source: Bloomberg, S&P CapitalIQ, Company Reports/Presentations/ Press Releases, Wall Street Research

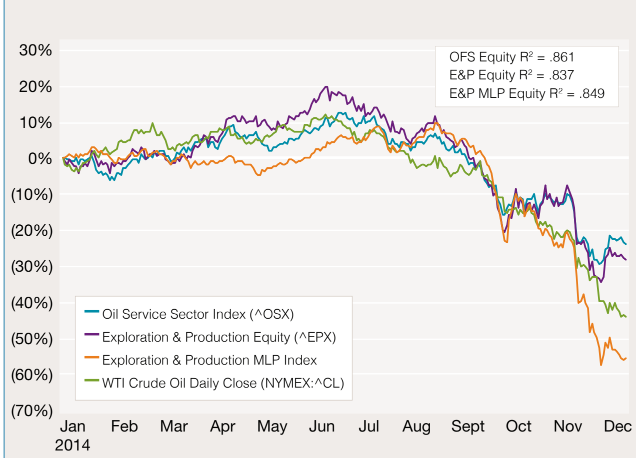
OIL & GAS COMPANY DRAWN CREDIT LINES AND NET DEBT LEVELS



Source: Bloomberg, S&P CapitalIQ, Company Reports/Presentations/ Press Releases, Wall Street Research

The opportunity set is complicated and diverse, requiring a deep understanding of core assets, cost structures, decline curves, leverage, liquidity and maintenance CAPEX requirements

2014 EQUITY PRICES VS. WTI

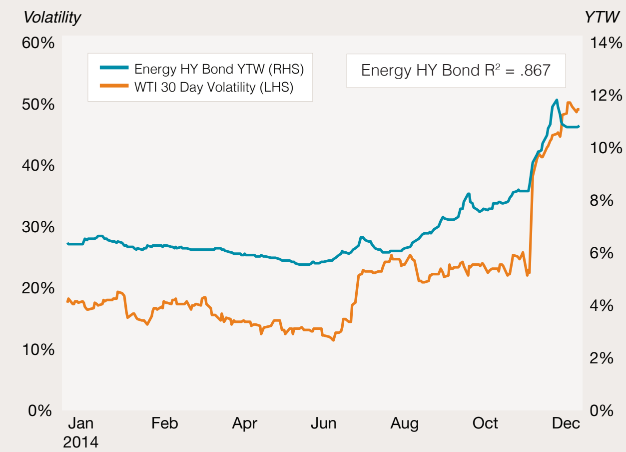


WTI: West Texas Intermediate Crude Oil

E&P MLP Index is a representative composite created by Angelo, Gordon which includes the following equity securities: ARP, BBEP, EROC, EVEP, LGCY, LINE, LRE, EMP, MCEP, NSLP, SPP, VNR

Source: S&P CapitalIQ

ENERGY HIGH YIELD BONDS VS. WTI

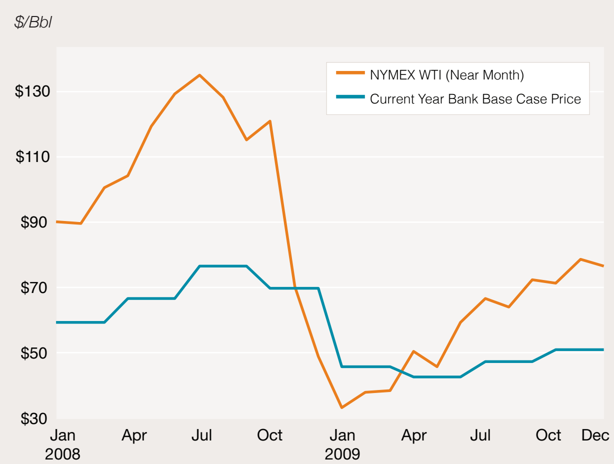


WTI: West Texas Intermediate Crude Oil

Source: Bloomberg. YTW data is Bloomberg USD High Yield Energy Corporate Bond Index (BUHYEN)

The energy capital markets have been decimated by the collapse in oil prices, offering both risk and return to investors capable of sorting through the carnage

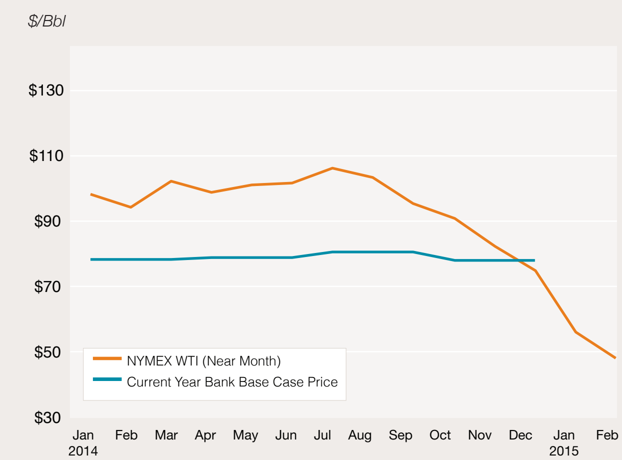
THEN: 2008–2009 — NEAR MONTH OIL PRICES VS. STARTING BANK PRICE



'Bank Base Case Price' is based on a quarterly survey of the prices used by active senior bank energy lenders to determine advance rates to borrowers. Figures shown are the average price used by all survey respondents.

Source: Bank price decks per Macquarie Tristone Energy Lender Price Survey, NYMEX WTI per Bloomberg.

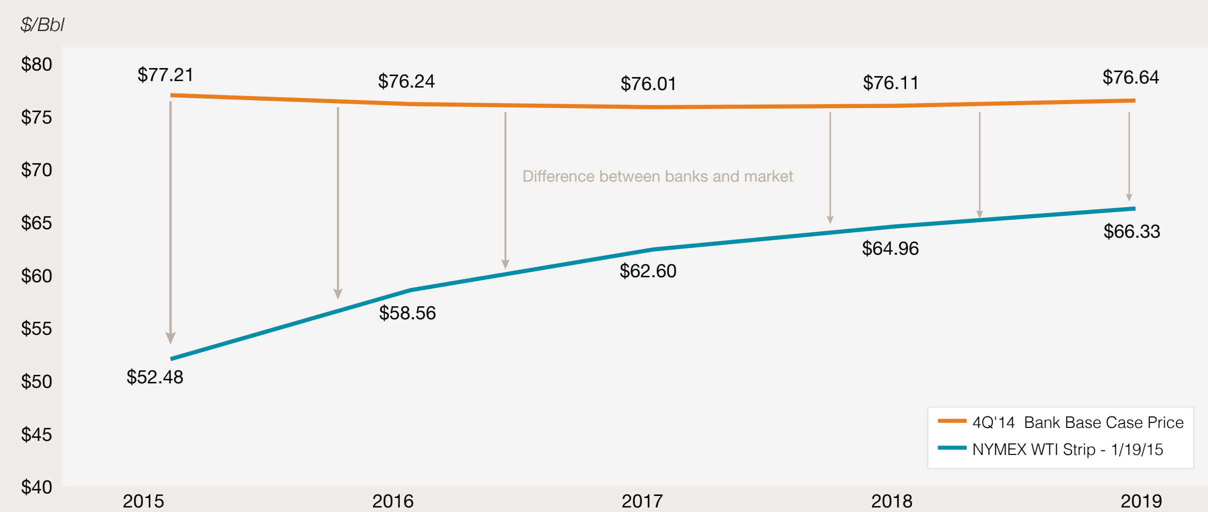
NOW: 2014–2015 — NEAR MONTH OIL PRICES VS. STARTING BANK PRICES



'Bank Base Case Price' is based on a quarterly survey of the prices used by active senior bank energy lenders to determine advance rates to borrowers. Figures shown are the average price used by all survey respondents.

Source: Bank price decks per Macquarie Tristone Energy Lender Price Survey, NYMEX WTI per Bloomberg.

NOW: 4Q 2014 BANK BASE CASE PRICE VS. CURRENT OIL PRICE FUTURES



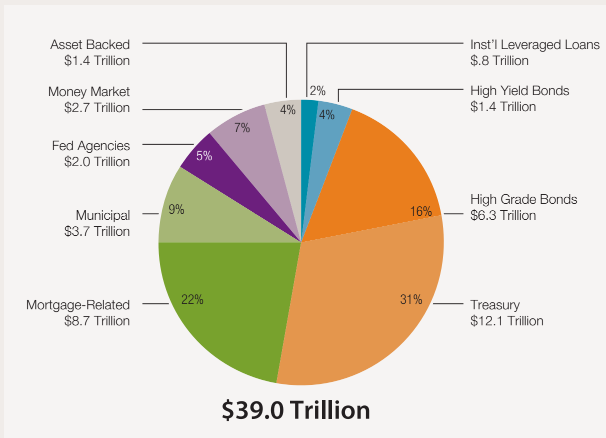
'Bank Base Case Price' is based on a quarterly survey of the prices used by active senior bank energy lenders to determine advance rates to borrowers. Figures shown are the average price used by all survey respondents.

Source: Bank price decks per Macquarie Tristone Energy Lender Price Survey, NYMEX WTI per Bloomberg.

Energy banks re-determine borrower revolving credit availability semi-annually (generally April & October) and are in the process of reducing the price decks on which they lend. If 2008-2009 (top left) is any indication, substantial reductions in bank loan availability are yet to come (top right and bottom graphs). These reductions may precipitate a substantial need for additional capital amongst formerly bank-reliant oil & gas companies.

NON-INVESTMENT GRADE CORPORATE CREDIT

TOTAL SIZE OF THE FIXED INCOME MARKET

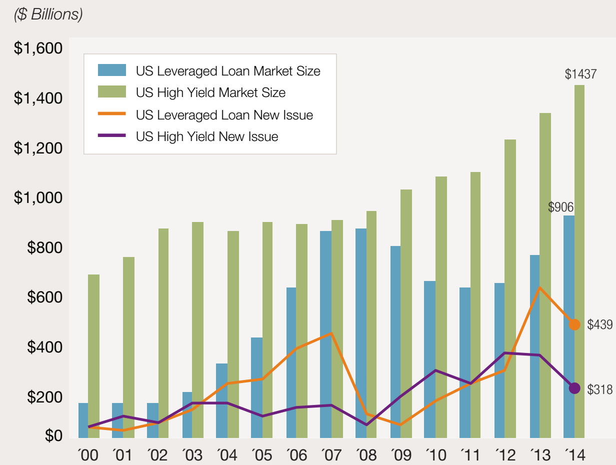


As of 6/30/2014

Source: Credit Suisse

High yield bond and leveraged loan markets are ~$2 trillion in size

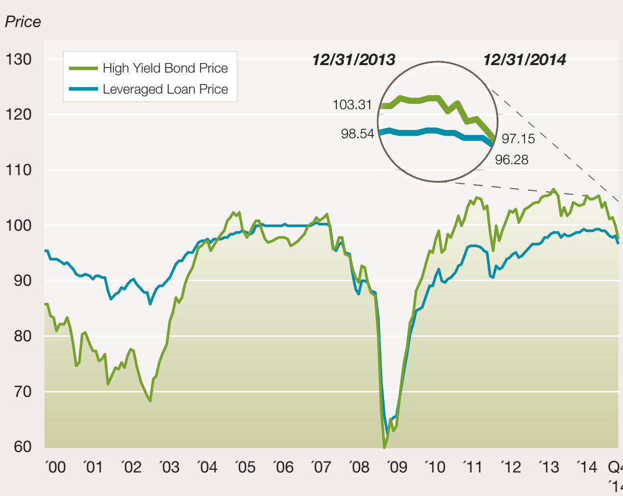
HIGH YIELD BOND & LEVERAGED LOAN MARKET SIZE AND NEW ISSUE VOLUME



Source: Credit Suisse

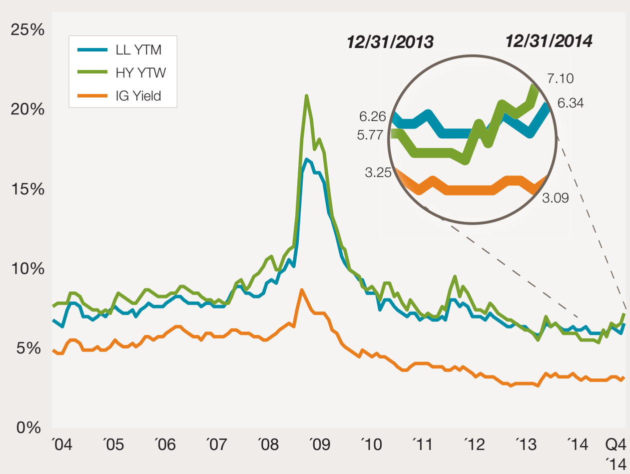
High yield bond and leveraged loan markets continue to expand, albeit at a reduced rate. If current weaker credit markets persist, watch for new issue supply to slow further

LEVERAGED LOAN & HIGH YIELD BOND AVERAGE PRICE



Source: Credit Suisse

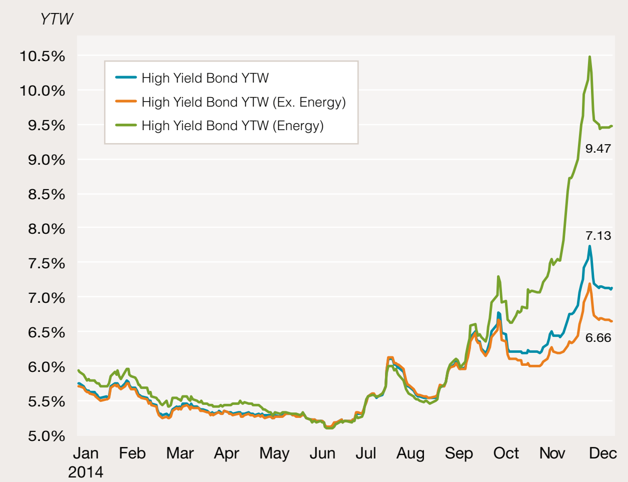
INVESTMENT GRADE VS HIGH YIELD BOND VS LEVERAGED LOAN YIELDS



Source: Credit Suisse

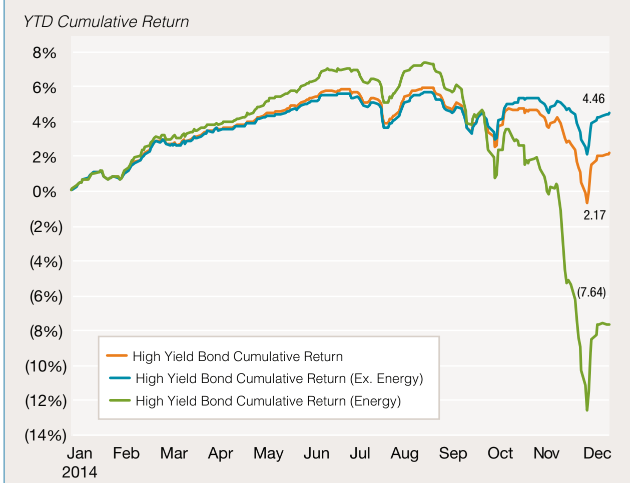
Non-investment grade corporate credit prices declined and yields rose significantly in Q4 due to energy related credits and heavy mutual fund outflows. Leveraged loans held up better than high yield bonds due to the fact that they are more senior in the capital structure and also have ~4% exposure to the energy sector versus ~20% for high yield.

2014 HIGH YIELD BONDS YIELDS WITH AND WITHOUT ENERGY



Source: JPMorgan Domestic High Yield Index

2014 HIGH YIELD BOND RETURNS WITH AND WITHOUT ENERGY

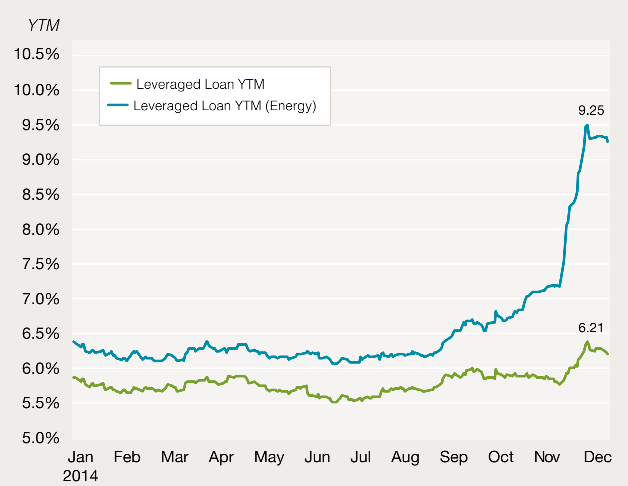


Source: JPMorgan Domestic High Yield Index

Do the yields on high yield energy bonds/loans represent a buying opportunity or a place to avoid? ***(applies to charts above and below)***

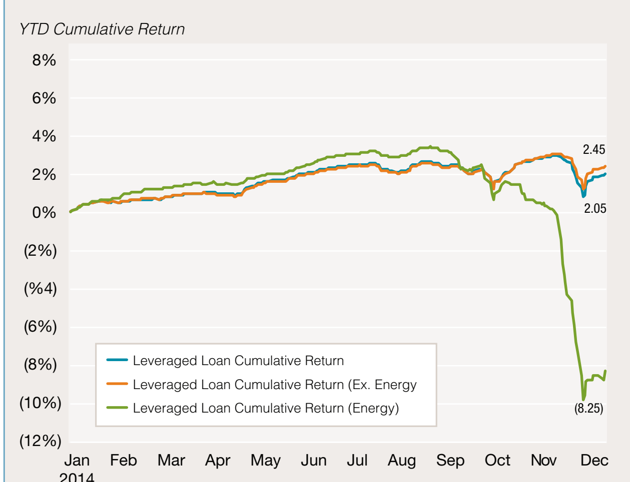
Funds with a higher than average exposure to energy suffered below average returns ***(applies to charts above and below)***

2014 LEVERAGED LOAN YIELDS



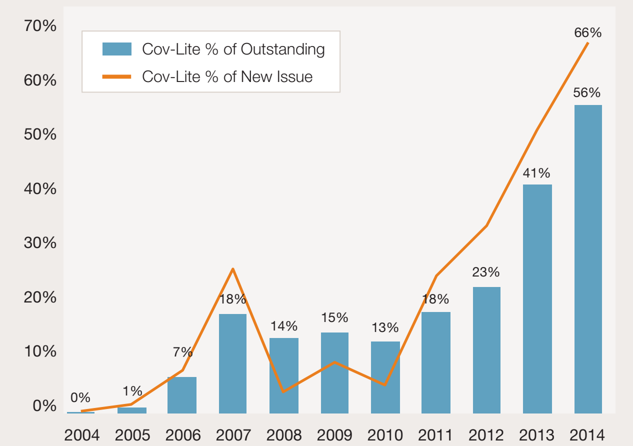
Source: JPMorgan Leveraged Loan Index

2014 LEVERAGED LOAN RETURNS WITH AND WITHOUT ENERGY



Source: JPMorgan Leveraged Loan Index

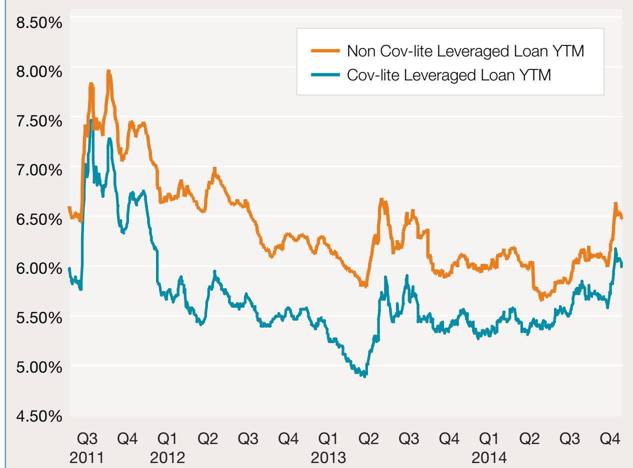
COV-LITE PERCENTAGE OF NEW ISSUE LOANS & PERCENTAGE OF OUTSTANDING LOANS



Source: JPMorgan, Credit Suisse

This trend has yet to top out

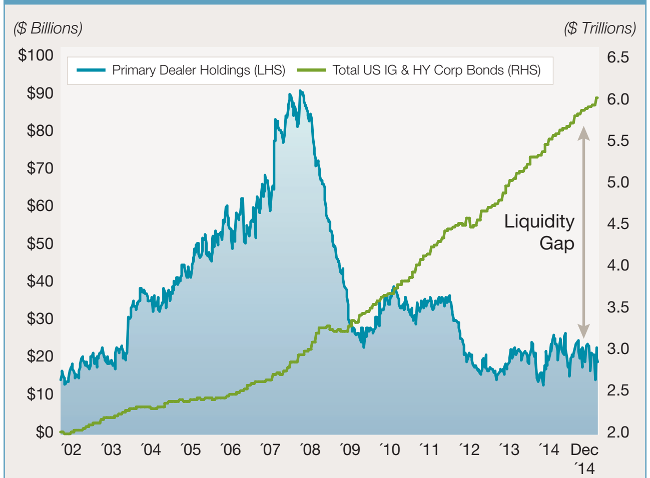
COV-LITE VS NON-COV-LITE LEVERAGED LOAN YIELD



Source: JPMorgan

The recent market move is not differentiating between deals with and without covenants

PRIMARY DEALER POSITIONS – HY AND IG CORPORATE SECURITIES

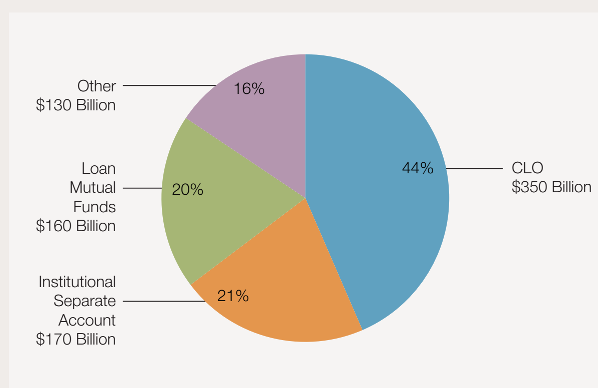


Note: In the above chart, Primary Dealer positions pre-March 2013 figures are adjusted to track IG and HY bonds, notes and debentures. Post-April 2013 figures track IG and HY bonds, notes and debentures. As of March 2013, there was a reporting change in the series. Pre-March 2013 reported figures track IG and HY bonds, notes and debentures, and include commercial paper. Adjusted numbers pre-March 2013 haircut the data by the same proportion as the jump in April 2013.

Source: Bloomberg, Morgan Stanley, Federal Reserve Bank of New York

Bank balance sheets, reduced by 80% from 2007 levels, in conjunction with the doubling in size of corporate securities, have led to decreasing liquidity and increasing price volatility

HOLDERS OF LEVERAGED LOANS

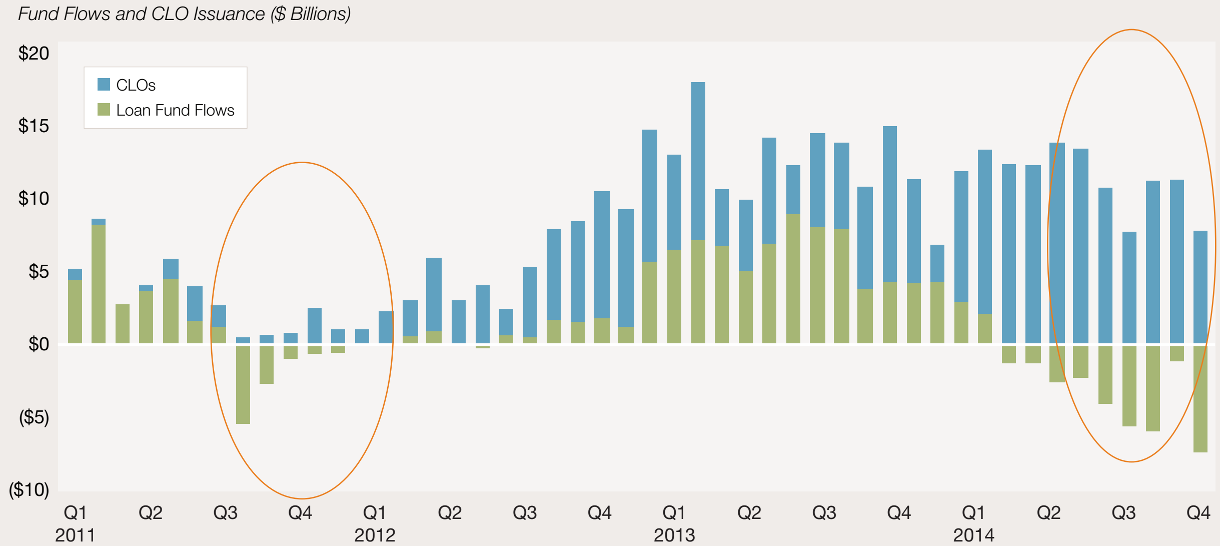


As of 09/30/2014

Source: S&P CapitalIQ LCD, eVestment Alliance (institutional separate account is estimated)

CLOs increased their holdings of loans, on a net basis, by approximately $50B in 2013 and $80B in 2014... But ~20% or $160B of loans of loans are still held in mutual funds which have been experiencing heavy outflows

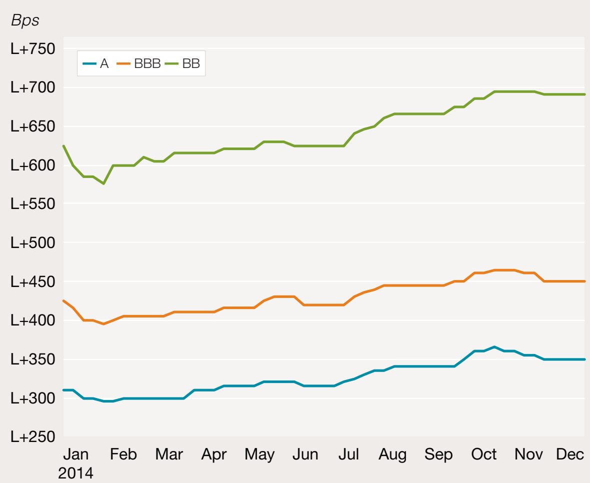
LOAN MUTUAL FUND FLOWS AND CLO ISSUANCE



Source: S&P CapitalIQ LCD

Record CLO issuance in 2014 of $123B offset the estimated $22B that exited the loan market via loan mutual funds. The CLO pipeline remains robust, but it is to be determined if demand for new CLO issuance will match up with supply...

2014 CLO SECONDARY SPREADS

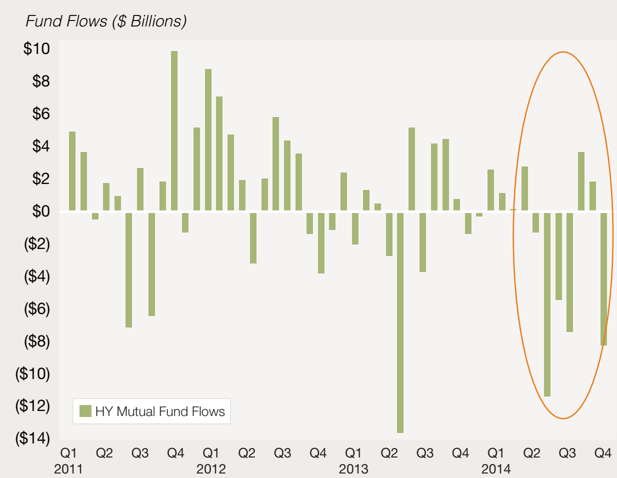


Broadly Syndicated Loan CLO 2.0 spreads

Source: Wells Fargo Securities, LLC

...as increasing CLO secondary spreads may lead investors to allocate towards the secondary market in lieu of the primary new issue CLO market

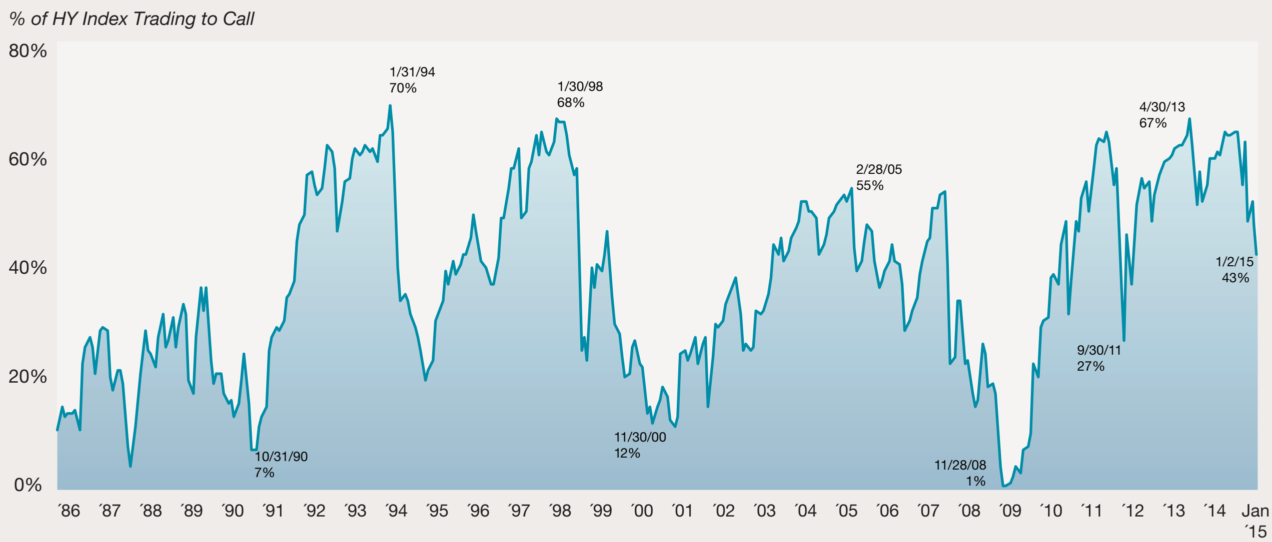
HIGH YIELD MUTUAL FUND FLOWS



Source: JPMorgan

High yield bond mutual funds experienced heavy outflows of $8B during the month of December, contributing to the 2014 total outflow of $22B. 2014's high yield bond outflows were a record and represent 26% of the previous 5-year inflows from 2009-2013.

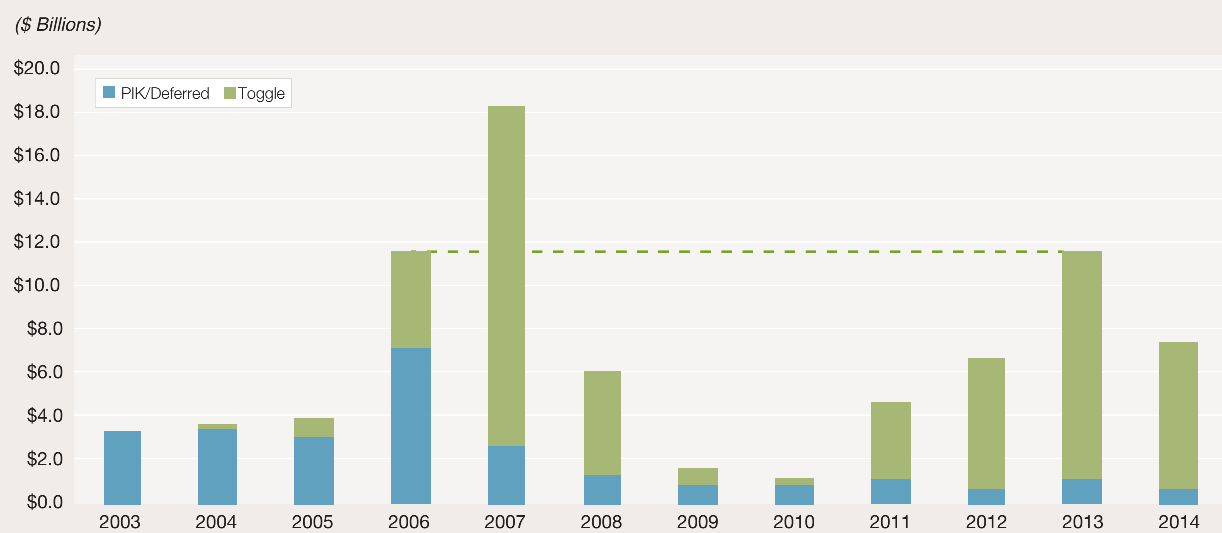
PERCENTAGE OF HIGH YIELD BONDS TRADING AT OR ABOVE CALL PRICE



Source: Credit Suisse

The recent sell-off reduced the percent of high yield bonds trading at or above their call price to a level last seen in late 2011, but they are still well above depths reached in '91, '94, 00'-01' and '09

AMOUNT OF PIK AND PIK TOGGLE ISSUANCE



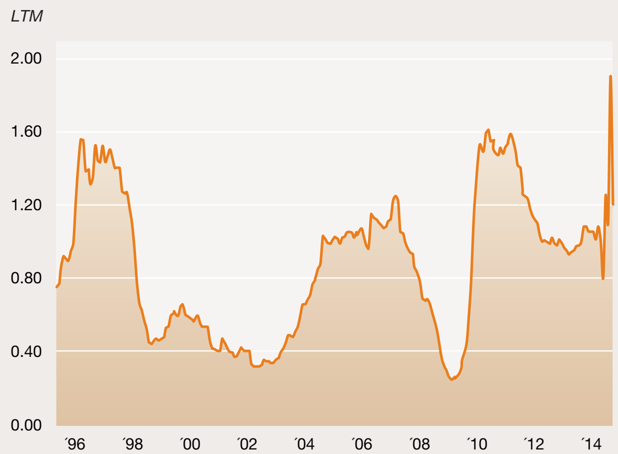
PIK Payment-in-kind

Toggle: issuer has option to defer interest payments by agreeing to pay an increased coupon in the future

Source: JPMorgan

Aggressive capital structures may have peaked in 2013

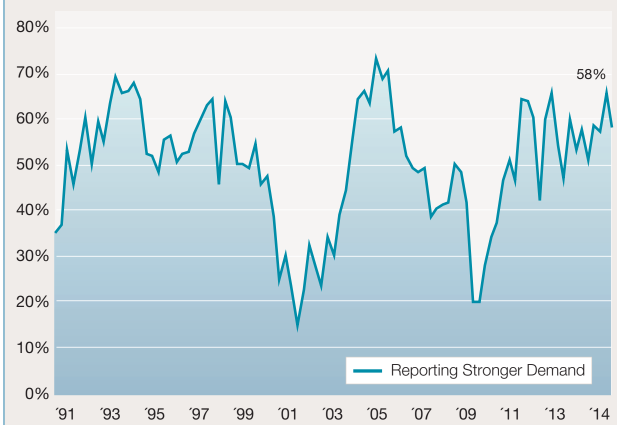
UPGRADE-TO-DOWNGRADE RATIO



Source: JPMorgan

Corporate balance sheets continue to strengthen. We anticipate increased energy related downgrades in 2015.

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

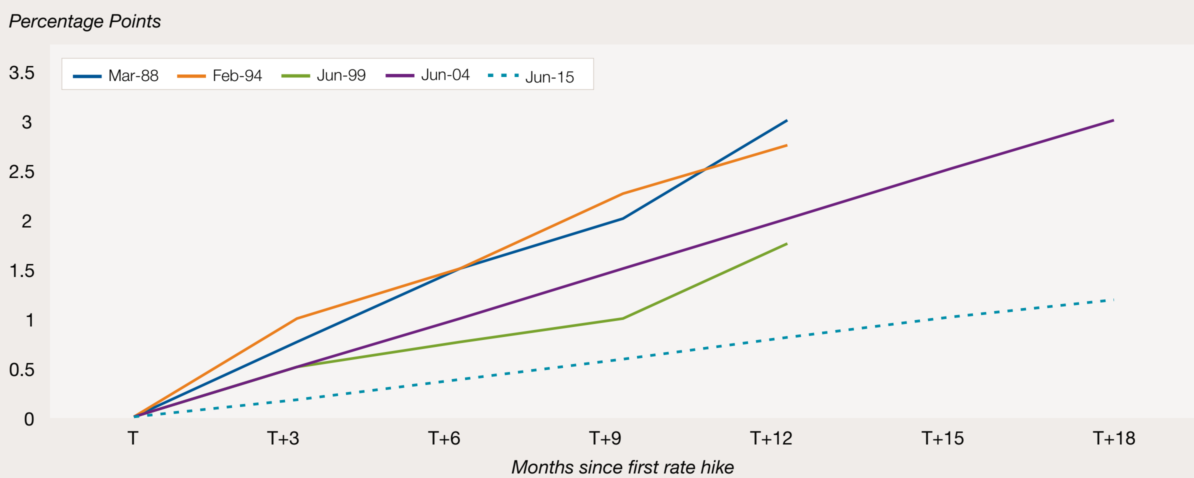


Bank Lending Surveys are sometimes referred to as "Senior Loan Officer Surveys"

Source: Bloomberg

Credit demands expanding as economy grows

FED POLICY - HOW "SHALLOW" A HIKING CYCLE?

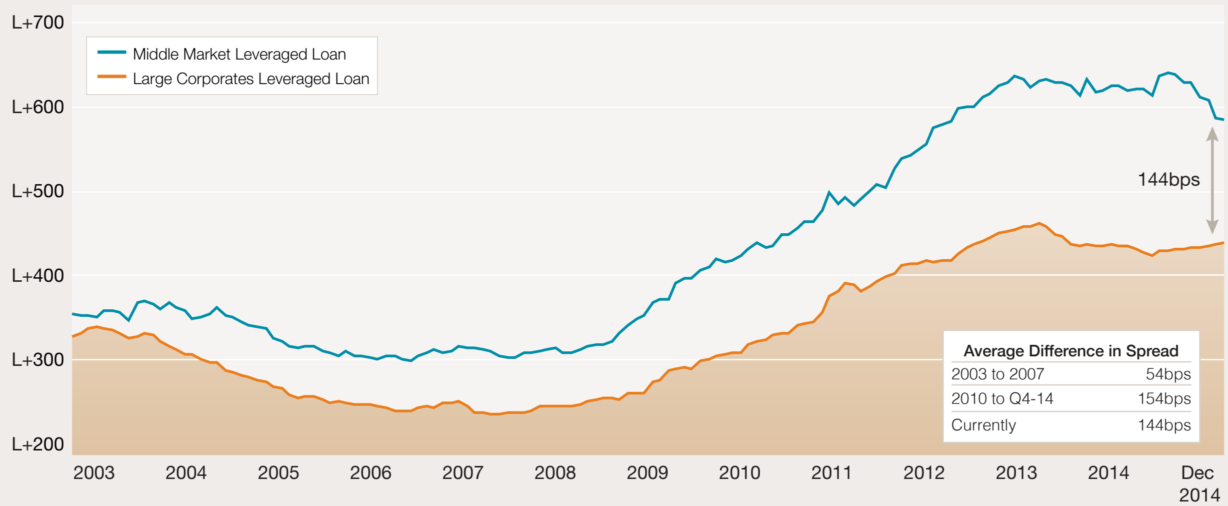


June 2015 rate hike expectation determined using futures data on January 13, 2015

Source: Bloomberg, Goldman Sachs

The market expects a more gradual increase in the Federal Funds rate than in past cycles. The uncertainties surrounding the energy market's impact on the economy could produce greater hesitation by the Fed to increase rates.

MIDDLE MARKET VS LARGE CORPORATE LEVERAGED LOAN AVERAGE SPREAD

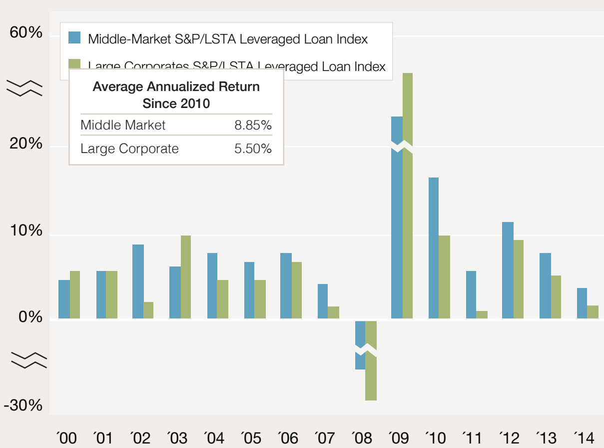


Middle market leveraged loan includes issuers with less than $50m EBITDA
Average spread includes any LIBOR floor benefit

Source: S&P CapitalIQ LCD

Middle market borrowers have historically had a higher funding cost than large corporate borrowers. The gap has tripled in the post-financial crisis era.

MIDDLE MARKET VS LARGE CORPORATE LEVERAGED LOAN ANNUAL RETURNS

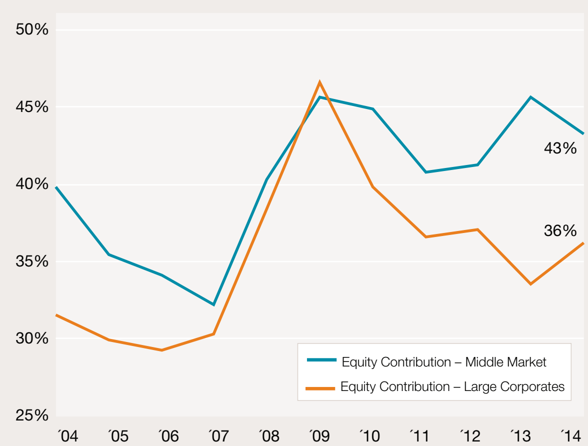


Middle market leveraged loan includes issuers with less then $50m EBITDA

Source: S&P CapitalIQ LCD, S&P/LSTA Leveraged Loan Index

With the exception of 2008, middle market loans have had positive annual returns in each period

AVERAGE EQUITY CONTRIBUTION FOR LBO'S



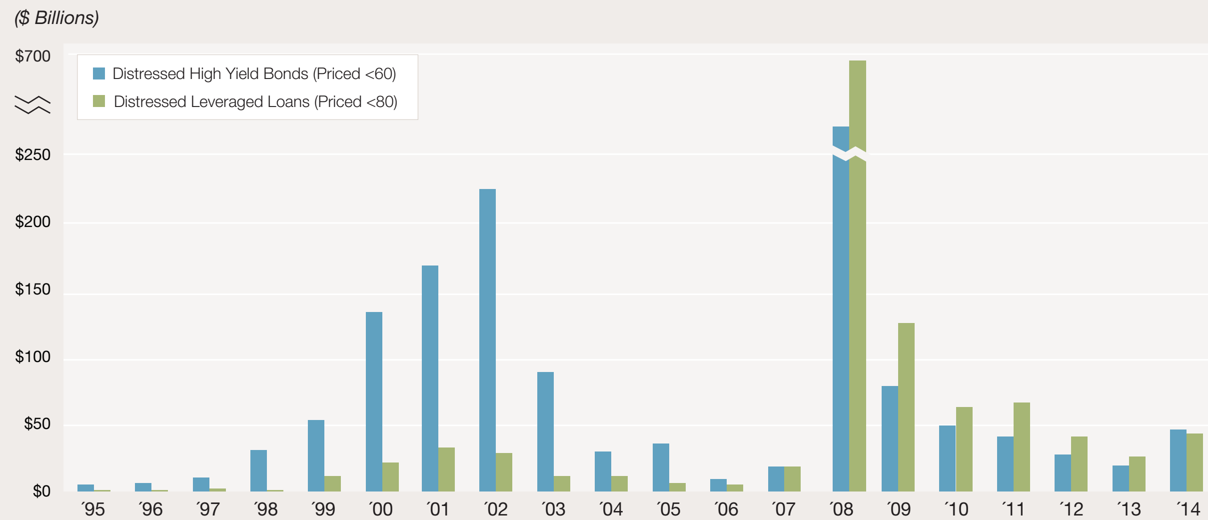
Middle market leveraged loan includes issuers with less than $50m EBITDA Average spread includes any LIBOR floor benefit

Source: S&P CapitalIQ LCD

Middle market buyouts, on average, require larger sponsor equity contributions

DISTRESSED DEBT – US

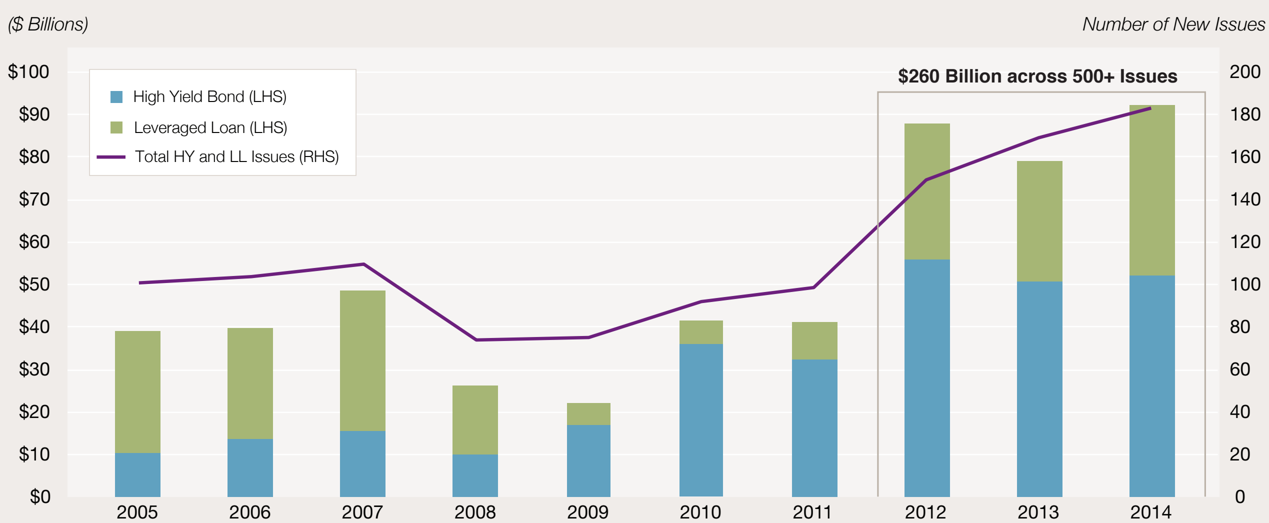
SIZE OF DISTRESSED DEBT MARKET



Source: Credit Suisse

The recent low default rate environment has led to a relatively moderate level of total distressed supply

ENERGY HIGH YIELD BOND & LEVERAGED LOAN ANNUAL NEW ISSUANCE VOLUME



Leveraged Loans includes institutional and Pro Rata Tranches

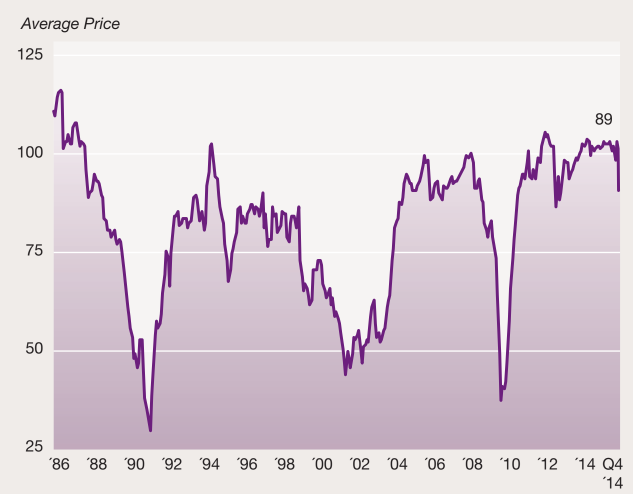
Source: S&P CapitalIQ LCD, JPMorgan, Bloomberg

Distressed investors are currently focused on the ~$135B of outstanding energy exploration and production high yield bonds and leveraged loans. As of early January 2015, ~$43B was priced below $0.80 and a total of ~$63B was yielding 10%+. Other energy credits total an incremental ~$100B notional amount.[(1)(2)]

(1) JPMorgan data (01/6/15) generally represents more widely followed issues. Per Bloomberg data, ~$165B of energy exploration and production and an additional ~$120B of energy oilfield services high yield bonds and loans are outstanding for a total of ~$285B of "upstream" energy related credits.

(2) YTW for high bonds & YTM for leveraged loans

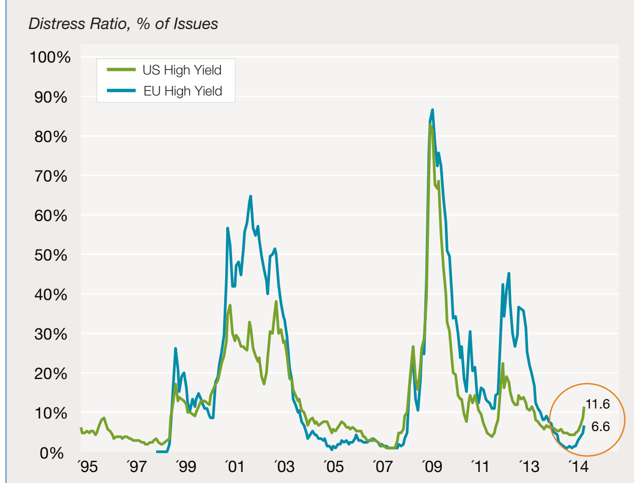
CCC HIGH YIELD BOND AVERAGE PRICE



CCC/Split CCC High Yield Bond

Source: Credit Suisse

PERCENTAGE OF HIGH YIELD BONDS WITH SPREADS GREATER THAN 1,000BPS

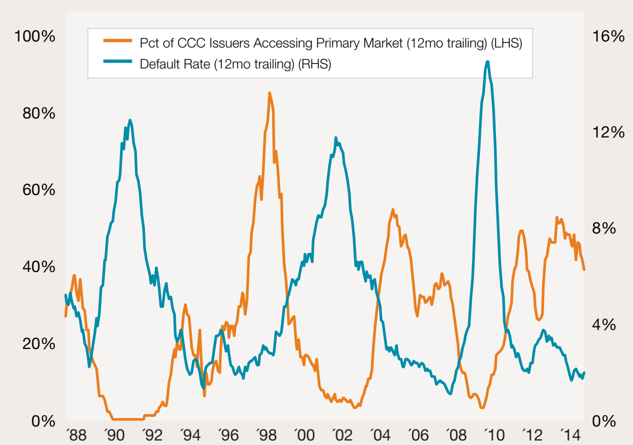


Distress Ratio: Option-Adjusted Spread > 1,000bps

Source: BofA Merrill Lynch

Since 2008, anemic rates have sustained a reach for yield regardless of credit quality. There has been a magnified negative impact on lower rated bonds caused, in part, by the Q4 collapse of energy credits.

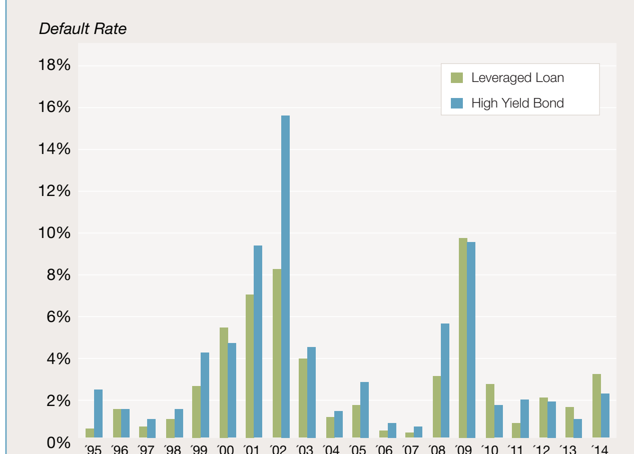
PERCENTAGE OF CCC ISSUERS ACCESSING PRIMARY MARKET VS DEFAULT RATE



Source: BofA Merrill Lynch, Moodys

Aggressive underwriting activity over the last several years may be building a backlog

DEFAULT RATES – HIGH YIELD BOND & LEVERAGED LOAN

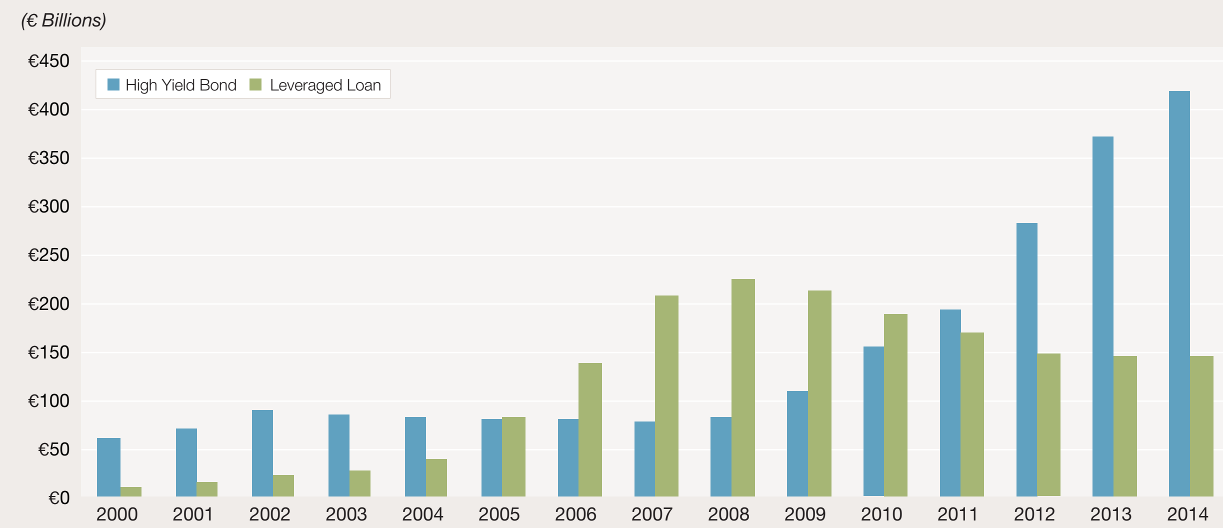


Source: Credit Suisse

Largely due to TXU, the lagging default rate inched upwards in 2014. Excluding TXU, default rates remain near cyclical lows.

DISTRESSED DEBT– EUROPE

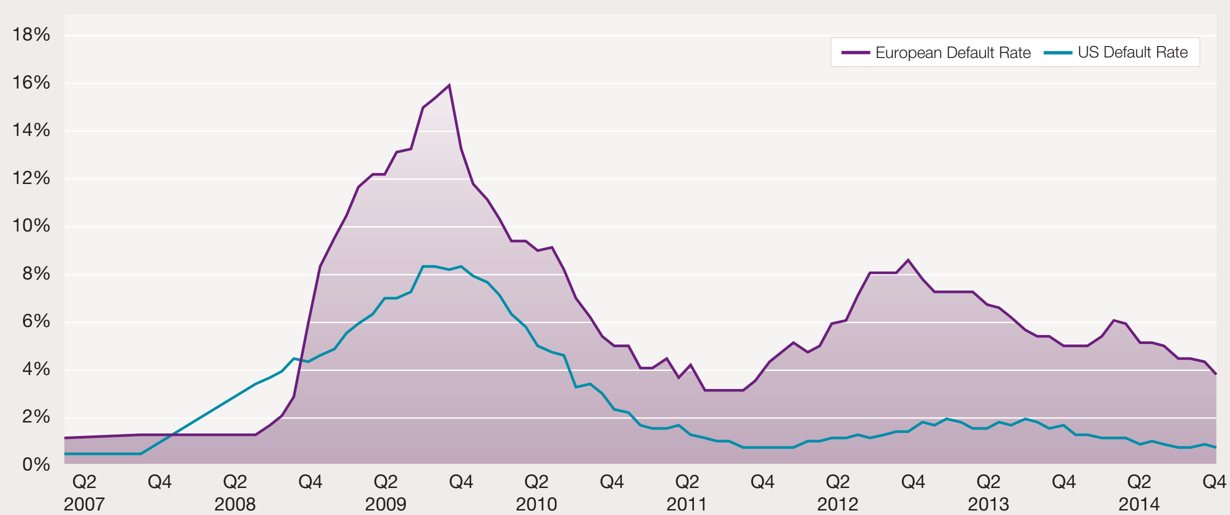
EUROPEAN HIGH YIELD BOND AND LEVERAGED LOAN MARKET



Source: Credit Suisse

Post-crisis, constraints on traditional European bank lending led to substantial high yield issuance, which doubled in size

US AND EUROPEAN LEVERAGED LOAN DEFAULT RATE

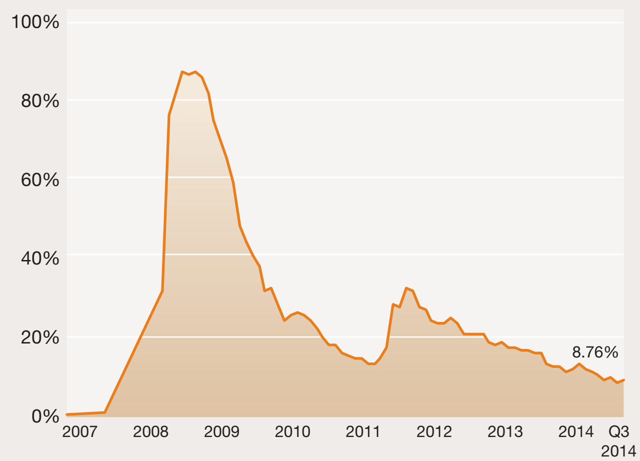


Issuer based default rates

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

European defaults have outpaced those in the U.S. in recent years, creating a larger supply of potential distressed opportunities

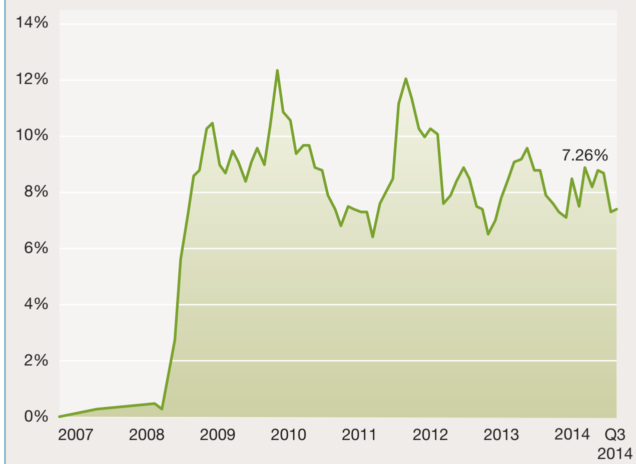
PERCENTAGE OF EUROPEAN LEVERAGED LOANS TRADING BELOW 80 CENTS ON THE DOLLAR



Source: S&P European Leveraged Loan Index

A significant amount of European leveraged loans remain at distressed levels

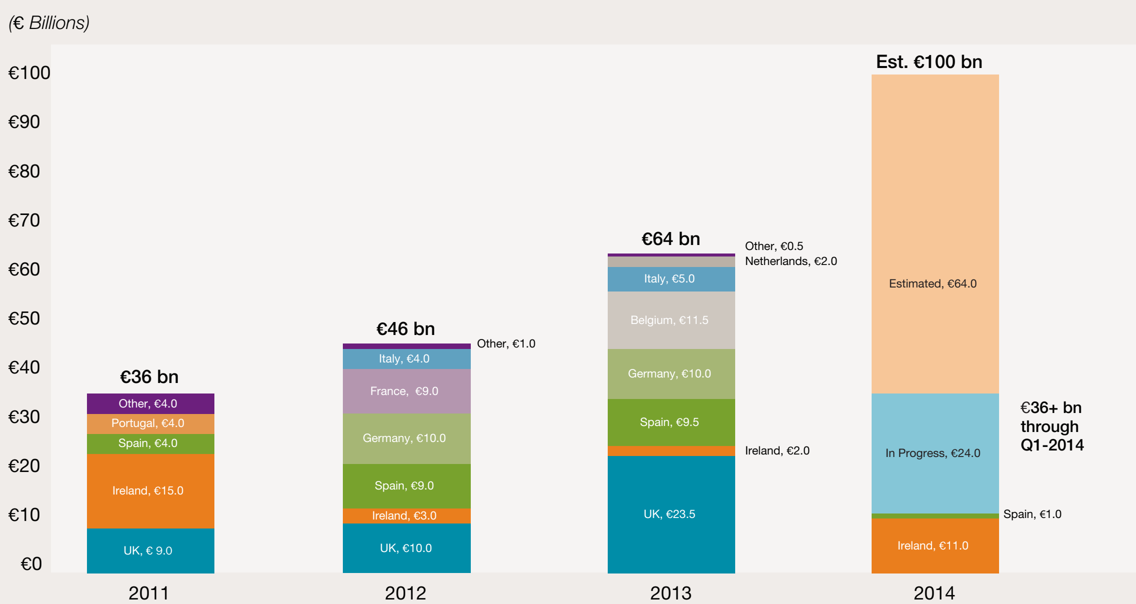
PERCENTAGE OF EUROPEAN LEVERAGED LOANS RATED CCC+ OR LOWER



Source: S&P European Leveraged Loan Index

Since 2008, a larger portion of European leveraged loans are at sustained lower ratings and will likely need to be restructured

EUROPEAN BANKS ARE SELLING ASSETS

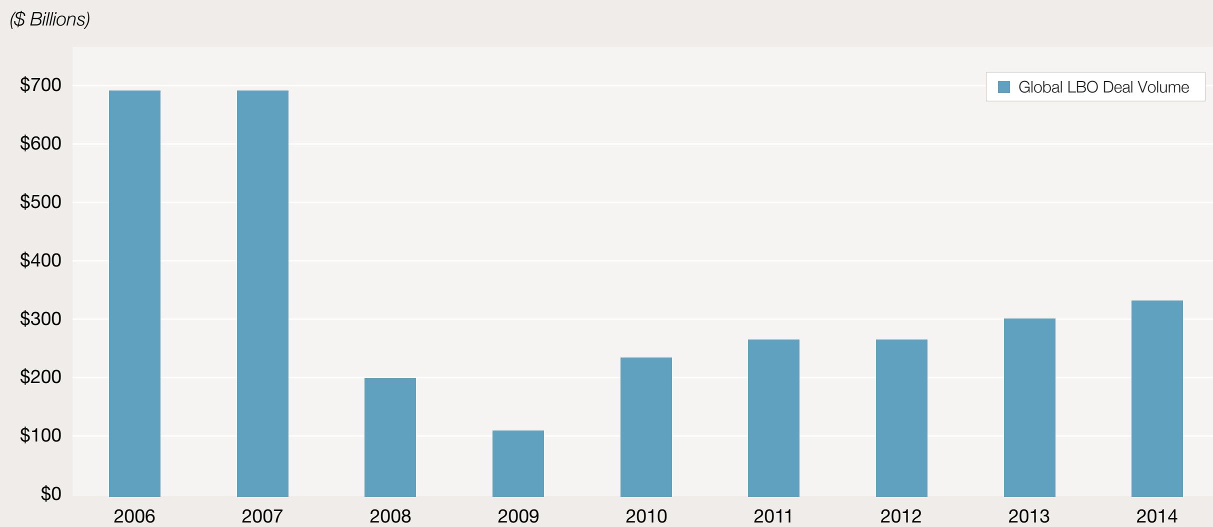


Note: Based on the location of the head office of the bank selling the assets

Source: Publicly available information, PWC information, estimate and analysis

Regulatory and economic pressure on Eurozone banks to shrink balance sheets have caused non-core asset sales to surpass recent expectations

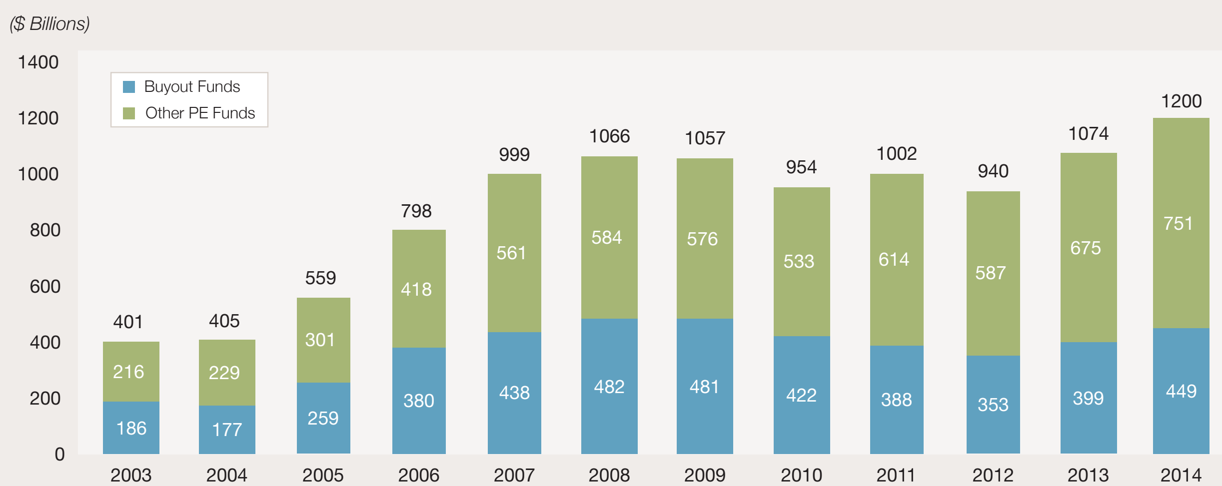
GLOBAL LBO DEAL VALUE



Source: Preqin

Global LBO volume in 2014 achieved the strongest year since 2007

GLOBAL PRIVATE EQUITY DRY POWDER

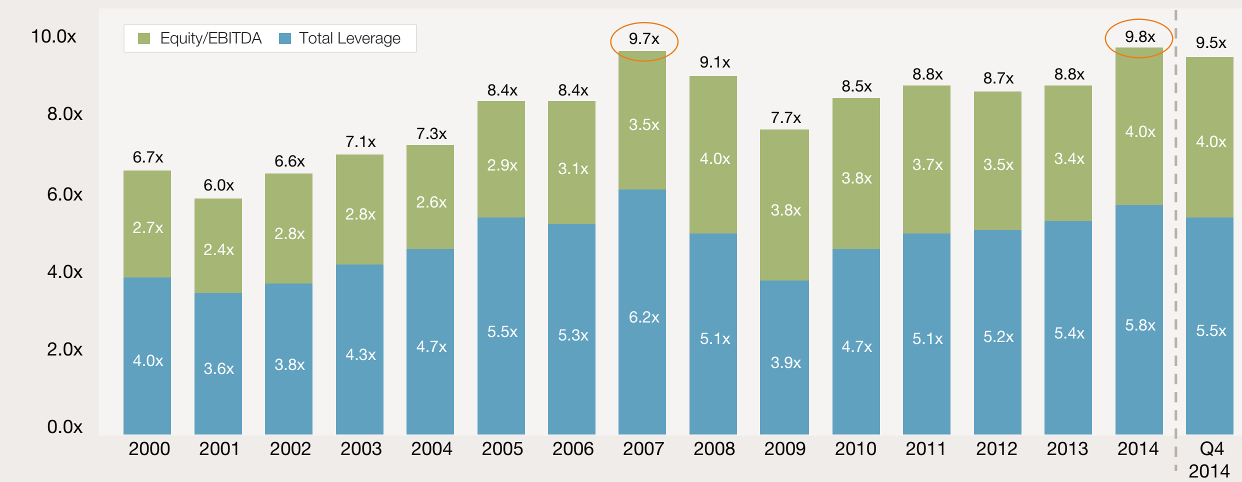


Other PE Funds: Real Estate, Venture, Infrastructure, Growth, Distressed, Mezzanine, Other

Source: Preqin

Buyout dry powder in 2014 increased by $50B from the $399B level in 2013

LBO CAPITALIZATION

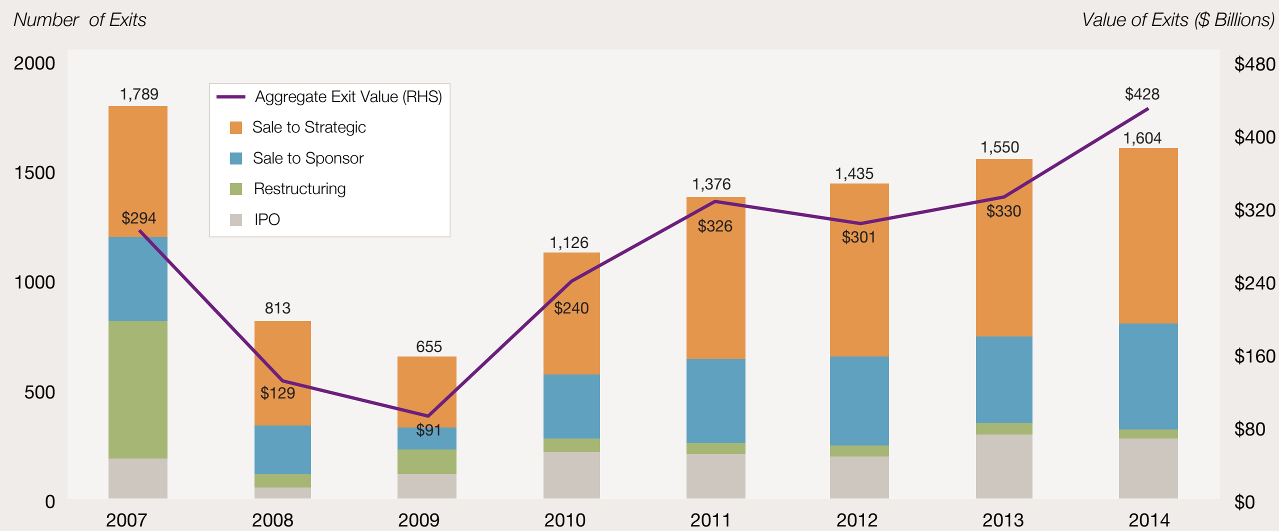


Equity Contribution	40%	35%	37%	35%	33%	30%	31%	31%	39%	46%	41%	38%	38%	36%	37%	40%

Source: S&P CapitalIQ LCD

LBO multiples for 2014 eclipsed the record level set in 2007. Equity contribution as a percent of total capital remained consistent with prior years at 37%.

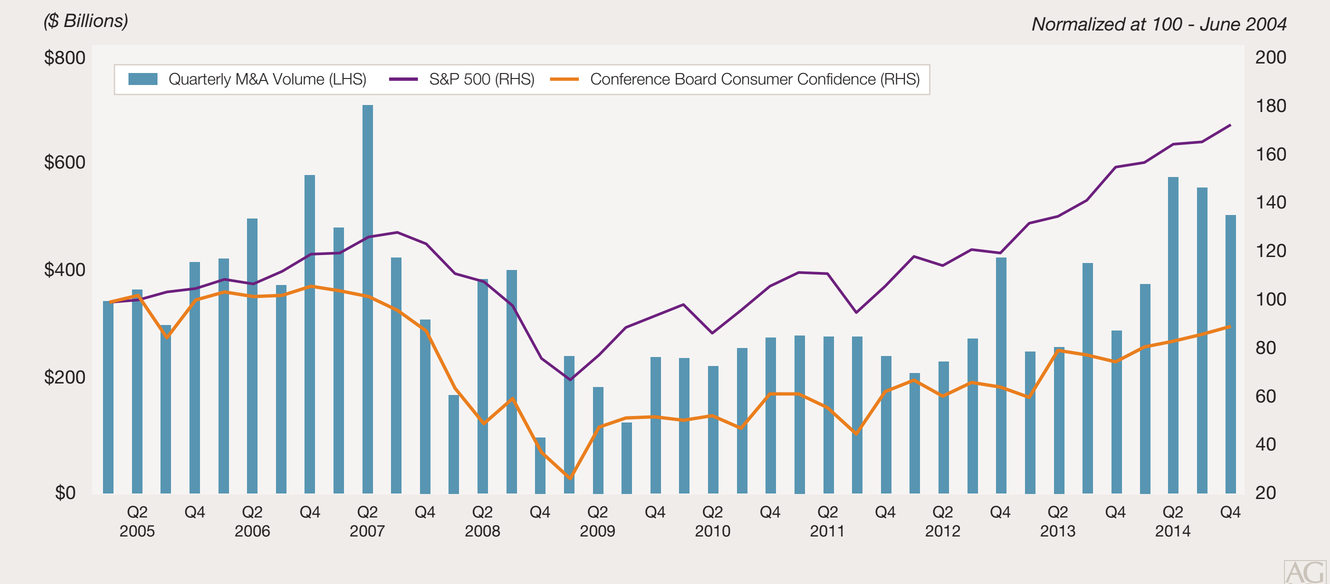
PRIVATE EQUITY EXITS



Source: Preqin

In 2014, total dollar volume and the number of private equity exits set all-time records

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



Source: Bloomberg

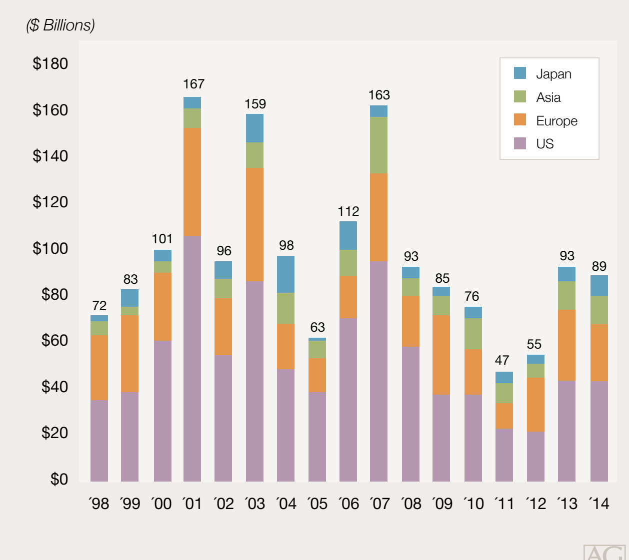
2014 was a banner year for U.S. M&A, with announced deal value reaching a 14-year high

CONVERTIBLE BOND IMPLIED VOLATILITY

Source: Barclays

Convertible bond valuations remain attractive in a historic context. A pick-up in the volatility environment could lead the market significantly higher.

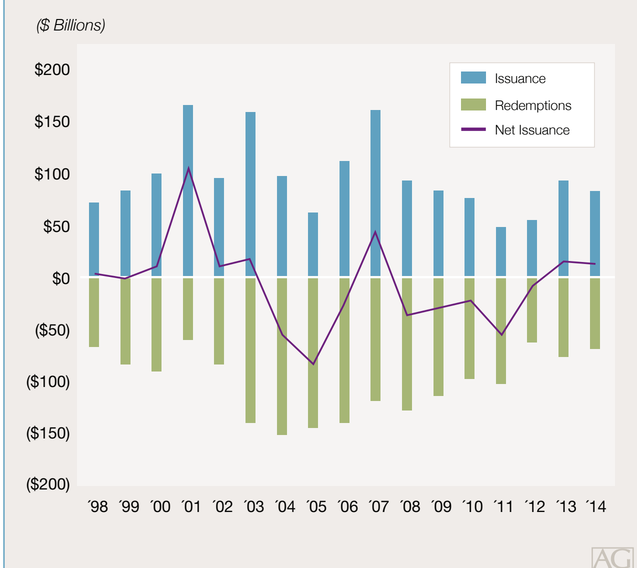
CONVERTIBLE BONDS ANNUAL GLOBAL ISSUANCE BY REGION



Source: BofA Merrill Lynch

New issuance remained near the levels reached in 2013, confirming the recovery trend

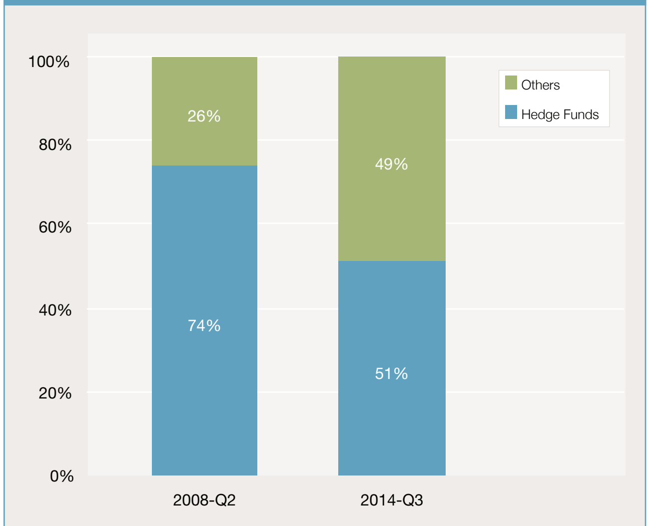
CONVERTIBLE BONDS GLOBAL NET ISSUANCE



Source: BofA Merrill Lynch

The overall market is growing again after several years of net contraction, …

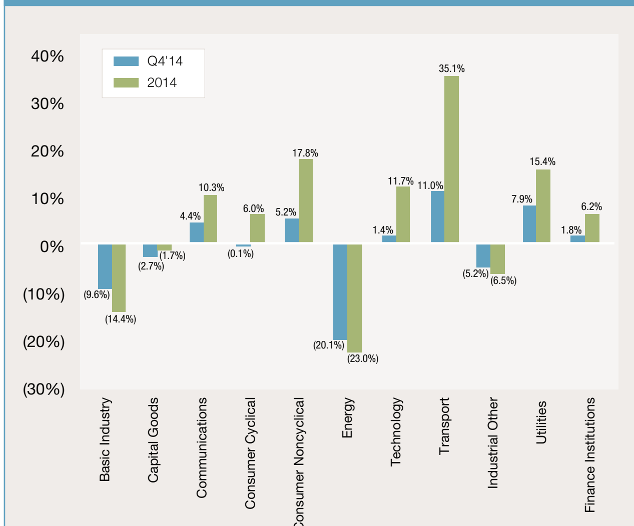
US CONVERTIBLE BOND OWNERSHIP



Source: Barclays

…while hedge fund participation in the strategy remains well below peak levels, leaving an increasing opportunity set to fewer investors

CONVERTIBLE BOND PERFORMANCE BY SECTOR

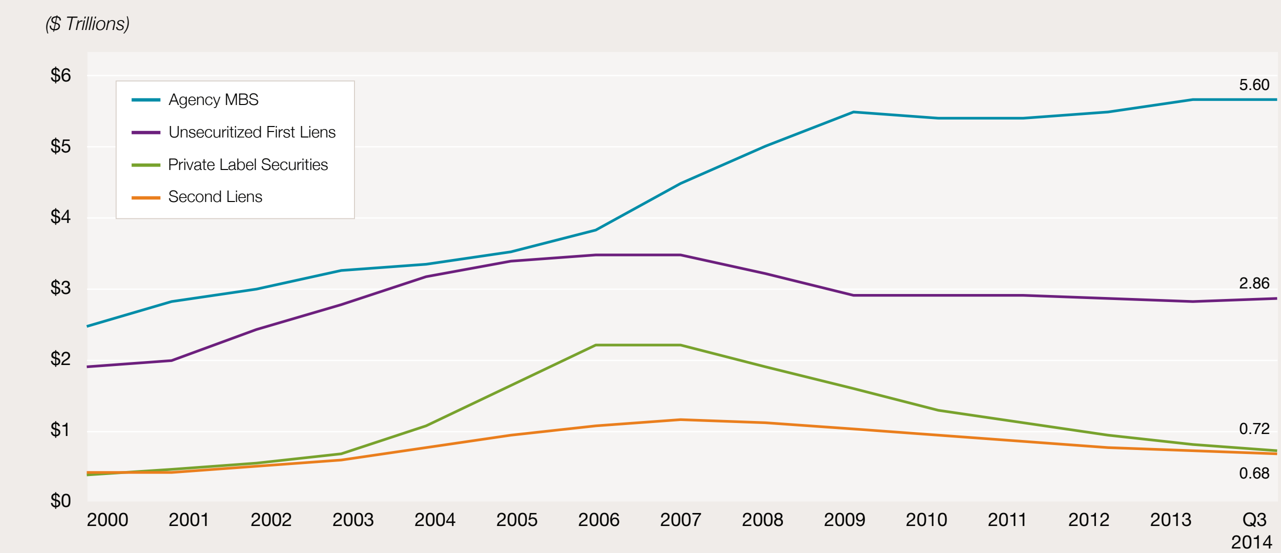


Source: Barclays

The energy sector significantly underperformed, especially in Q4

RESIDENTIAL AND CONSUMER DEBT (RMBS/ABS)

SIZE OF US RESIDENTIAL MORTGAGE MARKET

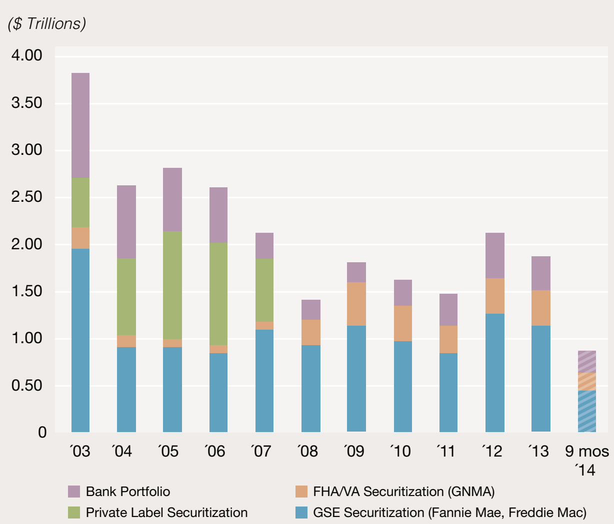


Note: Unsecuritizied first liens includes loans held by commercial banks, GSEs, savings institutions, and credit unions

Source: Federal Reserve Flow of Funds, Inside Mortgage Finance, Fannie Mae, Freddie Mac, eMBS and Urban Institute

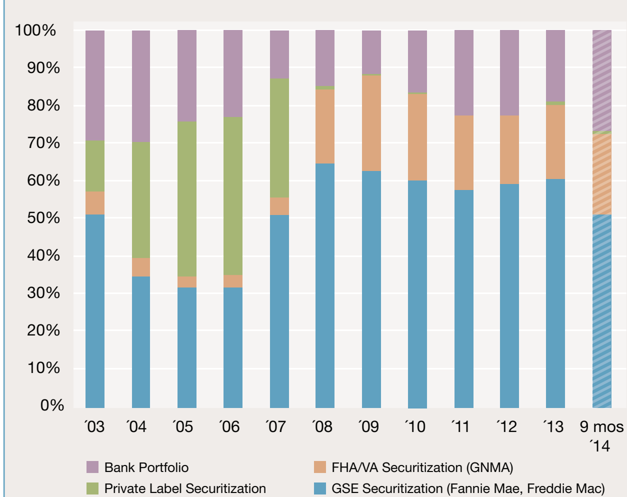
Although mortgage debt has decreased from 2007 the mortgage market remains vast, currently standing at $9.9 trillion

FIRST LIEN ORIGINATION VOLUME



Source: Inside Mortgage Finance and Urban Institute

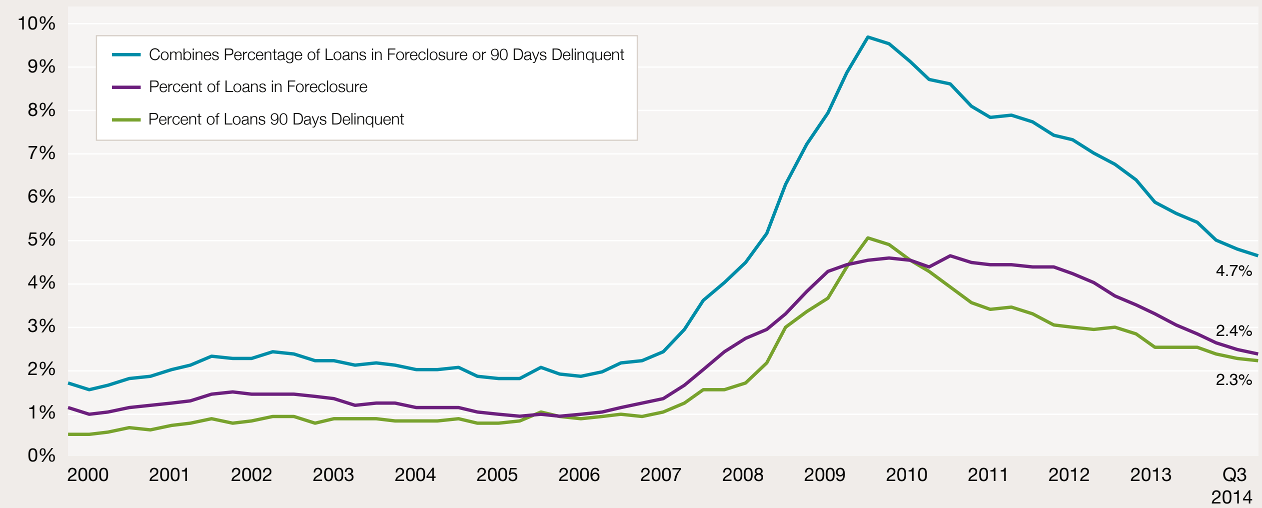
FIRST LIEN ORIGINATION MARKET SHARE



Source: Inside Mortgage Finance and Urban Institute

First lien originations in the first three quarters of 2014 slowed significantly from their 2013 pace, totaling $850B. The share of bank portfolio and FHA/VA originations rose, while the GSE share dropped, reflecting the decline in refinancing activity. Private Label origination share remained stagnant at 1%.

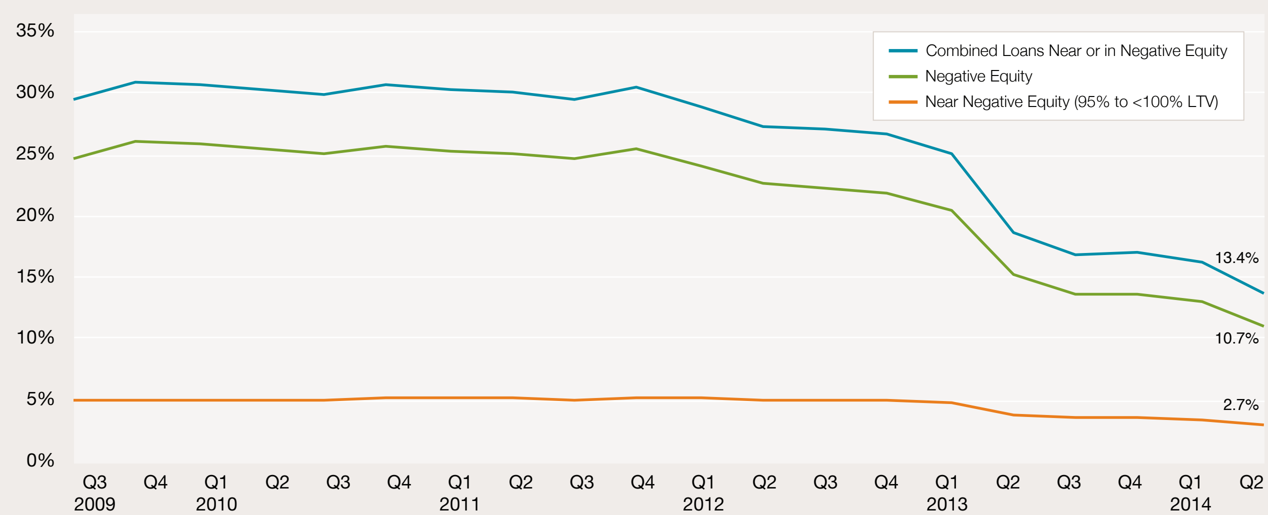
US RESIDENTIAL MORTGAGES IN SERIOUS DELINQUENCY/FORECLOSURE



Source: Mortgage Bankers Association and Urban Institute.

Serious delinquencies and foreclosures continue to decline with the housing recovery. Loans 90 days delinquent or in foreclosure totaled 4.7% in Q3, down 1% from the same quarter a year earlier.

US RESIDENTIAL MORTGAGES WITH NEGATIVE EQUITY



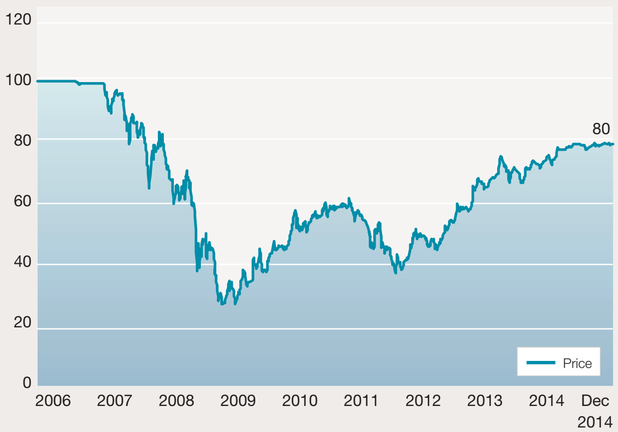
Negative Equity: LTV greater than 100%

Near Negative Equity: LTV between 95% and 100%

Source: Corelogic and Urban Institute

The recovery in the housing market continues to help underwater homeowners. With housing prices appreciating through the first half of 2014, residential properties with negative equity (LTV greater than 100) dropped to 10.7%. An additional 2.7% of residential properties had an LTV of between 95% and 100%.

SUBPRIME INDEX

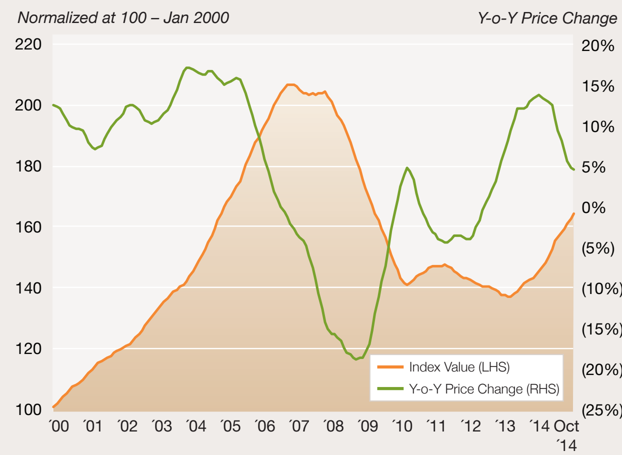


The Index represents a basket of reference obligations of twenty originally rated AAA subprime bonds issued in the first half of 2006 and is treated as a benchmark for similar vintage bonds

Source: Nomura, Credit Suisse

Index trading remains light and prices have flattened out after reaching a six year high

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

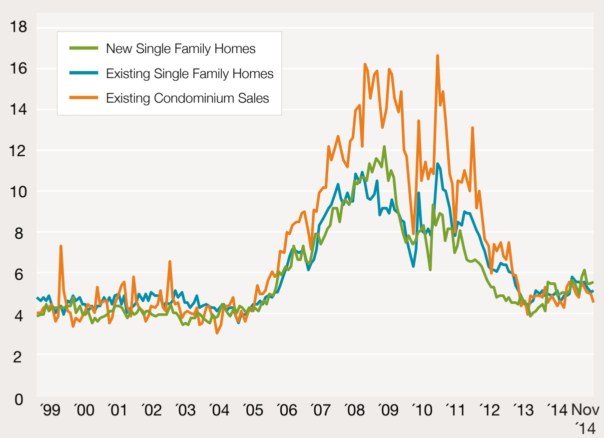


The S&P/Case-Shiller Composite of 20 Home Price Index is a value-weighted average of the 20 metro area indices. These metro areas include: Boston, Chicago, Denver, Las Vegas, Los Angeles, Miami, New York City, San Diego, San Francisco, Washington, DC, Atlanta, Charlotte, Cleveland, Dallas, Detroit, Minneapolis,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

Source: Bloomberg

After a strong climb, home price appreciation has stabilized at a more moderate pace

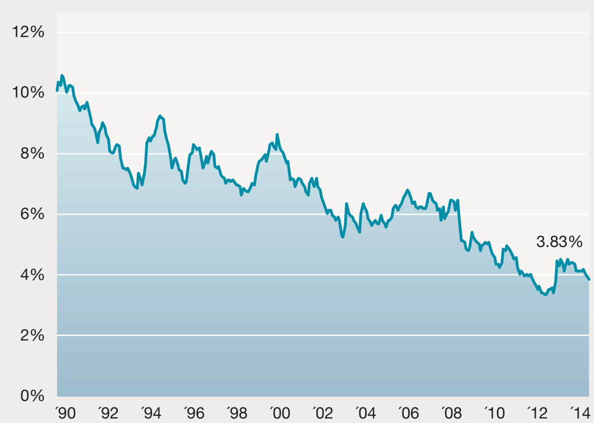
MONTHS SUPPLY OF HOUSING



Source: Bloomberg

Housing supply has returned to normalized levels

30-YEAR MORTGAGE FIXED RATE

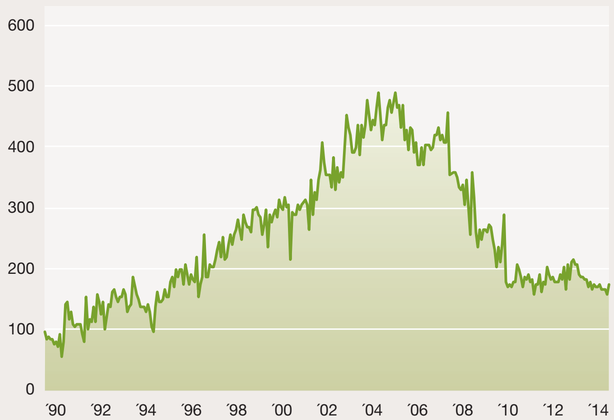


Freddie Mac US Mortgage Market Survey 30 Year Homeowner Commitment National: This concept measures movements of interest rates on residential real estate loans that are usually secured by a mortgage.

Source: Bloomberg

30-year mortgage rates declined in Q4, ending the year substantially below the year's high of 4.53%

MORTGAGE APPLICATION INDEX

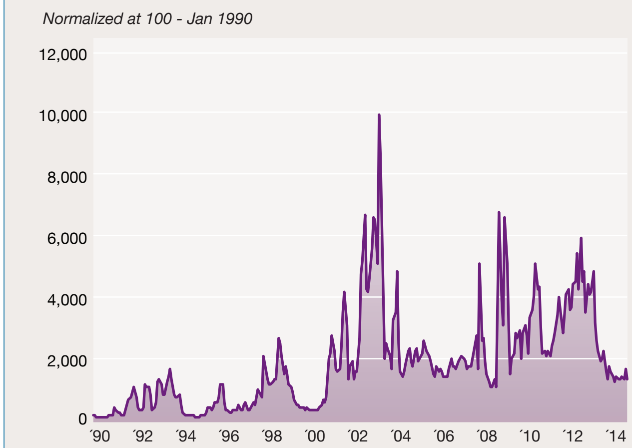


This concept tracks the volume of mortgage loan applications that have been submitted to lenders. Seasonally readjusted.

Source: Bloomberg

Mortgage applications continue to be hampered by stringent underwriting standards

MORTGAGE REFINANCING INDEX

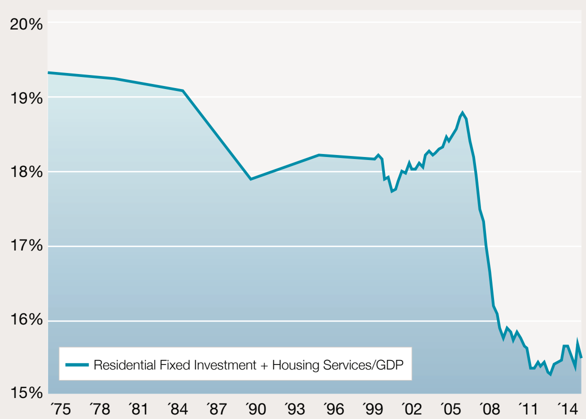


This concept tracks the volume of mortgage refinancing loan applications that have been submitted to lenders. Seasonally readjusted

Source: Bloomberg

Stringent underwriting standards have muted re-financings despite historically low rates

HOUSING AS A PERCENTAGE OF GDP

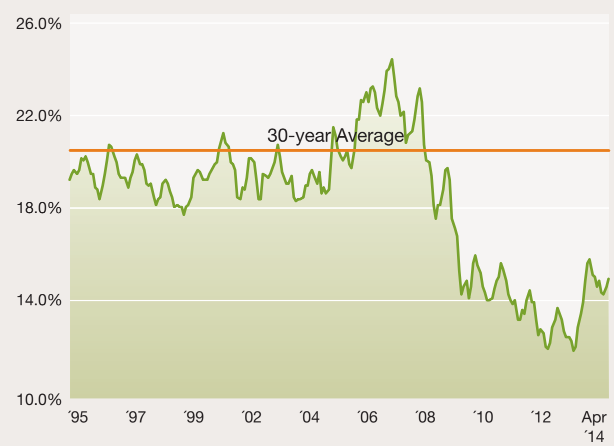


Residential Fixed Investment includes fixed investment in structures, equipment and software that contribute to production, as well as private business investment in inventories and new housing sales. Housing services are primarily rent but also include utility costs.

Source: National Association of Home Builders, Bloomberg

After an initial rise, housing's contribution to GDP has stalled

MORTGAGE PAYMENT AS A PERCENTAGE OF INCOME

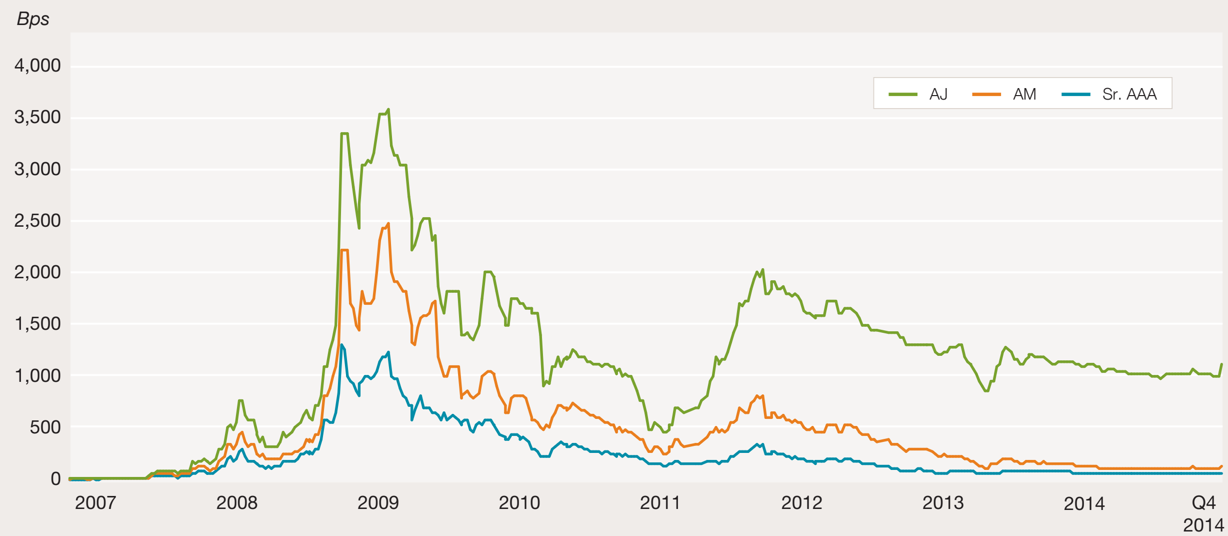


Source: NAR, DB Global Markets Research

Mortgage payments are at a historically low percentage of income

COMMERCIAL REAL ESTATE DEBT (CMBS) *(Return to PM Corner)*

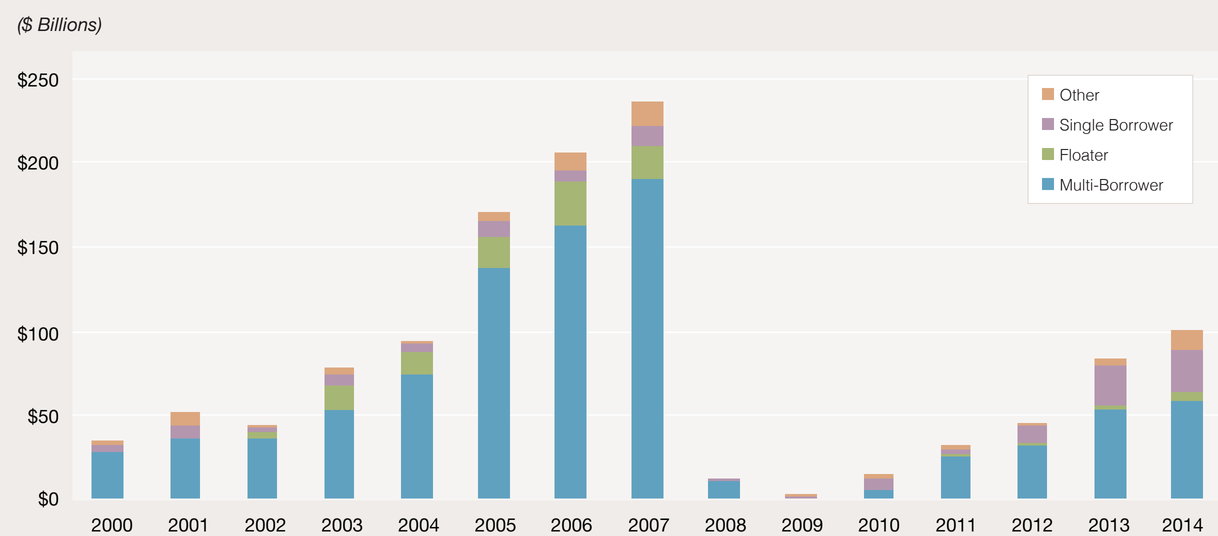
HISTORICAL CMBS SPREADS



Source: BofA Merrill Lynch

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

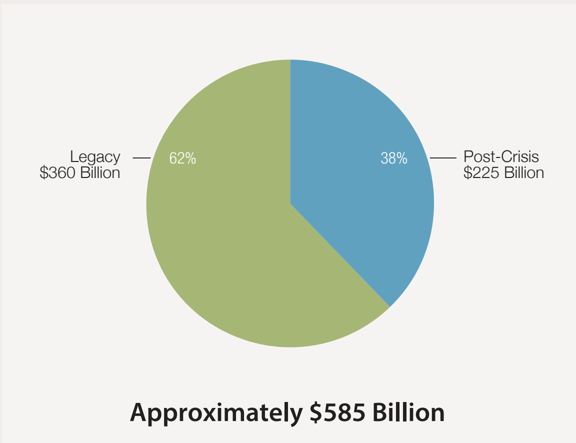
US CMBS ANNUAL ISSUANCE



Source: Credit Suisse

2014 CMBS issuance was the fourth highest on record. The growing new issue market is beginning to offer some interesting investment opportunities.

OUTSTANDING BALANCE OF PRIVATE LABEL CMBS

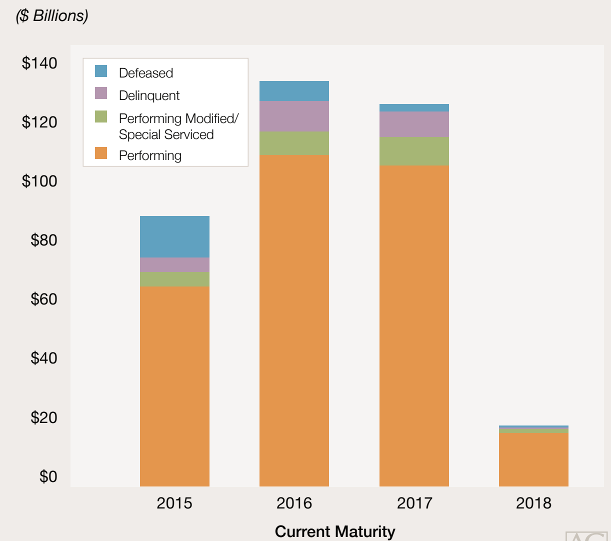


As of December 2014

Source: Citi

In 2015, the composition of the CMBS market will shift as post-crisis issuance will overtake the legacy market as a percent of CMBS outstanding

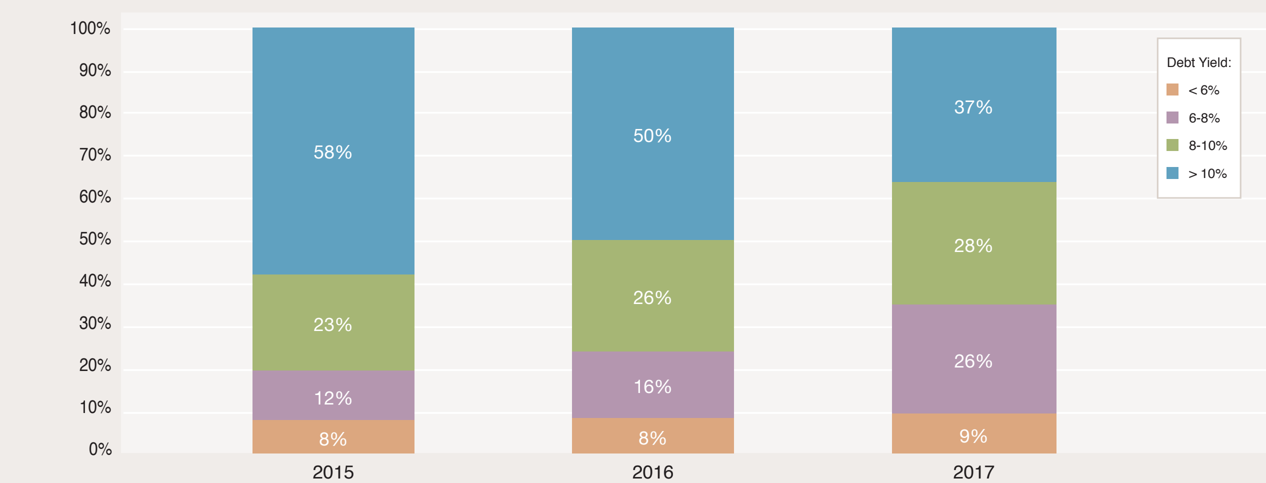
CMBS LOAN MATURITY PROFILE



Source: JPMorgan

Loan maturities will pick up substantially in 2015 and may remain elevated for several years as loans originated during 2005-2007 mature

DEBT YIELD FOR LOANS MATURING WITHOUT AN EXTENTION OPTION

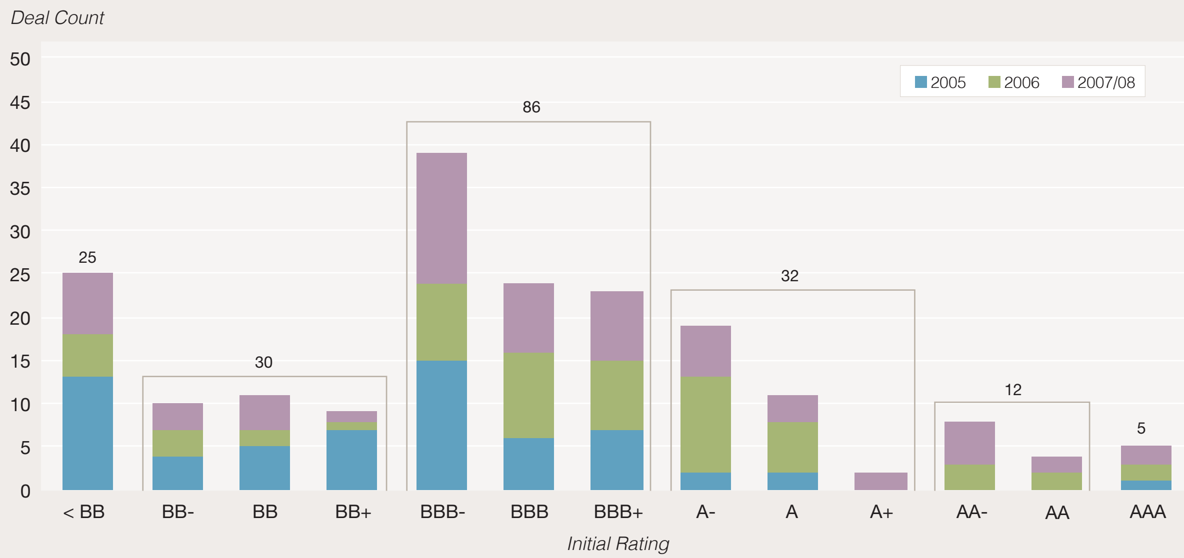


As of December 2014

Source: Morgan Stanley

Debt yield represents the ratio of a property's net operating income to outstanding loan size. Loans with lower debt yields may face greater challenges refinancing than loans with higher debt yields.

HIGHEST RATED TRANCHES TO TAKE LOSSES

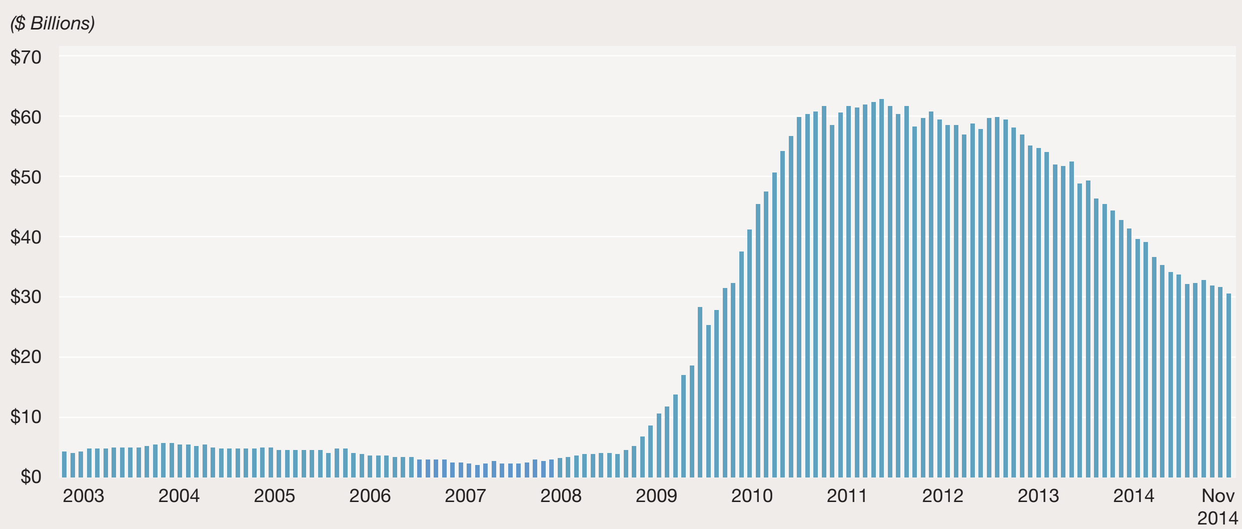


As of October 2014

Source: Credit Suisse

Losses continue to move higher in the capital stack. In-depth credit work remains critical. Forty-nine deals have now experienced losses to bond classes originally rated A or higher.

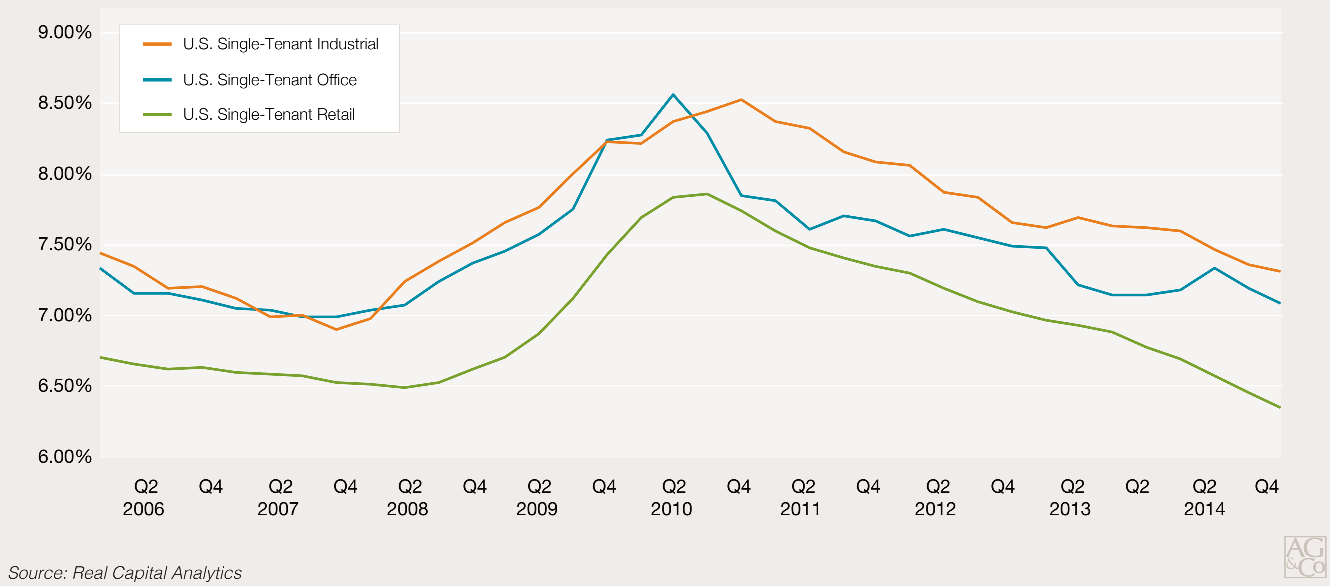
HISTORICAL CMBS DELINQUENCY BY UNPAID BALANCE



Source: Morningstar

Delinquency rates are declining as problem loans are being resolved

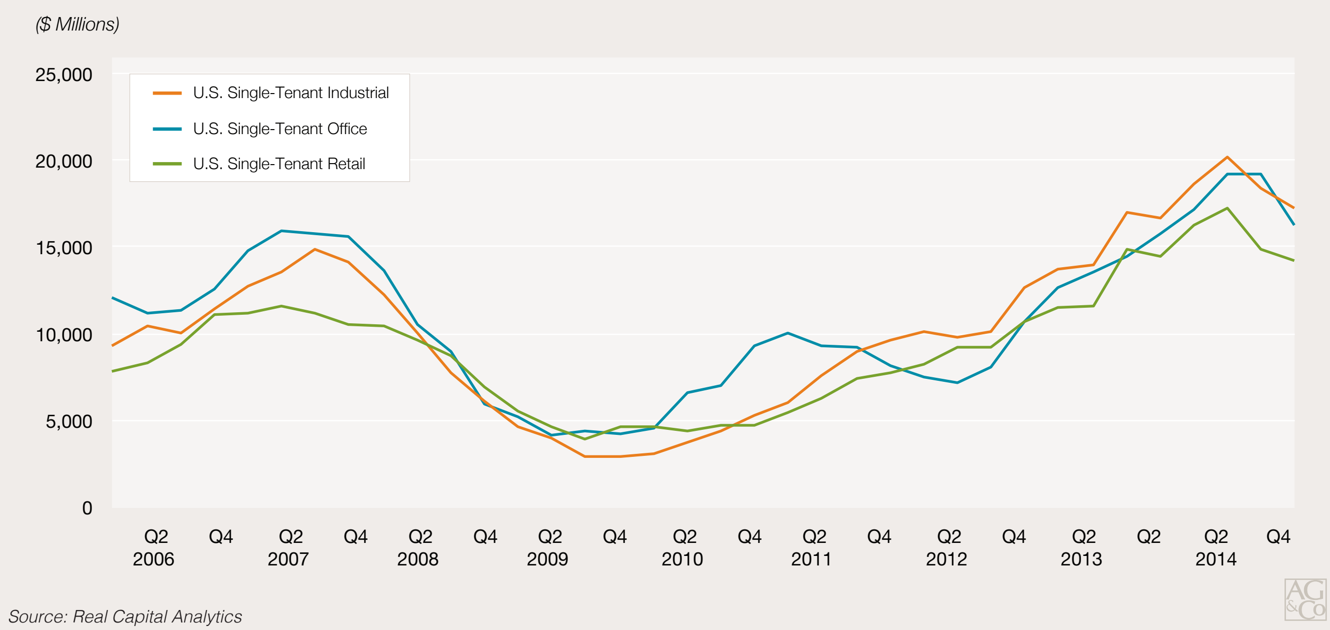
AVERAGE SINGLE-TENANT CAP RATES



Source: Real Capital Analytics

Pricing continues to strengthen

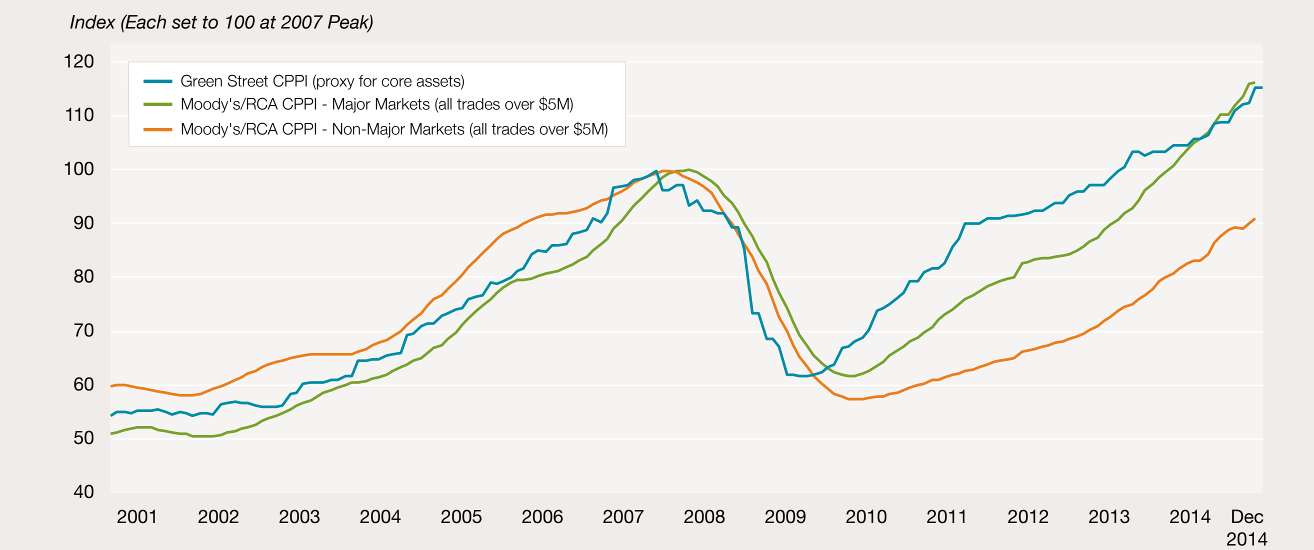
12-MONTH ROLLING SINGLE TENANT DEAL VOLUME



Source: Real Capital Analytics

Transaction volume decreased slightly

COMMERCIAL REAL ESTATE PRICE INDICES

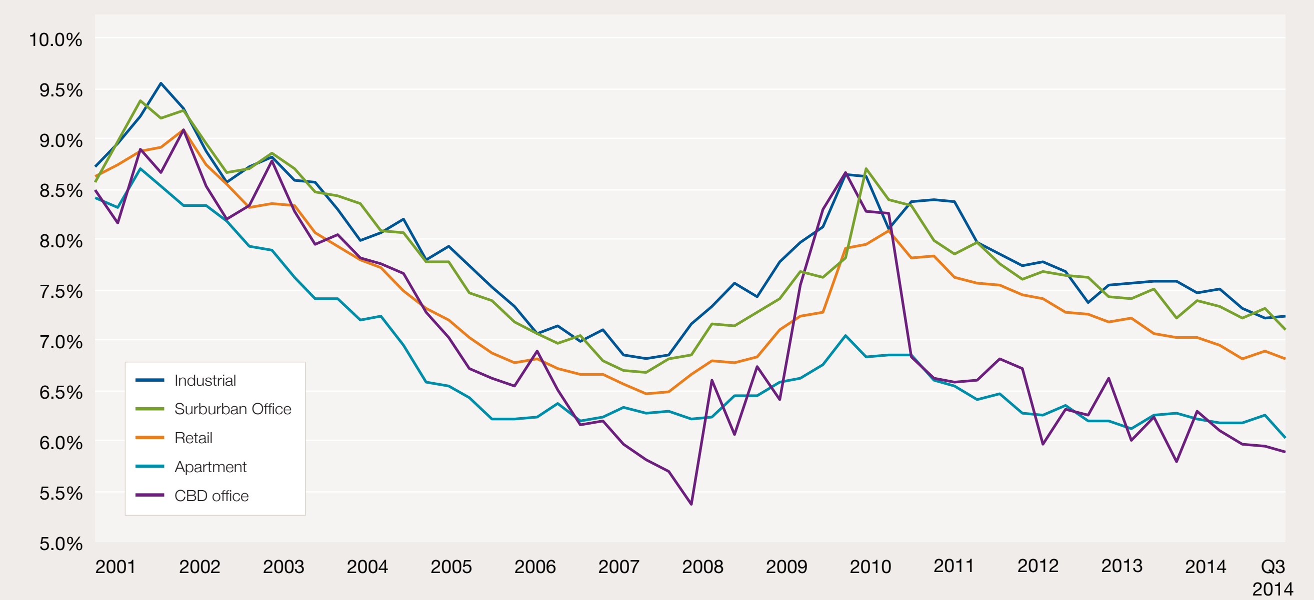


CPPI: commercial property price index

Source: Moody's/RCA and Green Street

Prices continue their upward trajectory and now exceed prior peaks in major markets and core product...

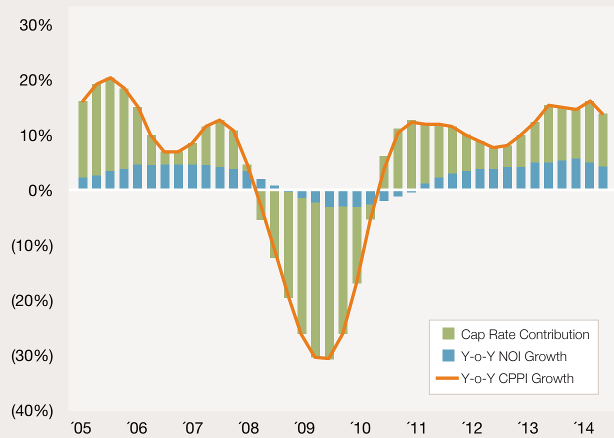
AVERAGE CAP RATES BY REAL ESTATE SECTOR



Source: Real Capital Analytics

...with considerable assistance from further tightening of cap rates...

COMPOSITION OF CPPI GROWTH ACROSS ALL PROPERTY TYPES



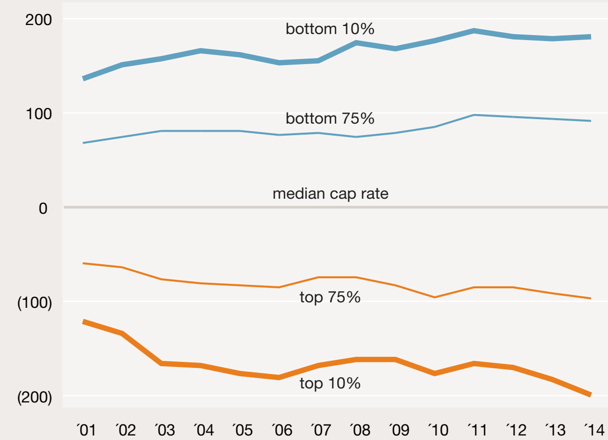
CPPI: commercial property price index

Source: Real Capital Analytics

...and improving net income

WIDENING DISTRIBUTION OF PRICING

basis point spread to median

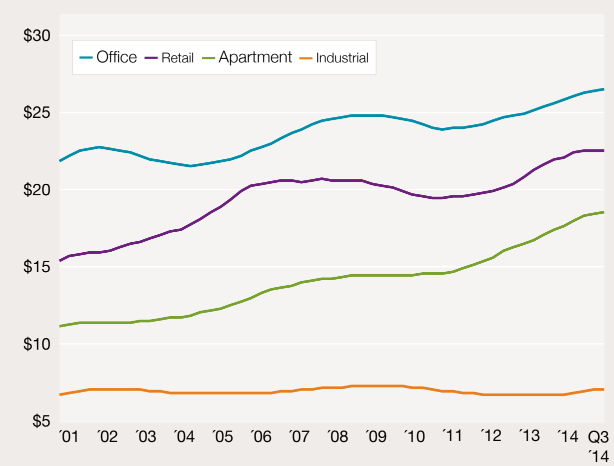


Source: Real Capital Analytics

Prices for the best assets continue to see the greatest appreciation

RENTAL RATES

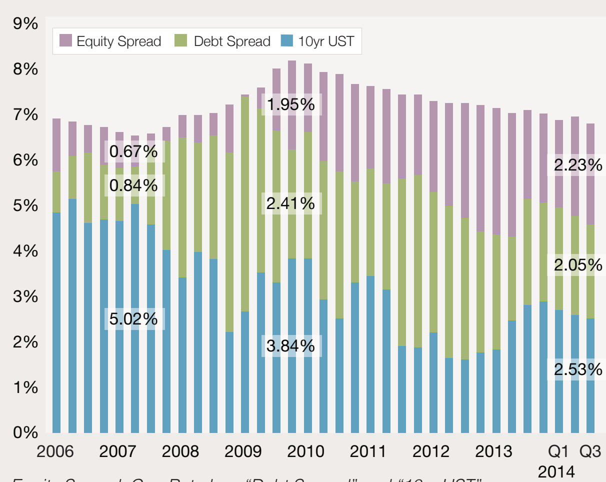
Per sq. ft.



Source: Real Capital Analytics

With limited new supply, rents should gradually accelerate

CAP RATES AND INTEREST RATES ACROSS ALL PROPERTY TYPES



Equity Spread: Cap Rate less "Debt Spread" and "10yr UST"

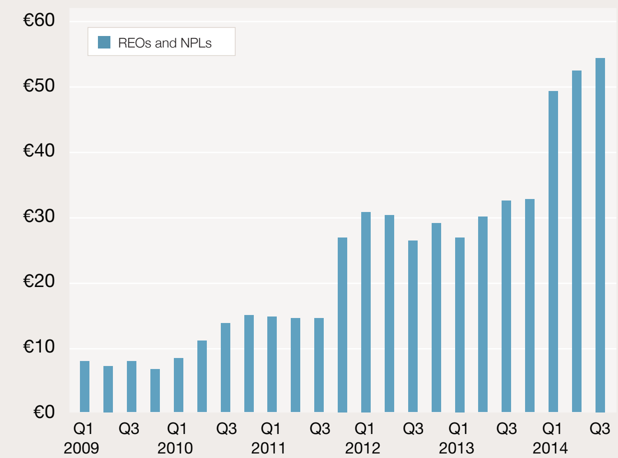
Debt Spread: Commercial Mortgage Rate less "10yr UST"

Source: Real Capital Analyytics

Equity and debt spreads remain attractive relative to the last peak

EUROPE REAL ESTATE

BANK ASSET DISPOSALS



(rolling 12 month total)

Source: Real Capital Analytics

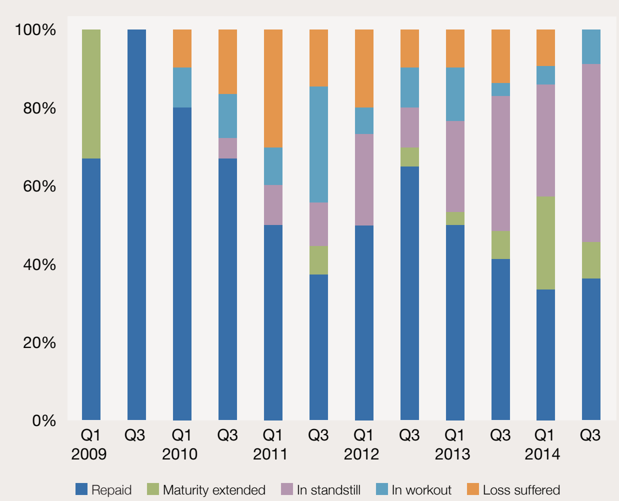
Bank sales are accelerating year over year.

GREECE GOVERNMENT BOND 3-YR YIELD

Source: Bloomberg

Political instability can quickly unsettle markets

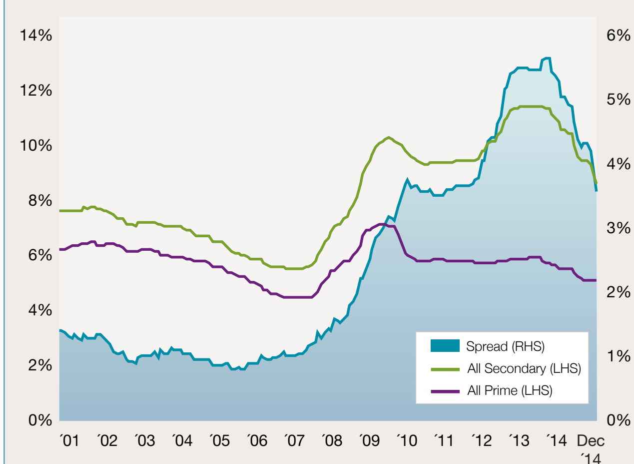
EUROPEAN CMBS MATURITY RESOLUTIONS



Source: Fitch

Recent maturities seeing fewer repayments

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

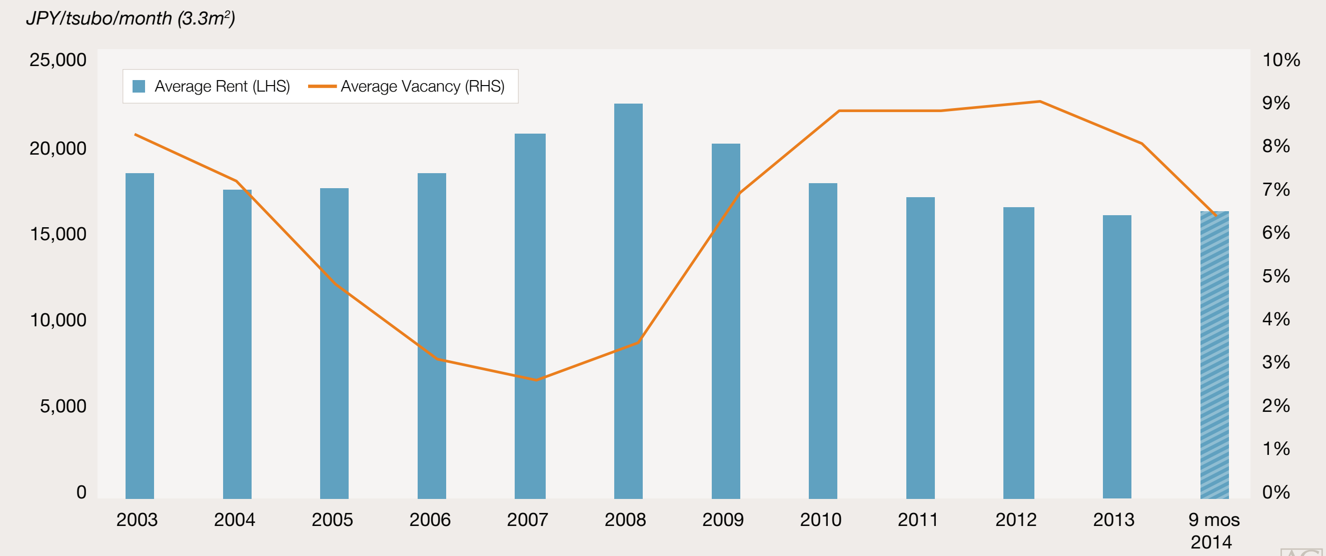


Source: CBRE

Gap decreasing but still as wide as in 2009 and very attractive

JAPAN

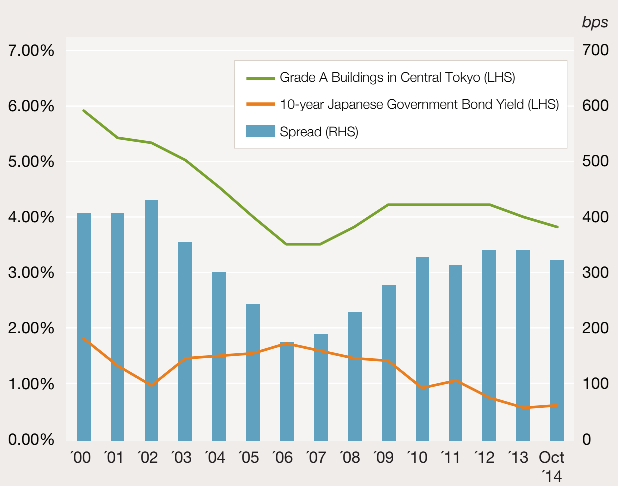
TOKYO'S 5 CENTRAL WARDS GRADE A OFFICE RENT AND VACANCY RATE



Source: MIki Shoji

Tokyo's office market is in the early stages of a recovery as the vacancy rate continues to decline

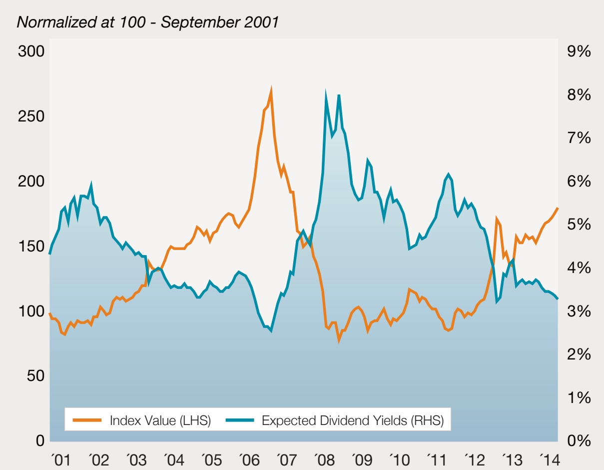
CAP RATES OF GRADE A OFFICE BUILDINGS VS BORROWING COSTS



Source: Japan Real Estate Institute

Despite lower cap rates, the spread of over 300 bps continues to be attractive to core investors

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



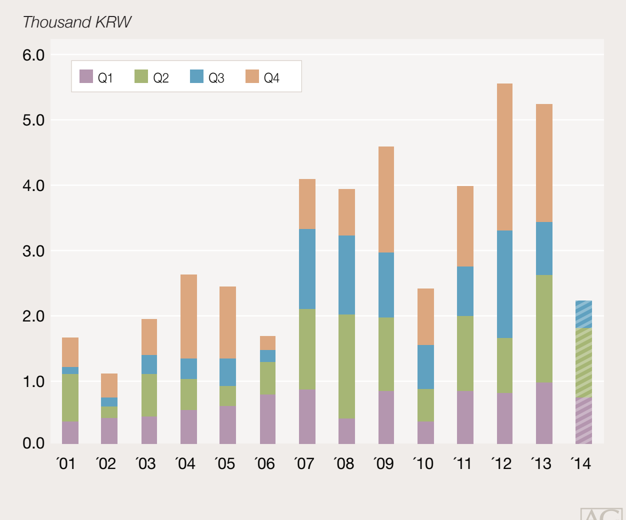
Source: Sumitomo Mitsui Trust Research Institute Co

Strong J-REIT index performance over the past two years has driven down dividend yields (and thereby implied cap rates)

 (Return to PM Corner)

KOREA

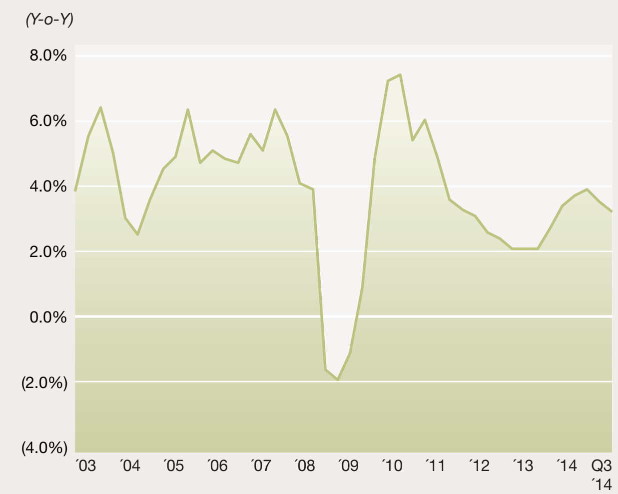
TRANSACTION VOLUME OF PRIME/ SECONDARY OFFICE BUILDINGS IN SEOUL



Source: Savills Research

Office sales declined in the third quarter from the previous years. Overall sales pace expected to fall short of 2012 and 2013.

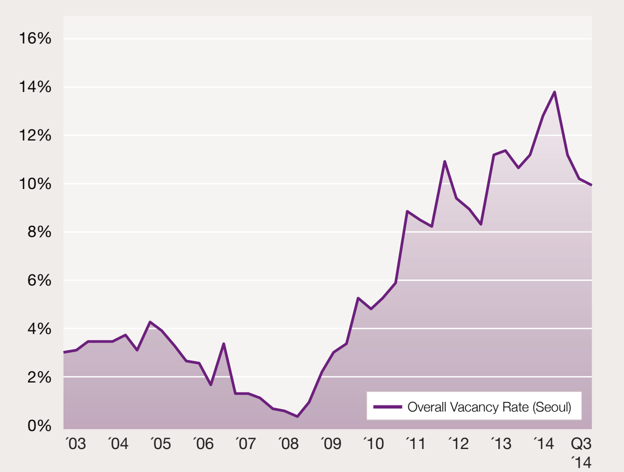
KOREA GDP GROWTH



Source: Bank of Korea

South Korea GDP growth weakened to 3.2% in Q3 ´14

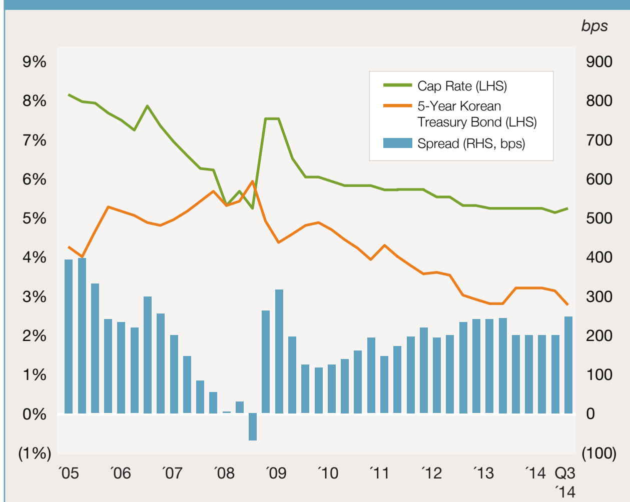
SEOUL OFFICE VACANCY RATE



Source: Jones Lang Lasalle Research

Seoul office market is recovering with net absorption bringing down vacancy to below 10%

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

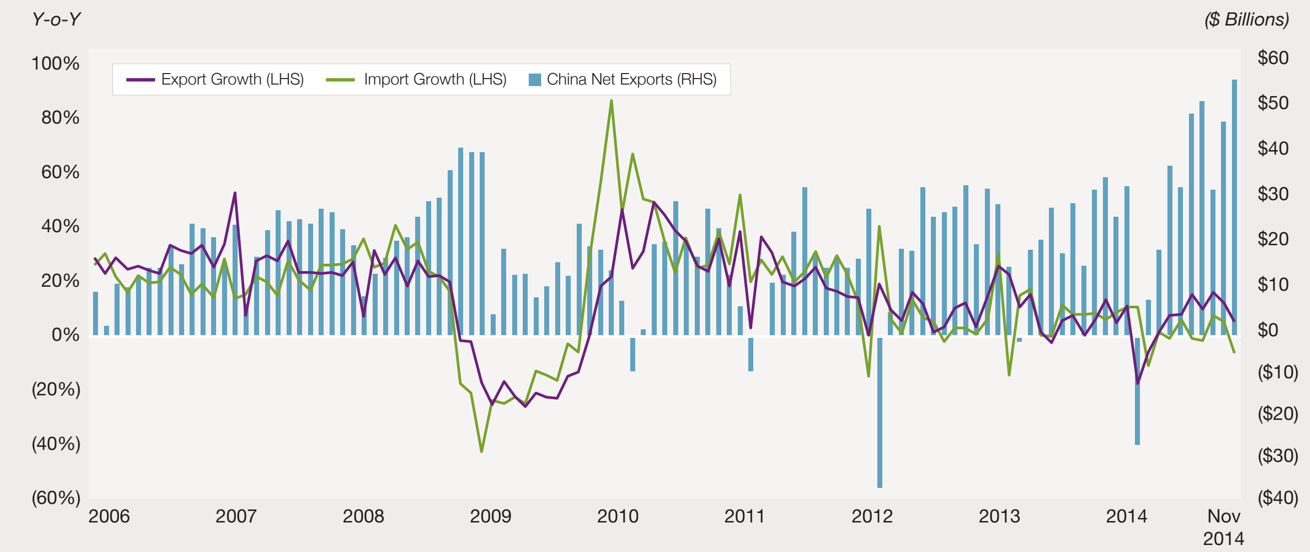


Source: Savills Research

Spreads begin to widen as Korean Treasury yields decline

CHINA

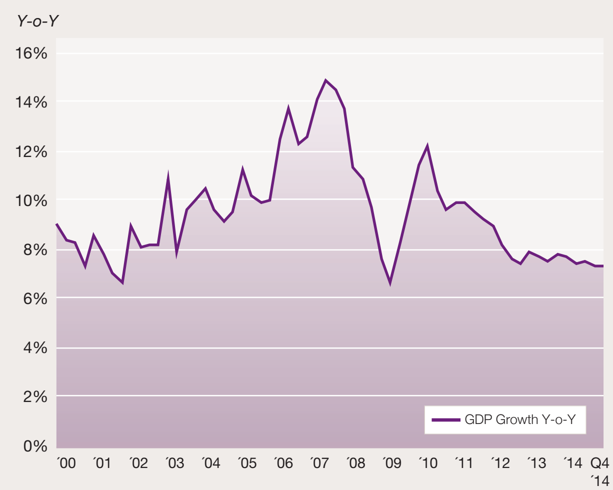
CHINA GROSS IMPORT/EXPORT GROWTH AND NET EXPORTS



Source: National Bureau of Statistics of China

Import growth fell into negative territory while export growth stayed in positive territory

CHINA GDP GROWTH RATE



Source: National Bureau of Statistics of China

GDP growth maintained at a steady pace

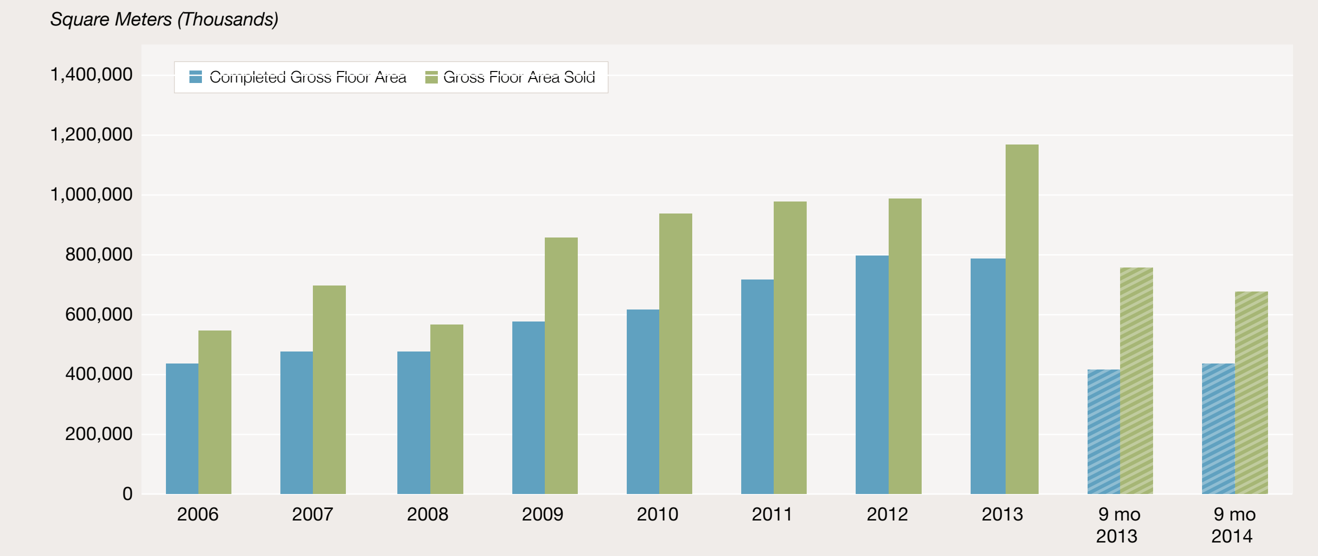
PMI FOR MANUFACTURING SECTOR

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.

Source: National Bureau of Statistics of China

PMI continued to be marginally positive

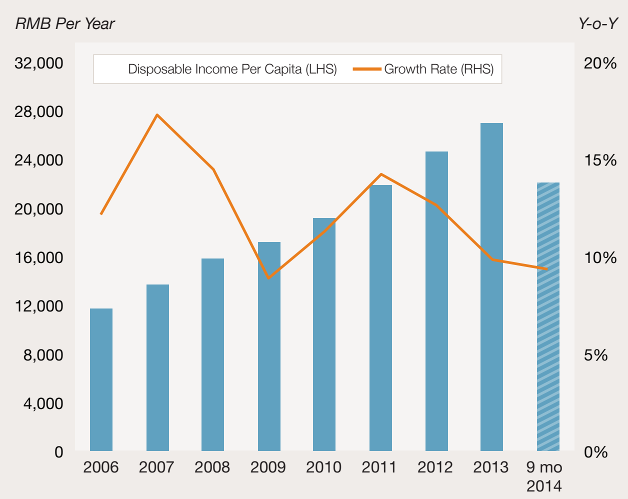
NATIONAL PRIMARY RESIDENTIAL SUPPLY AND SALES



Source: National Bureau of Statistics of China

Residential demand is keeping pace with supply although residential sales volumes fell by 10.3% in the first nine months of 2014

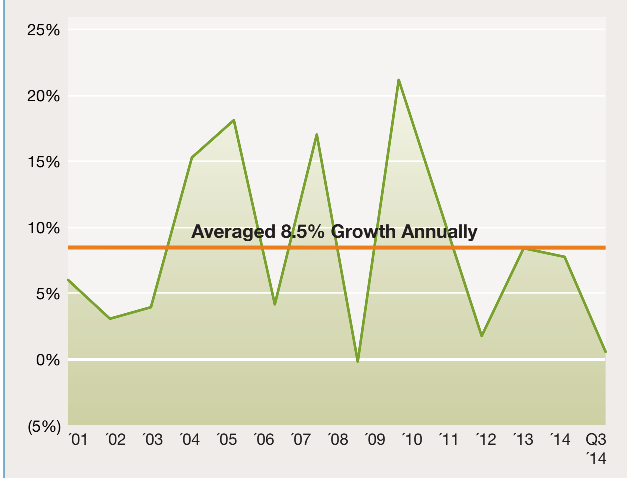
URBAN DISPOSABLE INCOME



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 began to recover in Q3 posting a 0.5% increase Y-o-Y versus a Q2 price decline of 1% Y-o-Y

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