ANGELO, GORDON & CO.

CAPITAL MARKETS PERSPECTIVES

SECOND QUARTER 2015

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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.

BRUCE MARTIN
Portfolio Manager
Non-Investment Grade Corporate Credit

Second quarter returns for the high yield bond and leveraged loan markets were muted, with high yield bonds up just 33 basis points and leveraged loans up 67 basis points *(See Chart)*. However, both leveraged finance markets vastly outperformed the investment grade markets, the equity markets, and 10-year Treasury bonds, which generated losses of 3% during the quarter as fears of rising rates and the Greek credit drama again tormented investors. JP Morgan research analysts now anticipate two rate hikes this year, in September and December, although recent events in Greece may affect the timing of lift-off.

The leveraged finance markets started the quarter off strong as WTI oil prices bounced sharply from $48 at the end of March to $60 in April. However, as WTI failed to appreciate further and the Treasury market sold off, the high yield bond market experienced $4.5 billion of outflows in June, driving prices lower and resulting in high yield index returns of negative 1.4% in June. The leveraged loan market fared better in June, despite also delivering negative 0.3% returns for the month due in large part to positive market technicals, as well as less sensitivity to expectations concerning future levels of interest rates. Loan funds experienced minimal outflows during the quarter and ongoing robust CLO issuance. In the first half of the year, CLO issuance reached nearly $70 billion, virtually on par with net new issue loan supply of $69.3 billion.

Default rates are creeping up, approaching a still low 2%, but the trend is both troubling and ominous given the increasing likelihood of energy-related defaults on the horizon. Although energy-related credits continue to lead the market lower and default statistics higher, metals and mining credits are also struggling, delivering the weakest index returns this year of negative 3.44% through the end of June. Heading into the second half of 2015, market attention will continue to be focused on oil prices, interest rates, and Greece. Although contagion may ultimately be contained, the uncertain implications of a potential Greek exit from the EU will likely result in ongoing bouts of volatility which would also likely be felt in the U.S. credit markets.

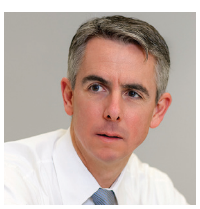
TREVOR CLARK

CHRIS WILLIAMS
Portfolio Managers
Middle Market Direct Lending

The middle market lending environment continues to feel the impact from a number of non-credit related factors. The recently announced sale of market-leader GE Capital's middle market lending operation, and the continuing impact of the Dodd-Frank mandated leveraged lending guidance has created significant uncertainty in the competitive landscape of middle market leveraged lenders. This uncertainty has created an opportunity for non-traditional market participants to play a larger role in the lending market.

While the first half of 2015 middle market loan volume was off 19% from the same period in 2014, second quarter loan volume jumped to $3 billion, a significant increase from $2.2 billion in the first quarter. Private equity backed transaction volume remained under pressure, as strategic buyers utilized high stock prices and low borrowing costs to aggressively pursue acquisition targets. Despite a significant increase in forecasted LBO activity, most lenders are not projecting an increase in expected loan volume for the second half of the year. According to LCD's Middle Market Review, LBOs represented 56% of year-to-date ("YTD"), 2015 loan volume, with refinancings and recaps representing 17% and 13%, respectively.

The current market dynamic highlights the difference between lenders with and without established direct origination capabilities. The lenders without direct origination rely on those with direct origination capabilities to provide lending opportunities. As the demand for loans outstrips supply, any lender without a robust direct origination effort will be subject to adverse deal selection. The pricing spread between large corporate and middle market loans ended the quarter at approximately 170 basis points *(See Chart)*. This middle market pricing premium reflects the on-going supply/demand imbalance between the large corporate and middle market debt markets.



TODD DITTMANN
Portfolio Manager
Energy Direct Lending

Oil prices have entered a "new normal," in which the competitive market established by U.S. shale production has eclipsed the historical influence of the OPEC cartel. Actual OPEC production regularly exceeds 31 million barrels per day ("bpd") despite a stated 30 million bpd target, and the Saudi rig count is up 14% from July 2014. The U.S. rig count, in contrast, has declined more than 50% over the same time period *(See Chart)*. Absent a return to a sustainable oil price enforcement mechanism, prices will remain volatile. Bearish factors at play include a strong U.S. dollar, OPEC production growth, full storage capacity, weak Chinese growth, and Iranian production. There are also numerous bullish factors to consider including absolute growing global demand, geopolitical risk, declining storage, and, until recently, a falling rig count.

Despite this uncertainty and instability, yield-hungry debt investors have flocked to large, tightly priced, loosely structured, broadly syndicated energy debt financings. In May, energy represented 25% of all new high yield issues. A total of $9 billion in leveraged finance paper was issued by 16 oil and gas companies, with healthier companies issuing longer-dated, unsecured bonds and more stressed issuers syndicating shorter-dated, second-lien secured paper. We would categorize many of these deals as short on structure and long on oil price hope, as few incorporated maintenance covenants, amortization requirements or hedging requirements, and yields reflected scant concern that oil price volatility goes both ways. Lending in this environment requires prudence. Given our lack of conviction about the future price of oil, we favor better-structured, hedged and more attractively priced senior secured lending opportunities that provide covenant control, the potential for amortization and, where available, junior capital below our entry point. We believe such transactions will become increasingly available as long as oil prices remain below $70-75 per barrel.

THOMAS FULLER
Portfolio Manager
Distressed Debt

Recent domestic default activity suggests the pace of distress in the U.S. is quickening. However, with energy issuers representing nearly half of the defaulting companies YTD, the overall number is misleading. Despite an uptick in the first half of 2015, defaults, which were up 56% year-over-year, ex-TXU, and 72% compared to the second half of 2014, remained historically low with the lagging high yield and loan default rates ending the quarter at 1.9% and 1.7%, respectively. By loan count, the default rate was still less than 1% as of June 30.

As we enter the second half of 2015, liquidity pressure on E&P names could change the high yield figures with distressed energy credits potentially leading the way *(See Chart)*. In general, we expect energy lending banks to materially reduce available revolving credit as part of the October borrowing base redetermination process. With energy companies facing reduced lines of financing, and possibly having already pledged existing reserves as collateral, we believe a potential market may be opening for future distressed possibilities. We continue to be exceedingly concerned with asset quality and value of both public and private opportunities, as opposed to conventional debt metrics. In Europe, the most compelling deals remain domiciled in jurisdictions with strong creditor rights. In addition to corporate leveraged finance issues, new opportunities are appearing in infrastructure and real estate. Banks continue to sell non-core exposure through single asset deals and portfolio sales *(See Chart)*.

ARTHUR PEPONIS
Portfolio Manager
Private Equity

The private equity market trends in the second quarter were consistent with those seen in the first quarter and continued the industry trends of the past few years. Deal volume for the first six months of 2015 increased approximately 20% from the same period in 2014 and was on pace for its best year since 2007. Despite higher deal volume, equity "dry powder" increased and finished the quarter at $467 billion, just shy of the all-time high of $482 billion set in 2008. Average leverage for buyouts in the first half of 2015 remained high by historical standards. During the period, leverage as a multiple of EBITDA was 5.8x, consistent with 2014's 5.8x multiple and slightly below the record 6.2x multiple recorded in 2007 *(See Chart)*. In addition, issuer-friendly covenant-lite loans represented a noteworthy 74% of new issues, an all-time high. Multiples achieved by sellers were also on pace to set a record for the year. During the first half of 2015, the multiple paid by private equity firms was on average 10.1x EBITDA, which was higher than the record 9.7x achieved in 2007. Further, for the first six months of 2015, equity as a percent of total consideration increased to 43%, which was at the upper end of equity contribution by historical standards. In addition to paying high multiples, private equity buyers, at times, maintained an aggressive posture to secure assets. Although anecdotal, it appears that there was an increase in buyers preempting competitive processes, agreeing to seller-friendly contractual issues, and shortening due diligence periods. Although private equity exits in both dollar volume and number were lower in the first half of 2015 versus the prior year period, exits were still on pace to have their second strongest year ever. The market remains favorable for sponsors seeking to monetize assets.

DAVID KAMIN
Portfolio Manager
Merger Arbitrage

U.S. merger and acquisition volumes achieved a 15-year high as the second quarter marked the sixth consecutive quarter of robust M&A activity *(See Chart)*. Whereas the previous M&A boom of 2007 was fueled by private equity-backed leveraged buyouts, the current M&A activity is driven by strategic corporate deals. Health care once again dominated deal flow, comprising approximately 38% of announced deal volumes which often involved foreign-domiciled buyers looking at U.S. companies. Technology, and in particular, semiconductors, continued to be an active industry during the quarter. The average deal size reached an all-time high of $10.5 billion as the skew to large deals continued in the quarter; approximately 40% of announced deals had a market capitalization greater than $5 billion. As a result of their larger size and thus increased complexities, deals are taking longer to complete and carry greater regulatory risk.

While median deal spreads were flat compared to spreads of 7% in the first quarter, it was not a quiet quarter as U.S. regulators returned in force. Both Comcast and Applied Materials abandoned their respective deals after facing serious concerns from regulators. Sysco Corp. also dropped its attempt to purchase US Foods, Inc. when a federal judge sided with the FTC. Steris Corp. still awaits the fate of its acquisition of Synergy Health plc after the FTC sued to block the deal. There was some market dislocation as a result of these blocked deals; however, it was not nearly as painful for arbitrageurs as when AbbVie walked away from its acquisition of Shire plc in October 2014. Late in the quarter we saw a break from a recent trend of investors rewarding acquirer's shares, as seen during this six-year recovery. We do not believe that this is a sea change but rather a result of particular circumstances and recent general market softness. Organic growth opportunities remain elusive, companies continue to have sizeable cash balances, and financing should remain attractive even after a presumed increase in the Fed Funds rate, which all point to a persistently strong M&A market.

GARY WOLF
Portfolio Manager
Convertible Arbitrage

June was a weak month for most risk assets as investors grappled with a continuing slowdown in China and the eurozone's negotiations with Greece. Convertible bonds gave back some of their YTD gains in this environment, with the BAML Global 300 Convertible Index falling 2.23% (in local currency terms) in June, its first negative month this year. For the second quarter, however, the convertible benchmark managed to stay in positive territory, adding 0.36%, even as European equity markets recorded their worst quarter in three years and the S&P was lower for the first quarter in ten. Convertible bond valuations cheapened somewhat as general risk appetite waned. Japan and Europe were particularly soft. Much of this was described as "dealer-led weakness," as market makers widened bid-offer spreads and called bonds lower for fear of facing sellers. However, no widespread selling materialized. In particular, outright investors remained better buyers on equity market weakness and continued cash inflows. Valuations may yet snap back fairly quickly once uncertainty in Europe subsides. The BAML All US Hedge Index, as an indicator for convertible arbitrage returns, declined 0.97% in the second quarter (-1.58% in June). Global convertible new issuance could not quite keep up the pace set in in the first quarter, yet remained healthy at $23 billion according to UBS data *(See Chart)*. The U.S. market continued to attract the highest deal volume at $9.6 billion, followed by Europe at $8.2 billion. The largest transactions included the America Movil/KPN NV exchangeable as well as the Frontier Communications and Anthem preferreds.

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

RMBS and ABS issuance and trading activity continued to be robust in the second quarter as demand for mortgage and consumer credit remained healthy and supply technicals supportive. The second quarter saw some reversal in the credit spread tightening experienced in the first quarter resulting from eurozone concerns, greater interest rate volatility, and liquidity fears. Although uncertainties in Europe, Puerto Rico, and China contributed some volatility in the market at quarter-end, we anticipate that there will be nominal impact on mortgage and consumer credit markets. Along with the uncertainties abroad, the anticipation of Fed lift-off has caused some fluctuations in the interest rate market. As a result, we experienced bouts of volatility in mortgage basis in the Agency RMBS market and anticipate this to continue in the coming months. Index or beta-like securities such Fannie and Freddie risk transfer transactions traded sideways as broker-dealers reduced inventory going into quarter-end. In terms of mortgage and consumer performance, there were solid improvements in both the underlying assets as well as borrowers' balance sheets *(See Chart)*. Home prices have stabilized, providing more equity to mortgage borrowers, and consumer balance sheets have improved through better labor markets and moderately higher wages. The trend of better delinquency rates continued to hold in the RMBS and ABS markets.

ANDREW SOLOMON
Portfolio Manager
Real Estate Debt (CMBS)

In hindsight one could say the fact that CMBS spreads had tightened for almost 40 straight months was interesting, but it is actually the sharp reversal of this trend that we find captivating. The second quarter started off in a fairly benign fashion, with spreads unchanged to modestly wider during April and May. In early June, the CMBS market held its second "annual" conference of 2015. This typically bullish event had a decidedly different tone that was described by participants as ranging from complacent, ambivalent and lacking conviction to cautious and even bearish. Investors expressed a wide range of concerns, including a lack of "obvious" trade ideas, the impact of a higher interest rate environment on the sector, regulatory hurdles due to risk retention, and deteriorating underwriting standards. The market tone turned negative towards quarter-end as a wave of new issue supply entered the market just as the market was contending with liquidity (or lack thereof), and the latest Greece chapter. Better quality legacy junior AAAs were quoted as much as 50 basis points wider by quarter-end. However, if a forced seller came into the market on the wrong day, the bonds would likely have sold closer to 100 basis points wider than levels seen in April. While this spread widening was significant, it rarely translated into a price decline of more than a point, as these are short duration bonds.

However, the same cannot be said in the new issue market, where spread movements have a much more dramatic impact on dollar prices. Into quarter-end, spreads on certain AAA bonds widened out from approximately 85 basis points over swaps to approximately 100 over swaps *(See Chart)*. This spread widening resulted in a price decline of roughly 1.25 points, or over $6 million in total for a $500 million bond class. At the BBB-level, spreads widened out from 350 to as much as 440, which translates to a price drop from $90 to roughly $84 and is more than enough to wipe out an entire year's worth of projected returns. We continue to believe that the market offers compelling investment opportunities for those with the right diligence and trading capabilities.

GORDON J. WHITING
Portfolio Manager
Net Lease Real Estate

Activity in the net lease market remained robust during the second quarter. Despite interest rate volatility, pricing in this market continued to strengthen throughout the period, particularly for retail. Cap rates for industrial and office 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 a favorable financing market, the growth in both the non-traded REIT space and in the public REIT market. Deal supply has also been healthy alongside an active M&A market and available financing.

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

The year was off to a strong start with total sales volumes of nearly $200 billion as of May, up approximately a third from the same period in 2014. Sales activity continued to be driven by strong capital flows across all investor types, particularly international sources who have been responsible for nearly 20% of core sales as compared to about half that rate last year *(See Chart)*. Cap rates continued to decline, down nearly 60 basis points from 2014 *(See Chart)*. Residential real estate has lagged commercial meaningfully, with prices up 5% year-over-year versus 16% for commercial. While commercial cap rates appear at record lows, lending spreads today are significantly wider than they were at the past peak, implying that cap rates may not need to fully absorb the impact of increasing interest rates as lending spreads could tighten. On the commercial lending side, underwriting standards remain more disciplined than they were in 2007. LTVs on commercial loans are closer to 65% today, compared to 70% in 2007. And despite a very robust lending environment, lending sources are well-diversified with CMBS representing roughly a 25% share of new origination versus 50% at the peak.

U.S. office market vacancy rates remained largely unchanged in the second quarter. Positive absorption occurred primarily in the suburban markets while the central business districts remained flat. Construction, while still below long-term averages, was highly concentrated as the top 10 markets accounted for nearly 60% of the total office space under construction. Rental rates have seen improvement with multifamily up 4.2% YTD as a result of increasing household formation and a trend towards renting *(See Chart)*. Office rents also trended higher with 3.3% growth although they remain below their 2008 peak. The pace of retail rent growth has slowed, up roughly 2%. As these rent increases eventually flow through to the bottom line, expectations for net operating income growth over 2015-2019 are robust, projected at over 4% per annum.

In Western Europe, annual investment volumes have more than doubled from €40 billion in 2009, to approximately €110 billion – though still not quite at the 2007 peak of €125 billion. In this time period, price appreciation has been driven roughly two-thirds by cap rates (compression of approximately 200bps in prime assets) and one-third by rent growth *(See Chart)*. These figures vary greatly by city; for example, London experienced yield compression of nearly 250 bps and Dublin 350 bps accompanied by strong rent growth, while Munich has seen 100 bps and Milan, barely any. A large part of the yield compression has been caused by a drop in base rates to very low levels. As a result, it is hard to see how cap rates can further compress unless macro news pushes buyers to accept even lower yields. Occupational markets across Europe seem to have mostly bottomed out with no city recording a major fall in rental levels and vacancy rates moving downward from a peak of 12% to 10%. Despite low levels of demand, a lack of new supply has allowed market occupancies to tighten. Rental growth has been correlated with employment growth. Due to its low unemployment rate, the UK is on track to have rental growth greater than 3% this year in all of its major cities, well higher in London.

WILSON LEUNG
Portfolio Manager
Asia Real Estate

The Japanese real estate sector is still in the early stages of a recovery and is four to five years behind the recovery experienced in the U.S. This gradual recovery resulted in Tokyo office rents rising 3.6% for the quarter. Vacancy in the Tokyo office sector rose by 1.0% to 6.3% as a result of new supply that was delivered to the market. We expect market rents to grow at a moderate pace which would support a healthy recovery in the real estate market. Cap rates and borrowing costs for Grade A office assets remained unchanged, allowing for the attractive 300+ basis point spread to continue *(See Chart)*. Demand for core, stabilized assets from both domestic and foreign investors continued to be strong as investors took advantage of the very positive yield spread. With the Japanese property market recovery in its early stages, we continue to believe that this is an ideal time to invest in Japan.

In Korea, opportunities to buy properties from distressed owners continue as the market struggles to recover. Vacancy in the Seoul office market edged up to 11.5% from 10.3% in the prior quarter as the market continued to absorb a lingering overhang from over-supply. As a result, office rents remained flat during the quarter. Cap rate spreads over 5-year Korean Treasuries widened to 300 basis points as Treasury yields ended the first quarter at 1.8% which were the lowest in a decade *(See Chart)*.

In China, the story of the year involves the dramatic swings of the Chinese equities market *(See Chart of the Quarter).* Nevertheless, the Chinese economy continued its steady, albeit slower growth pace of 7.0% in the second quarter. Although the supply-demand dynamics of the residential sector remain relatively healthy, prudent investors have slowly moved away from investing in residential development projects as development margins are being squeezed. A decade ago, such investors were able to invest in residential development deals where margins of 50% to 75% on cost were achievable. Today, the large Chinese developers have become more aggressive at land acquisition and are squeezing those margins down to 25% to 30%, which has made it less attractive. Over the past two years, new opportunities have arisen in selectively buying existing commercial and residential assets that need renovation or repositioning in China's Tier 1 cities including Shanghai, Beijing, and also Hong Kong.

ANGELO, GORDON & CO.

ECONOMIC DASHBOARD

MARKET INDICES

Second Quarter 2015

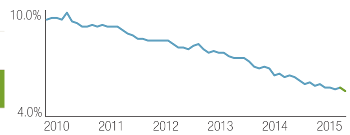
JOB MARKET

Macro Economics | Five-Year Trend

US – Unemployment Rate

As of 6/30/2015

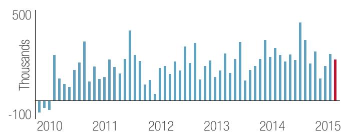
Latest Level	5.3
Changes from Prior Month	(0.2)
Latest Direction	Improving
Frequency	Monthly



US – Non-Farm Payroll

As of 6/30/2015

Latest Level	223.0
Changes from Prior Month	(31.0)
Latest Direction	Stable
Frequency	Monthly



US – Labor Participation Rate

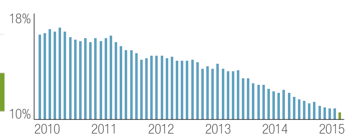
As of 6/30/2015

Latest Level	62.6
Changes from Prior Month	(0.3)
Latest Direction	Deteriorating
Frequency	Monthly

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

As of 6/30/2015

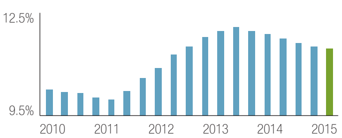
Latest Level	10.5
Changes from Prior Month	(0.3)
Latest Direction	Improving
Frequency	Monthly



Eurozone Unemployment Rate

As of 3/31/2015

Latest Level	11.2
Changes from Prior Quarter	(0.2)
Latest Direction	Improving
Frequency	Quarterly



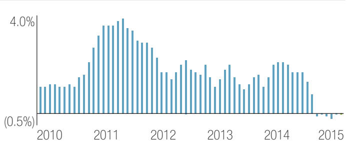
INFLATION

Macro Economics | Five-Year Trend

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

As of 6/30/2015

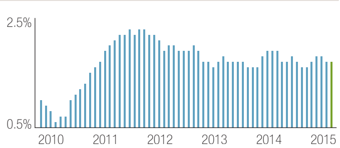
Latest Level	0.1
Changes from Prior Month	0.1
Latest Direction	No Change
Frequency	Monthly



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

As of 6/30/2015

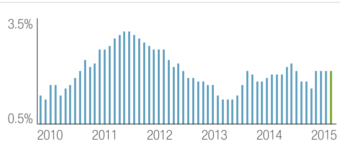
Latest Level	1.8
Changes from Prior Month	0.1
Latest Direction	No Change
Frequency	Monthly



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

As of 6/30/2015

Latest Level	2.2
Changes from Prior Month	0.2
Latest Direction	Increasing
Frequency	Monthly



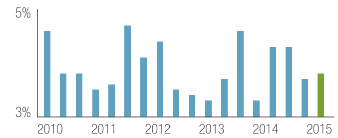
GDP GROWTH

Macro Economics | Five-Year Trend

US – GDP Y-o-Y %

As of 3/31/2015

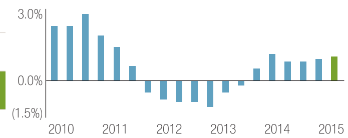
Latest Level	3.8
Changes from Prior Quarter	0.1
Latest Direction	Improving
Frequency	Quarterly



Eurozone – GDP Y-o-Y %

As of 3/31/2015

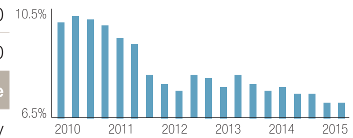
Latest Level	1.0
Changes from Prior Quarter	0.1
Latest Direction	Improving
Frequency	Quarterly



China – GDP Y-o-Y %

As of 6/30/2105

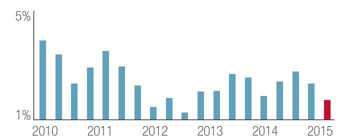
Latest Level	7.0
Changes from Prior Quarter	0.0
Latest Direction	No Change
Frequency	Quarterly



World – GDP Y-o-Y %

As of 3/31/2015

Latest Level	1.7
Changes from Prior Quarter	(0.6)
Latest Direction	Deteriorating
Frequency	Quarterly



HOUSING

Macro Economics | Five-Year Trend

Existing Home Sales

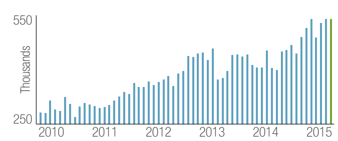
As of 5/31/2015

Latest Level	5.4
Changes from Prior Month	0.3
Latest Direction	Improving
Frequency	Monthly

New Home Sales

As of 5/31/2015

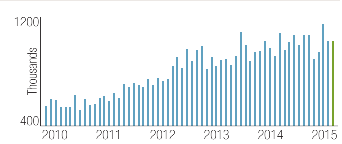
Latest Level	546.0
Changes from Prior Month	12.0
Latest Direction	Improving
Frequency	Monthly



Housing Starts

As of 6/30/2015

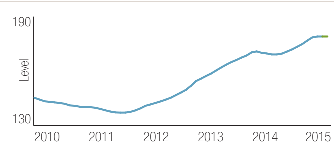
Latest Level	1,174.0
Changes from Prior Month	105.0
Latest Direction	No Change
Frequency	Monthly



Case-Shiller Index of Home Value in 20 Cities

As of 4/30/2015

Latest Level	179.9
Changes from Prior Month	0.5
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

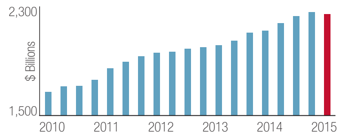
As of 6/30/2015

Latest Level	78.4
Changes from Prior Month	0.2
Latest Direction	No Change
Frequency	Monthly

Private Fixed Investment Nonresidential SAAR

As of 3/31/2015

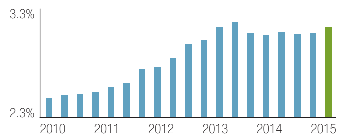
Latest Level	2,259.9
Changes from Prior Quarter	(12.1)
Latest Direction	No Change
Frequency	Quarterly



Residential Fixed Investment as a % of GDP

As of 3/31/2015

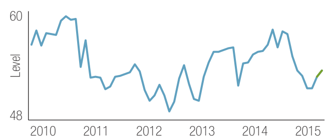
Latest Level	3.1
Changes from Prior Quarter	0.1
Latest Direction	No Chnage
Frequency	Quarterly



ISM Manufacturing Index

As of 6/30/2015

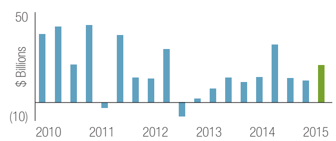
Latest Level	53.5
Changes from Prior Quarter	0.7
Latest Direction	Improving
Frequency	Monthly



Manufacturing Inventory Change Q-o-Q $

As of 3/31/2015

Latest Level	20.4
Changes from Prior Quarter	8.5
Latest Direction	Increasing
Frequency	Quarterly



Architecture Firms Billings Index

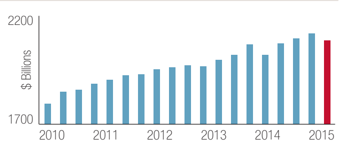
As of 2/28/2015

Latest Level	51.9
Changes from Prior Month	3.1
Latest Direction	Improving
Frequency	Monthly

Exports of Goods/Services

As of 3/31/2015

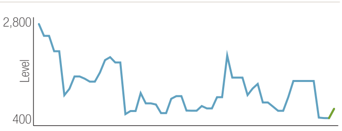
Latest Level	2,095
Changes from Prior Quarter	(32)
Latest Direction	Deteriorating
Frequency	Quarterly



Shipping Rates

As of 6/30/2015

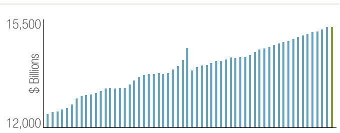
Latest Level	800
Changes from Prior Quarter End	211
Latest Direction	Improving
Frequency	Quarterly



Personal Income Level

As of 5/31/2015

Latest Level	15,307
Changes from Prior Month	79
Latest Direction	Improving
Frequency	Monthly



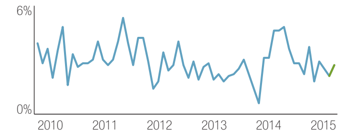
ECONOMIC & MARKET CONFIDENCE *(continued)*

Macro Economics — Five-Year Trend

US Retail Chain Store Sales Y-o-Y

As of 6/30/2015

Latest Level	2.7
Changes from Prior Month End	0.6
Latest Direction	Improving
Frequency	Monthly



Michigan Consumer Confidence Sentiment

As of 6/30/2015

Latest Level	96.1
Changes from Prior Month	5.4
Latest Direction	Improving
Frequency	Monthly

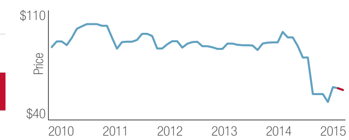
COMMODITIES

Macro Economics — Five-Year Trend

WTI Crude Oil Price

As of 6/30/2015

Latest Level	59.5
Changes from Prior Month End	(1.1)
Latest Direction	Decreasing
Frequency	Monthly



Reuters/Jefferies Commodity Index

As of 6/30/2015

Latest Level	227.2
Changes from Prior Month End	4.0
Latest Direction	Increasing
Frequency	Monthly

Gold

As of 6/30/2015

Latest Level	1,172.4
Changes from Prior Month End	(18.2)
Latest Direction	Decreasing
Frequency	Monthly

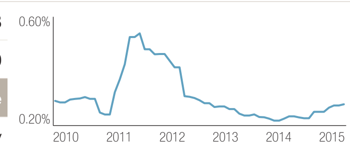
RATES

Macro Economics — Five-Year Trend

LIBOR 3M

As of 6/30/2015

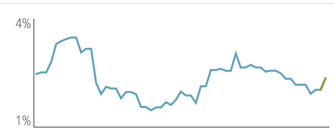
Latest Level	0.28
Changes from Prior Month End	0.00
Latest Direction	No Change
Frequency	Monthly



Treasury 10 Yr Yield

As of 6/30/2015

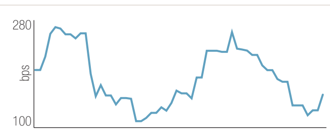
Latest Level	2.35
Changes from Prior Month End	0.32
Latest Direction	Increasing
Frequency	Monthly



Swaps 2Y vs 10Y

As of 6/30/2015

Latest Level	156.15
Changes from Prior Month End	16.10
Latest Direction	Steepening
Frequency	Monthly



Source: Bloomberg (All)

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

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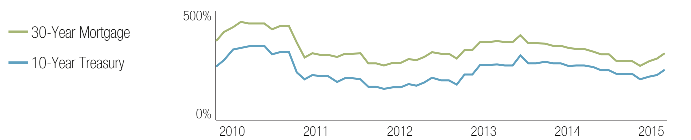
ECONOMIC DASHBOARD *(continued)*

RATES *(continued)*

Macro Economics — Five-Year Trend

30 Yr Mortgage and 10 Yr Treasury



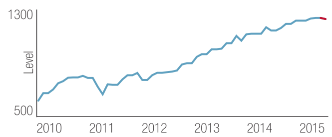
EQUITY

Macro Economics — Five-Year Trend

US Equity Markets – Russell 3000

As of 6/30/2015

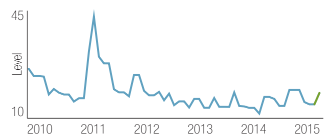
Latest Level	1,236.1
Changes from Prior Month End	(8.6)
Latest Direction	Sell-off
Frequency	Monthly



US Equity – VIX

As of 6/30/2015

Latest Level	18.2
Changes from Prior Month End	3.7
Latest Direction	Increasing
Frequency	Monthly



S&P 500 Percentage Exceeding Earning Estimates

As of 6/30/2015

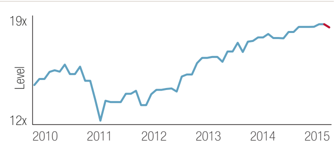
Latest Level	67.7
Changes from Prior Quarter End	(1.0)
Latest Direction	Decreasing
Frequency	Monthly

S&P 500 Historical Valuation Levels

Trailing P/E on S&P 500

As of 6/30/2015

Latest Level	18.2
Changes from Prior Month End	(0.2)
Latest Direction	Decreasing
Frequency	Monthly



Equity Markets – Euro Stoxx

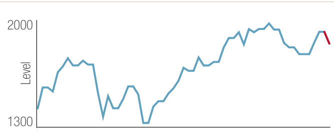
As of 6/30/2015

Latest Level	354.9
Changes from Prior Month End	(15.2)
Latest Direction	Decreasing
Frequency	Monthly

Equity Markets – MSCI EAFE

As of 6/30/2015

Latest Level	1,842.5
Changes from Prior Month End	(75.9)
Latest Direction	Decreasing
Frequency	Monthly



EQUITY *(continued)*

Macro Economics — Five-Year Trend

Equity Markets – MSCI EM

As of 6/30/2015

Latest Level	972.3
Changes from Prior Month End	(75.5)
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

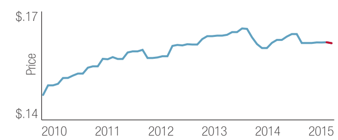
As of 6/30/2015

Latest Level	1.11
Changes from Prior Month End	0.02
Latest Direction	Improving
Frequency	Monthly

Yuan Spot Rate vs 1 USD

As of 6/30/2015

Latest Level	0.1611
Changes from Prior Month End	(0.0003)
Latest Direction	Deteriorating
Frequency	Monthly



Yen Spot Rates vs 1 USD

As of 6/30/2015

Latest Level	0.0082
Changes from Prior Month End	0.0002
Latest Direction	Deteriorating
Frequency	Monthly

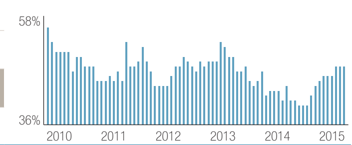
POLITICS

Macro Economics — Five-Year Trend

NBC NEWS/WSJ Poll Obama Approval Rating[1]

As of 6/18/2015

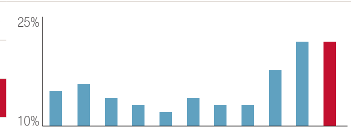
Latest Level	46.0
Changes from Prior Month	0.0
Latest Direction	No Change
Frequency	Monthly



NBC NEWS/WSJ Poll Congress Approval Rating[1]

As of 5/31/2015

Latest Level	15.0
Changes from Prior Level	(1.0)
Latest Direction	Decreasing
Frequency	Semi-Annually



Source: Bloomberg (Except where noted)

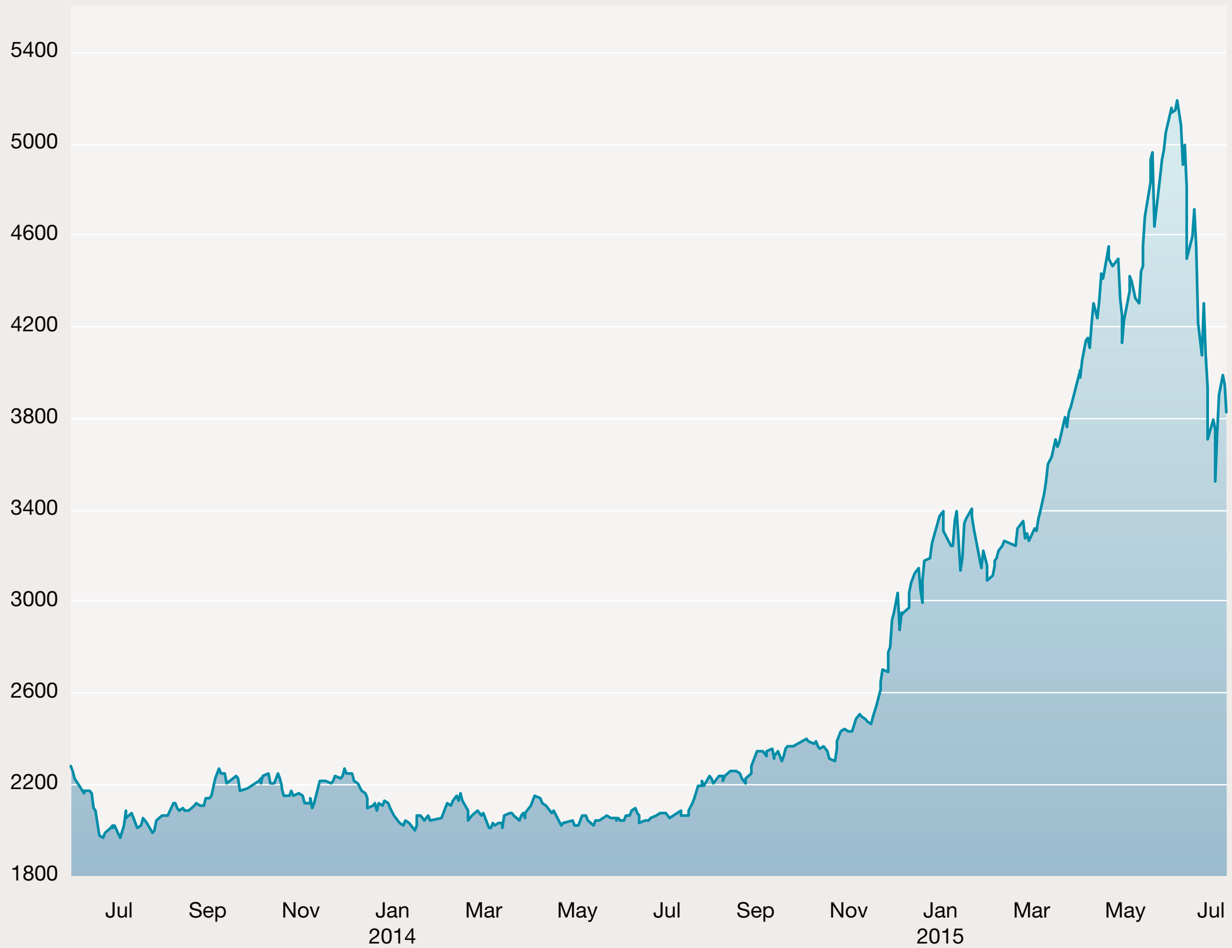
(1) NBC News/Wall Street Journal Survey

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

CHART OF THE QUARTER

(Return to PM Corner)

SHANGHAI STOCK EXCHANGE COMPOSITE INDEX

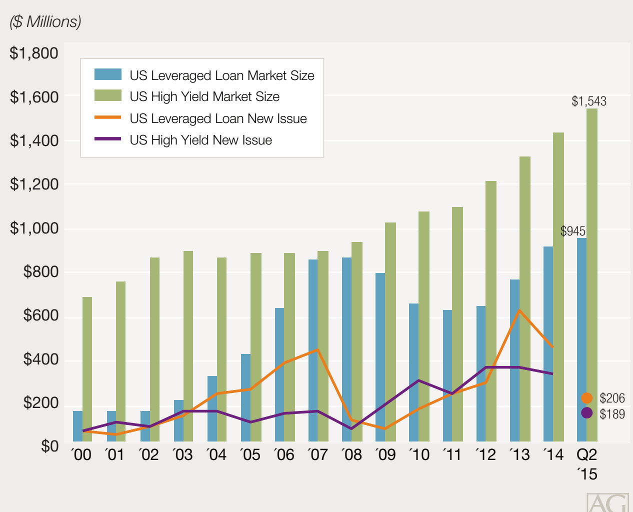


Source: Bloomberg, Reuters, valuewalk.com

The Shanghai Composite Index (SCI) has seen a dramatic 84% rise over the past 12-months, driven by large capital inflows from margin-financed investors. Inexperienced retail investors, many of whom are using margin financing facilities for the first time, represent approximately 85% of the market as compared to the U.S. stock market where retail investors are approximately 40%. In the past month, investors gave back a significant portion of the gains as the SCI dropped 26% from its June 12th peak to July 15th. The Chinese government stepped in with supportive measures meant to stabilize the market by providing, among other factors, $200 billion to brokers for equity purchases and additional margin loans. We continue to monitor this market phenomenon and believe there could be distressed investors forced to sell their real estate assets to meet margin calls.

NON-INVESTMENT GRADE CORPORATE CREDIT

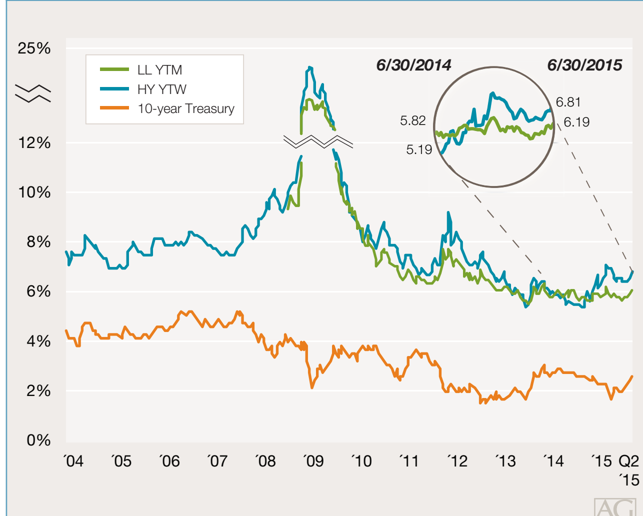
LEVERAGED LOAN AND HIGH YIELD BOND MARKET SIZE AND NEW ISSUE VOLUME



Source: Credit Suisse

High yield bond and leveraged loan markets continued to expand. Light new issuance in leveraged loans is a supportive technical. Of note, Q2 loan volume was almost double Q1 volume.

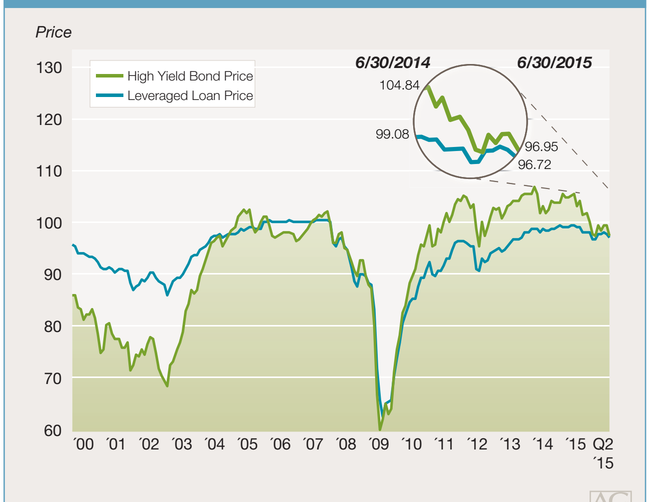
LEVERAGED LOAN VS. HIGH YIELD BOND VS. 10-YEAR TREASURY YIELDS



Source: Credit Suisse, Bloomberg

As macro uncertainty returned during Q2, yields rose.

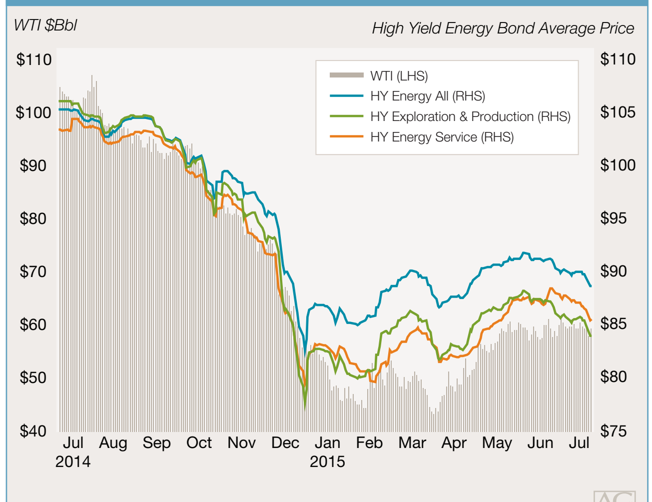
LEVERAGED LOAN AND HIGH YIELD BOND AVERAGE PRICE



Source: Credit Suisse

Average high yield prices declined substantially due to their sensitivity to rising rates and large exposure to energy (~16% of the index).

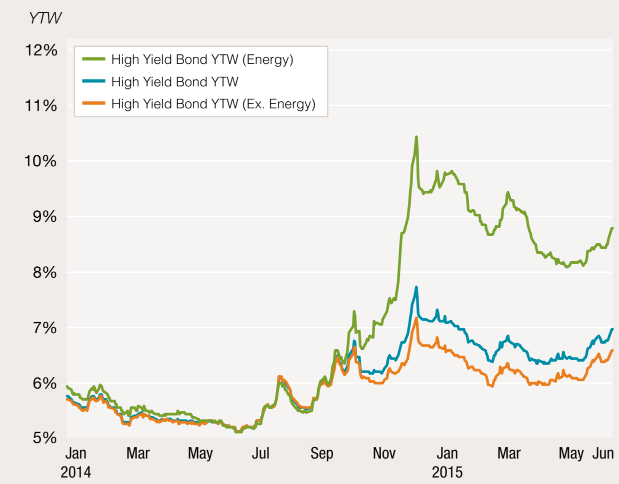
HIGH YIELD ENERGY AVERAGE PRICE VS. WTI



Source: JPMorgan Domestic High Yield Index

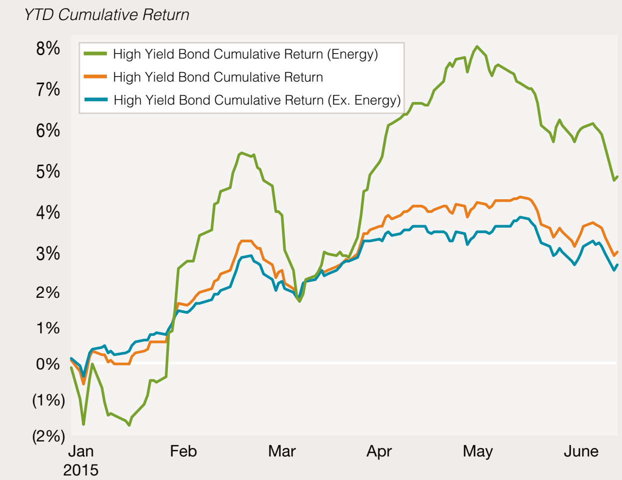
WTI and high yield energy rose in tandem early in Q2. High yield energy names gave back much of their gain in May and June while WTI traded in a tight range. WTI at $60 is uneconomical for many high yield energy borrowers.

HIGH YIELD BOND YIELDS WITH AND WITHOUT ENERGY



Source: JPMorgan Domestic High Yield Index

2015 HIGH YIELD BOND RETURNS WITH AND WITHOUT ENERGY

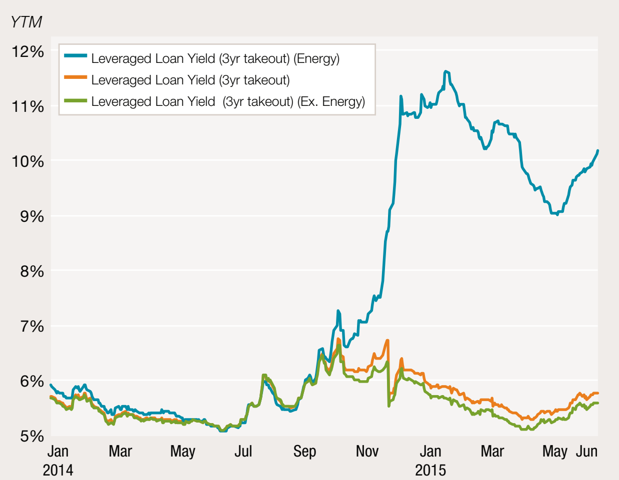


Source: JPMorgan Domestic High Yield Index

Energy yields remain much higher than those in the overall market, indicating uncertainty about the risk/reward profile of energy-related credits *(applies to charts above and below).*

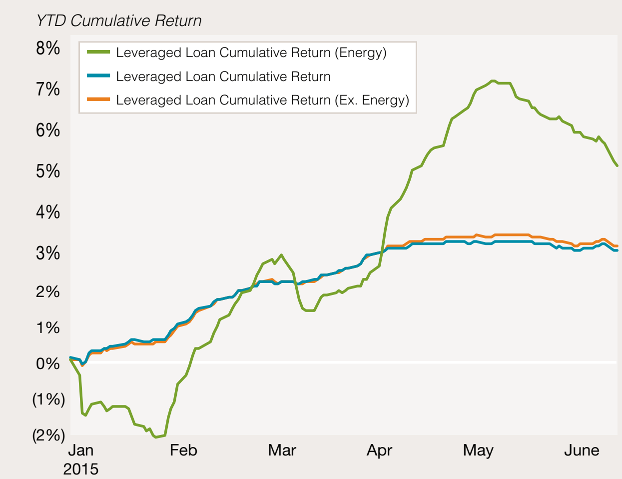
Volatility in energy performance had a larger effect on the high yield index than on the leveraged loan index *(applies to charts above and below).*

LEVERAGED LOAN YIELDS WITH AND WITHOUT ENERGY



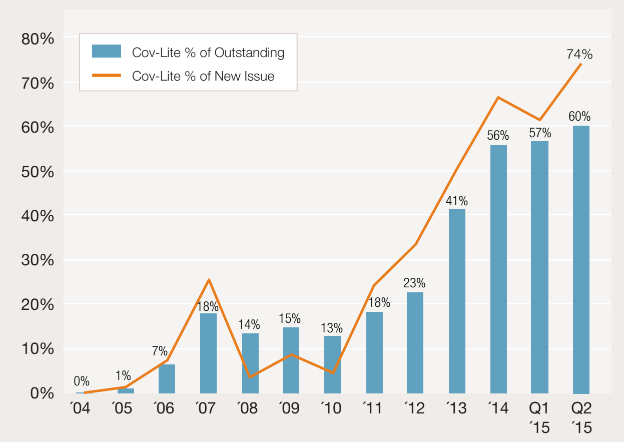
Source: JPMorgan Leveraged Loan Index

2015 LEVERAGED LOAN RETURNS WITH AND WITHOUT ENERGY



Source: JPMorgan Leveraged Loan Index

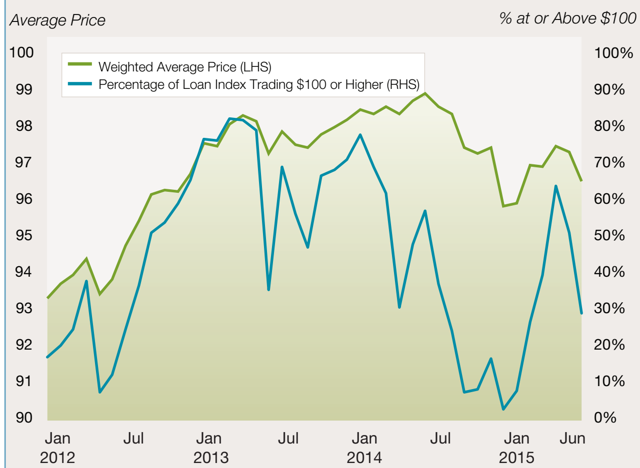
COV-LITE PERCENTAGE OF NEW ISSUE LOANS AND PERCENTAGE OF OUTSTANDING LOANS



Source: JPMorgan, Credit Suisse

Cov-lite as a percentage of new issue loans rose to its highest level yet as borrowers continued to take advantage of demand from ramping CLOs.

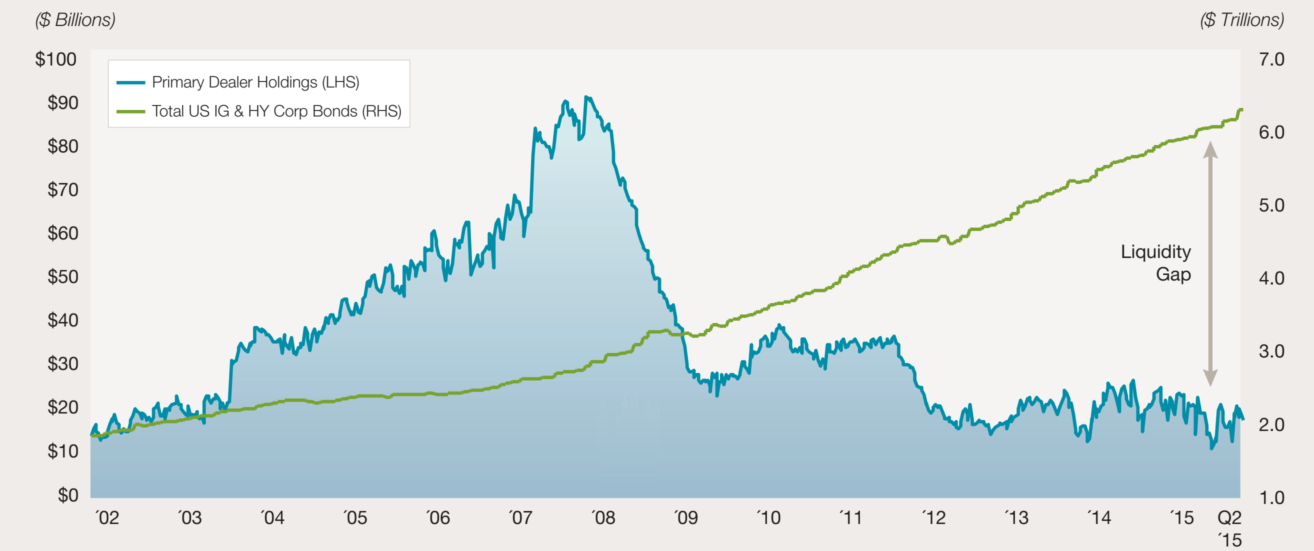
LEVERAGED LOAN AVERAGE PRICE AND PERCENTAGE ABOVE PAR



Source: JPMorgan

As macro uncertainty hit the credit markets in June, the average price of leveraged loans dropped toward January's low. As the percentage of loans trading above par falls, there tends to be less pressure from borrowers to refinance their loans.

PRIMARY DEALER POSITIONS – HY AND IG CORPORATE SECURITIES

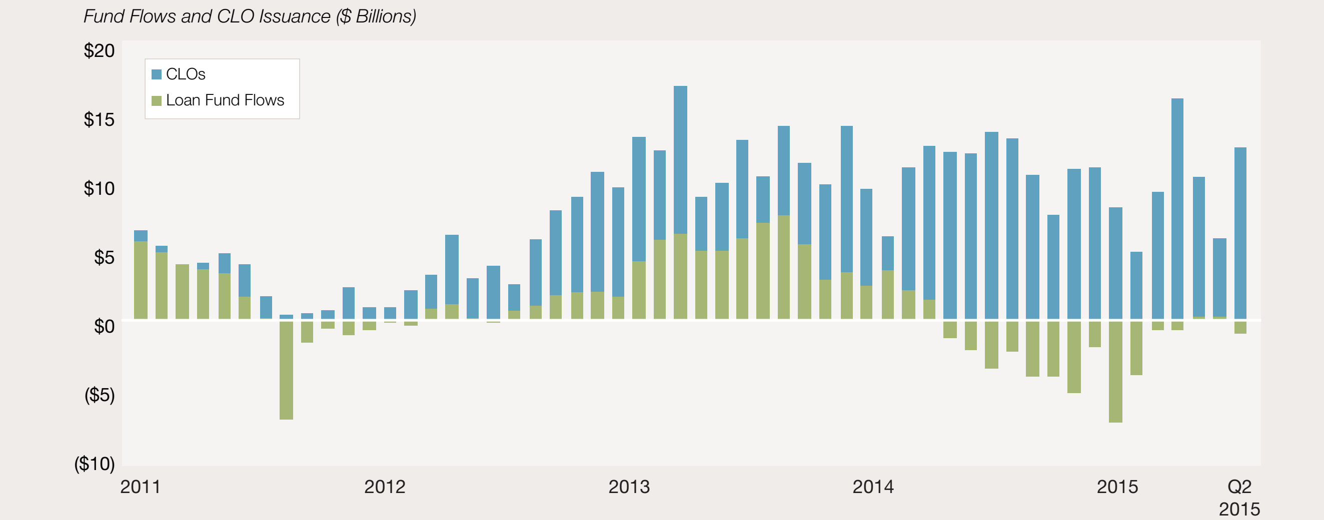


Note: In the above chart, Primary Dealer positions pre-March 2013 are adjusted to track IG and HY bonds, notes and debentures. Post-April 2013 figures track IG and HY bonds, notes and debentures. As of March 2013, there was a reporting change in the series. Pre-March 2013 reported figures track IG and 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, BofA Merrill Lynch

In 2014, dealer-held positions averaged just 0.25% of the market and less than one day's average trading volume. Dealers continue to maintain tight balance sheets in 2015. Dealers are not positioned to act as market shock absorbers.* *(*JPMorgan)*

LOAN MUTUAL FUND FLOWS AND CLO ISSUANCE

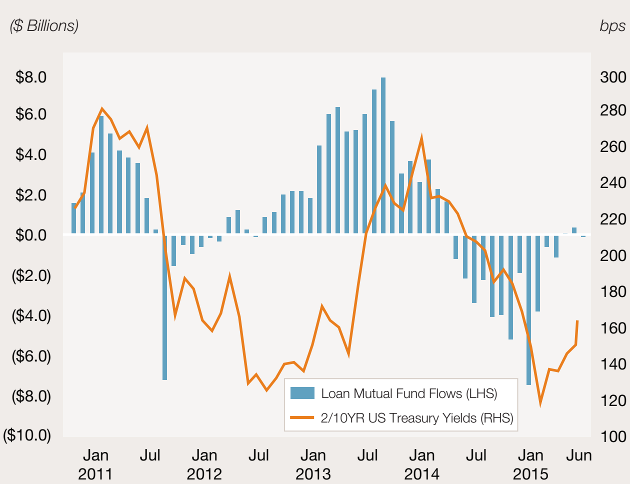


Fund Flows JPMorgan, CLO issuance LSTA

Source: S&P CapitalIQ LCD, JPMorgan

Technicals in the loan market are strong as CLO issuance remains robust and the pace of mutual fund outflow has moderated.

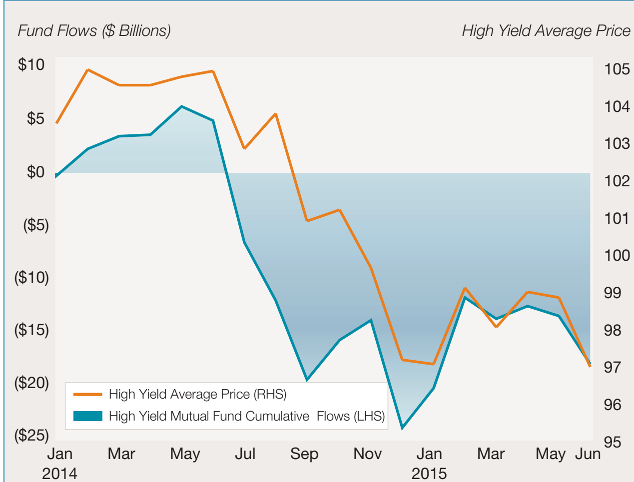
LOAN MUTUAL FUND FLOWS VS. YIELD CURVE



Source: JPMorgan, Bloomberg

As expectations of an interest rate hike by the Fed in 2015 increased, loan mutual fund flows turned positive in April after 12 consecutive months of outflows. Floating rate leveraged loans have historically outperformed in a rising rate environment.

HIGH YIELD MUTUAL FUND FLOWS VS. AVERAGE PRICE



Source: JPMorgan, Credit Suisse

High yield prices fell versus the prior quarter as uncertainty over the macro environment, the timing and pace of the Fed's rate actions, and the path of commodity prices all resulted in high yield mutual fund outflows.

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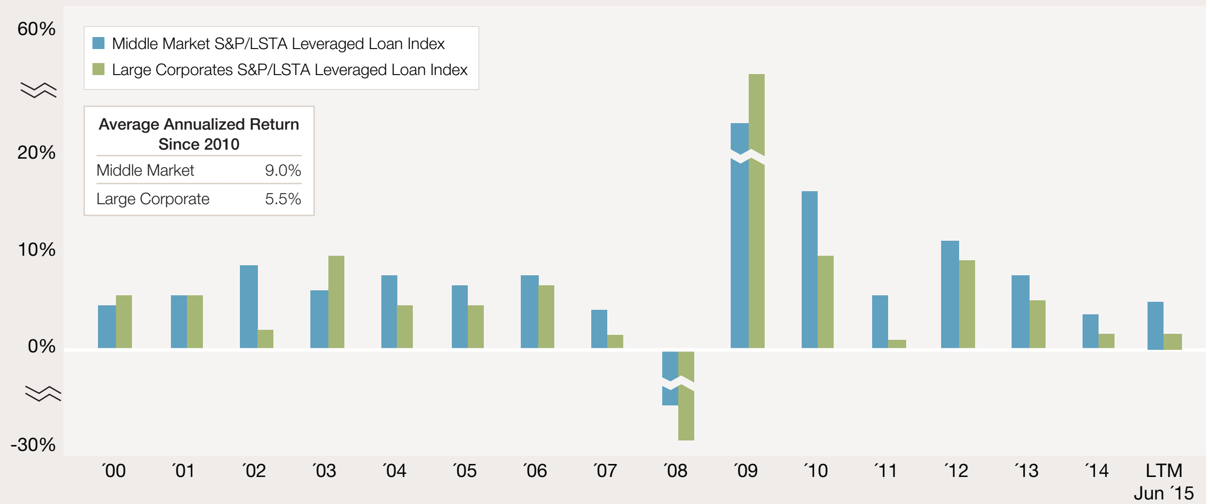
ANNUAL RETURNS: MIDDLE MARKET VS. LARGE CORPORATES

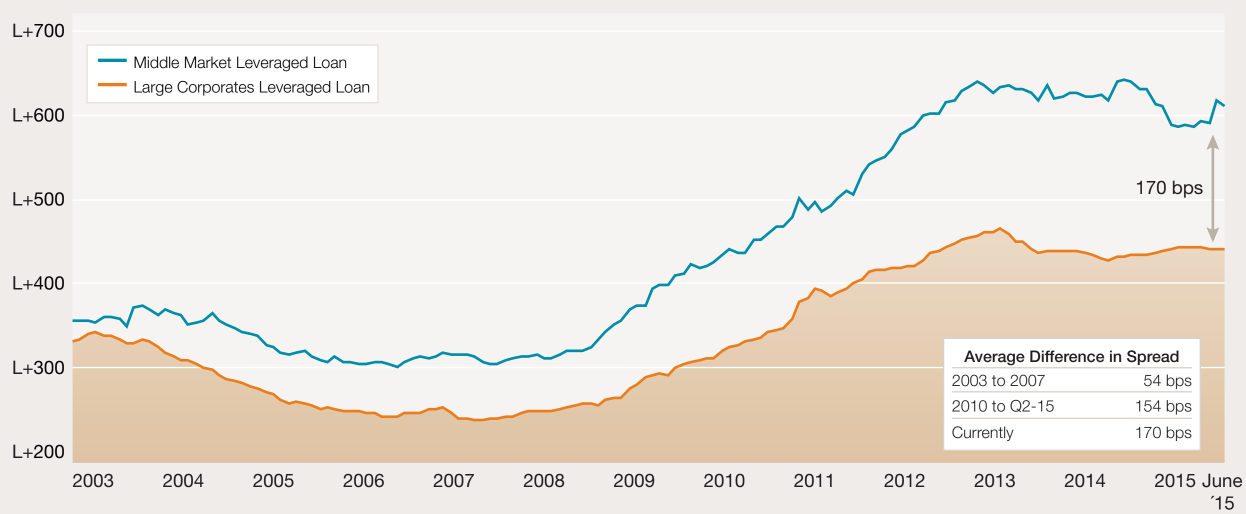


Middle market leveraged loan includes issuers with less then $50m EBITDA

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 LOAN SPREAD: MIDDLE MARKET VS. LARGE CORPORATES



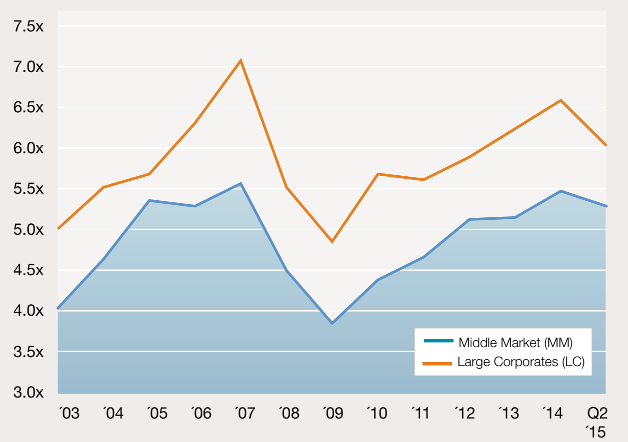
Middle market leveraged loan includes issuers with less than $50m EBITDA

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.

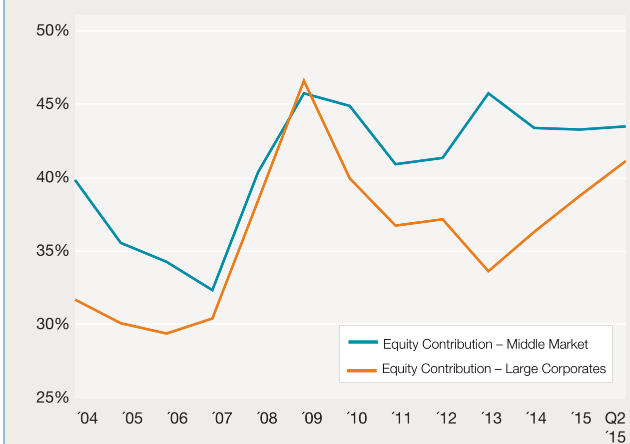
LBO DEBT TO EBITDA: MIDDLE MARKET VS. LARGE CORPORATES



Source: Thompson Reuters

Middle market financing transactions typically have more conservative capital structures with lower debt to EBITDA multiples.

AVERAGE EQUITY CONTRIBUTION FOR LBO'S: MIDDLE MARKET VS. LARGE CORPORATES

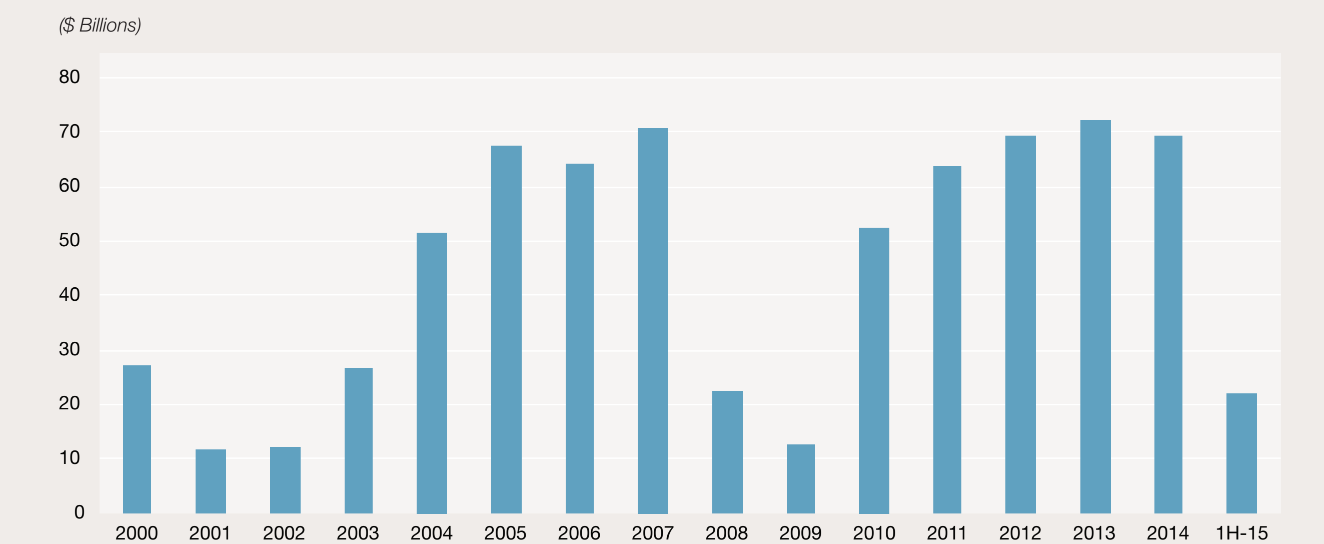


Middle market leveraged loan includes issuers with less than $50m EBITDA Average spread includes any LIBOR floor benefit

Source: S&P CapitalIQ LCD

Middle market buyouts, on average, require larger sponsor equity contributions. The recent increase in equity contributions by large corporates might be the result of the Fed's leverage lending guidance.

MIDDLE MARKET SPONSORED ISSUANCE



Source: Thompson Reuters

The middle market provides a consistent opportunity set, given the vast market size.

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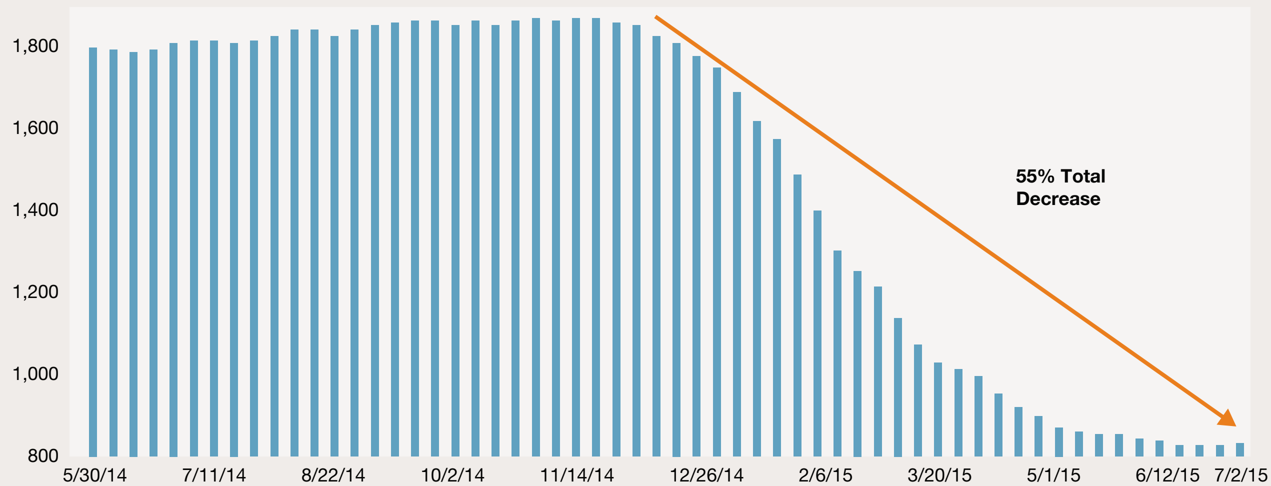
U.S. LAND RIG COUNT

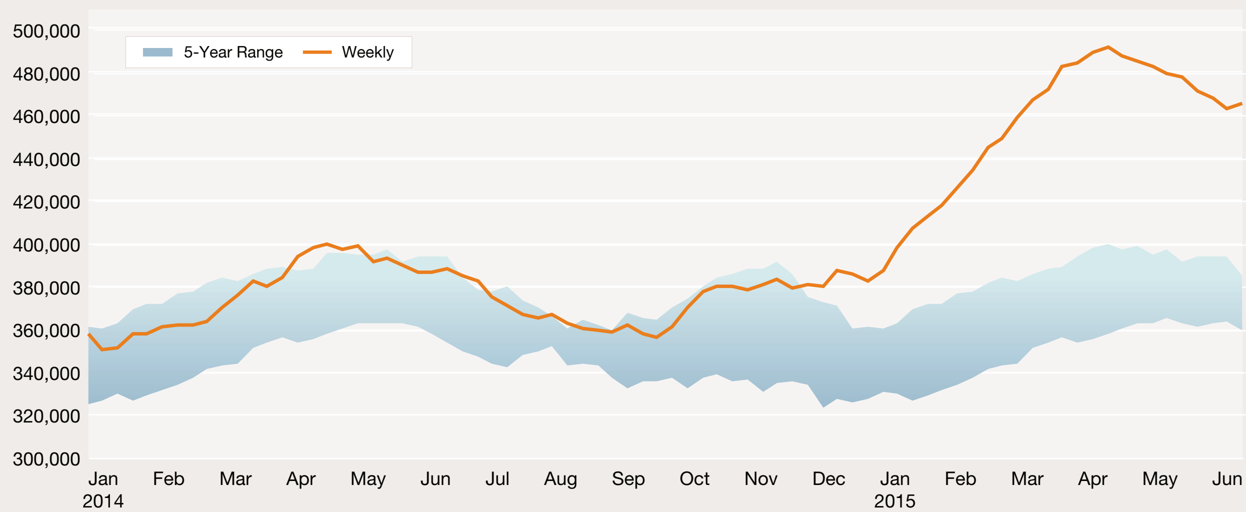


Source: Baker Hughes as of 7/7/15

Rig count appears to have bottomed, calling into question originally projected shale production declines.

CRUDE OIL STORAGE

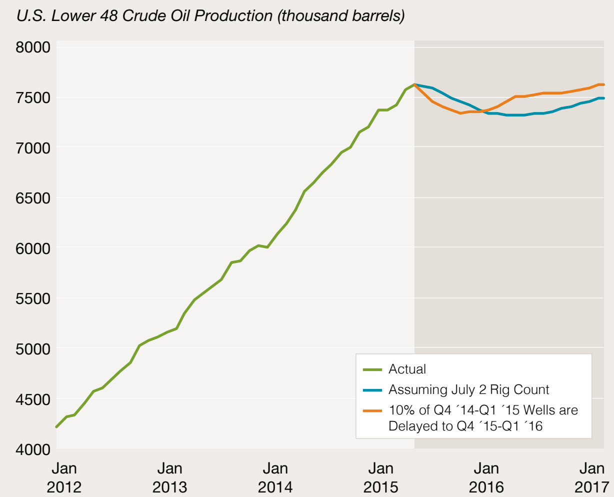
U.S. Crude Oil Stock - Thousand Barrels



Source: U.S. EIA as of 7/7/15

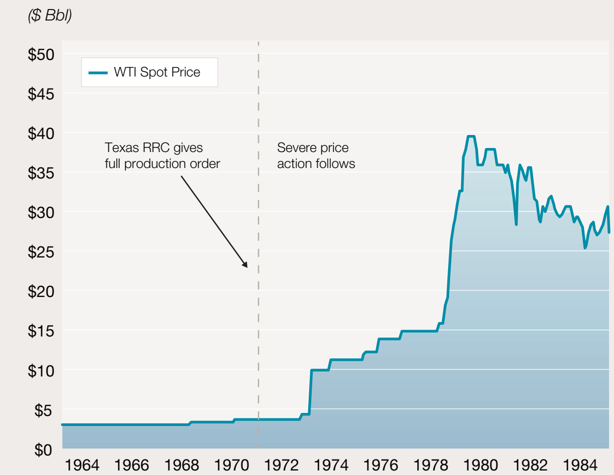
Although oil in storage has declined, continued robust OPEC production is bearish for oil prices.

U.S. PRODUCTION IMPLIED BY THE CURRENT U.S. OIL RIG COUNT



Source: Goldman Sachs, IHS, BHI, EIA

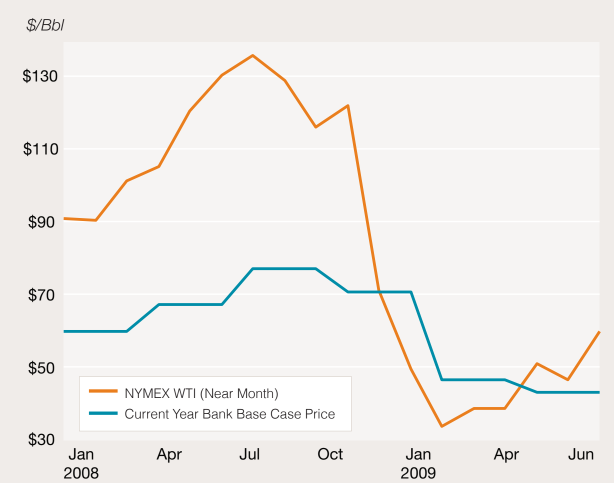
REMOVING A CARTEL IS INHERENTLY DESTABILIZING: 1970'S OFFER A SMALL PREVIEW



Source: IMF, Morgan Stanley, Dow Jones & Company, forecast-chart.com

Regardless of the U.S. production response, continued oil price volatility is the most likely scenario.

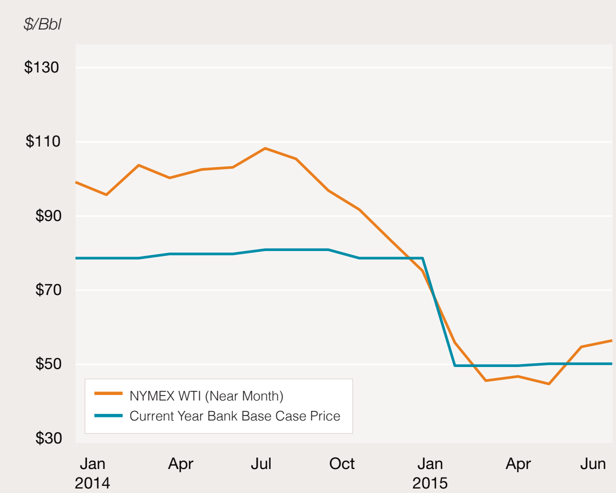
THEN: 2008-2009 — NEAR MONTH OIL PRICES VS. STARTING BANK PRICES



'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: 2014-2015 — NEAR MONTH OIL PRICES VS. STARTING BANK PRICES



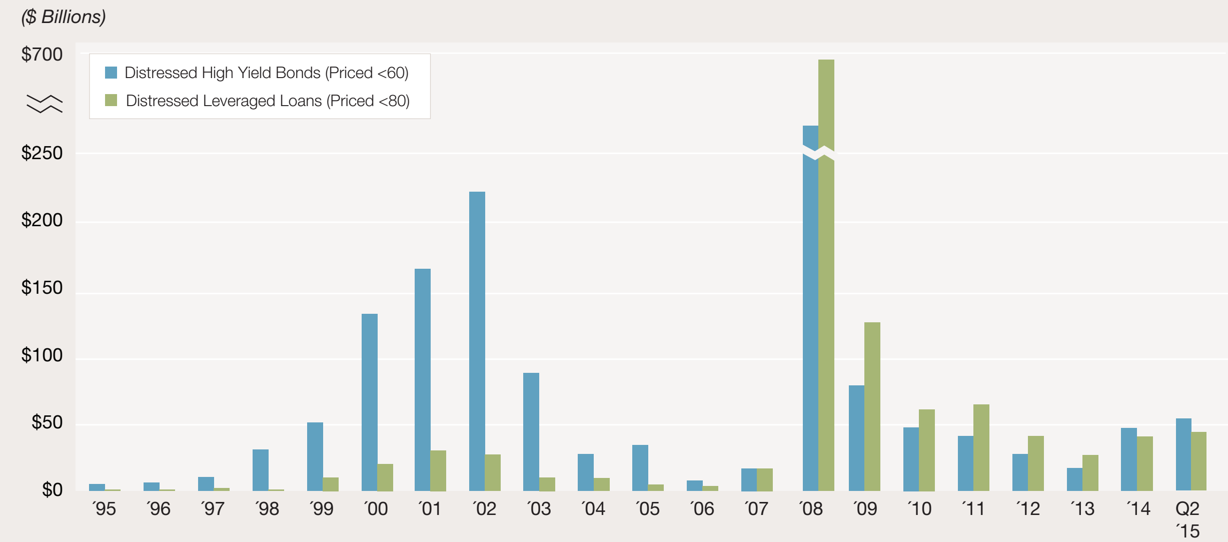
'Bank Base Case Price' is based on a quarterly survey of the prices used by active senior bank energy lenders to determine advance rates to borrowers. Figures shown are the average price used by all survey respondents.

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

Expiring hedges, bank regulatory pressure and $50-60 WTI should accelerate the direct lending opportunity to replace first lien bank credit.

DISTRESSED DEBT – U.S.

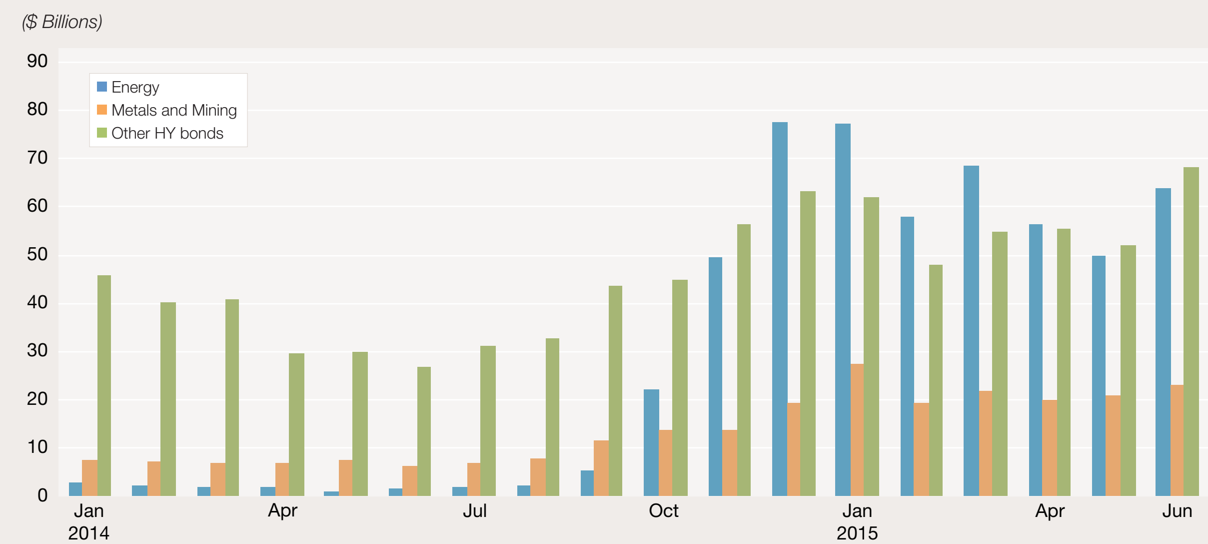
SIZE OF DISTRESSED DEBT MARKET



Source: Credit Suisse

Distressed supply in the U.S. remains low by historical standards, with LTM default rates less than 2%.

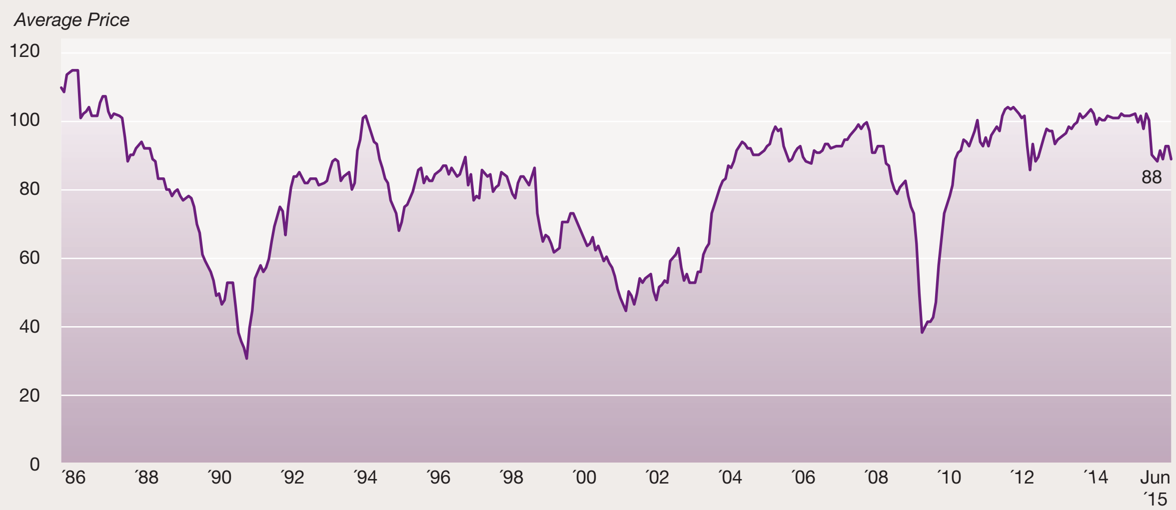
ENERGY & METALS/MINING REPRESENT LARGE PORTION OF SUB $90 HIGH YIELD BONDS



Source: JPMorgan

While the overall size of the distressed universe has recently increased, energy credits comprise a disproportionate part of that supply at ~40% of high yield bonds that trade at or below $90.

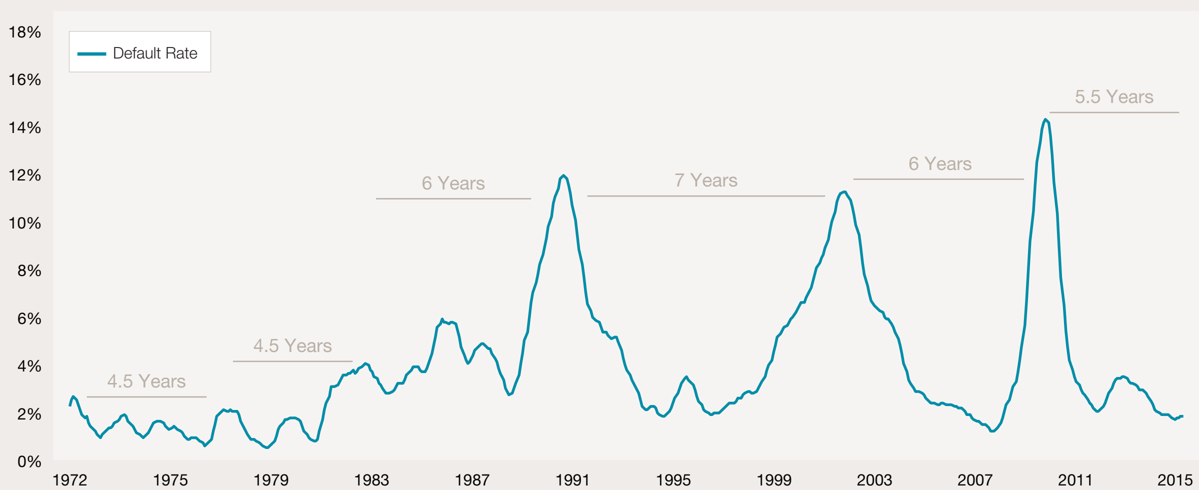
CCC HIGH YIELD BOND AVERAGE PRICE



CCC/Split CCC High Yield Bond
Source: Credit Suisse

Recent market volatility stemming from Greece and rates uncertainty led to a modest re-pricing of risk assets, especially with respect to lower-rated issuance.

THE AVERAGE CREDIT CYCLE IS 5.5 YEARS

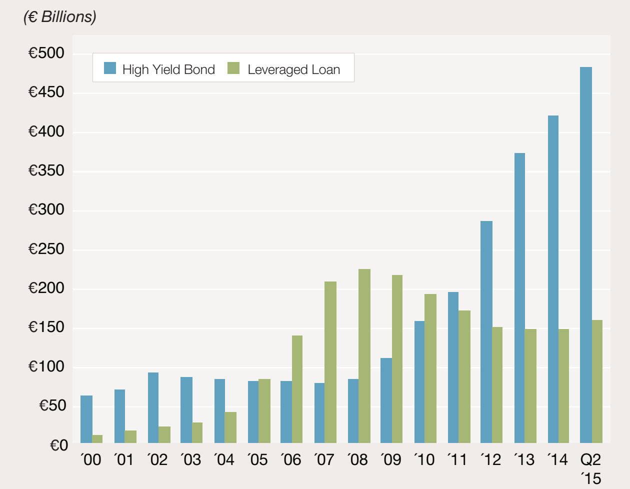


Default Rate: U.S. speculative grade 12-month trailing default rate (6-month average)
Source: Moodys, BofA Merrill Lynch

While defaults are low, we are nearing a point in the credit cycle when underwriting standards begin to loosen and build a distressed pipeline.

DISTRESSED DEBT – EUROPE

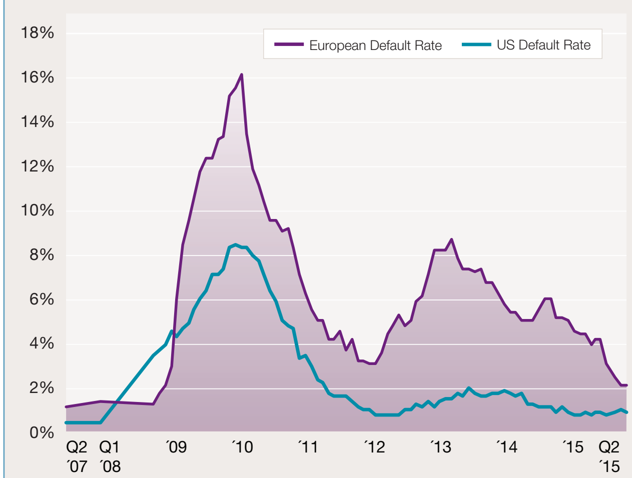
EUROPEAN HIGH YIELD BOND AND LEVERAGED LOAN MARKET



Source: Credit Suisse

The high yield markets continue to provide ample capital markets solutions for European corporates.

U.S. AND EUROPEAN LEVERAGED LOAN DEFAULT RATE

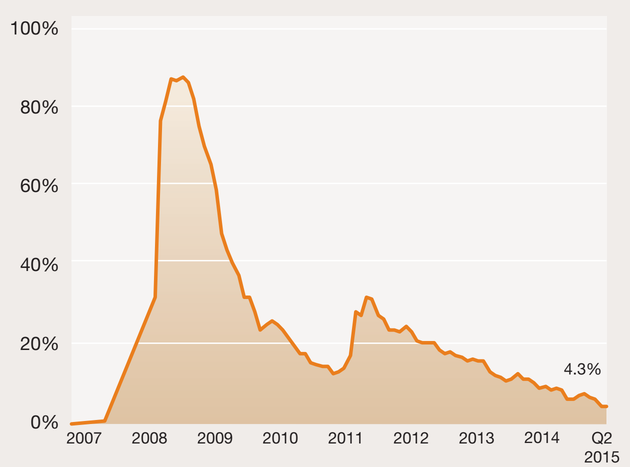


Issuer based default rates

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

While higher than those of the U.S., European default rates have been decreasing as local economies improve and asset prices recover from recent lows.

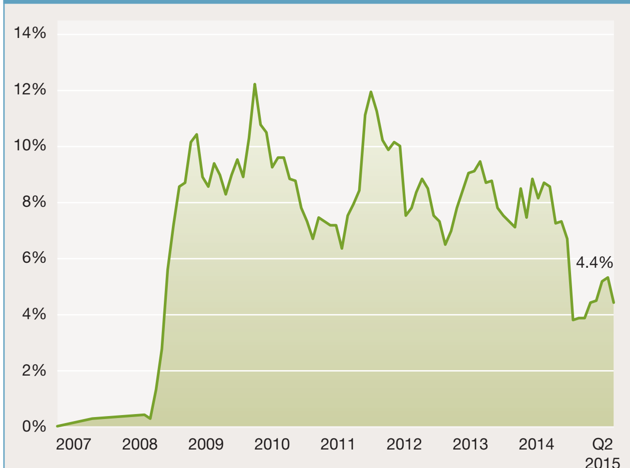
PERCENTAGE OF EUROPEAN LEVERAGED LOANS TRADING BELOW 80 CENTS ON THE DOLLAR



Source: S&P European Leveraged Loan Index

A modest amount of European leveraged loans trade at distressed prices…

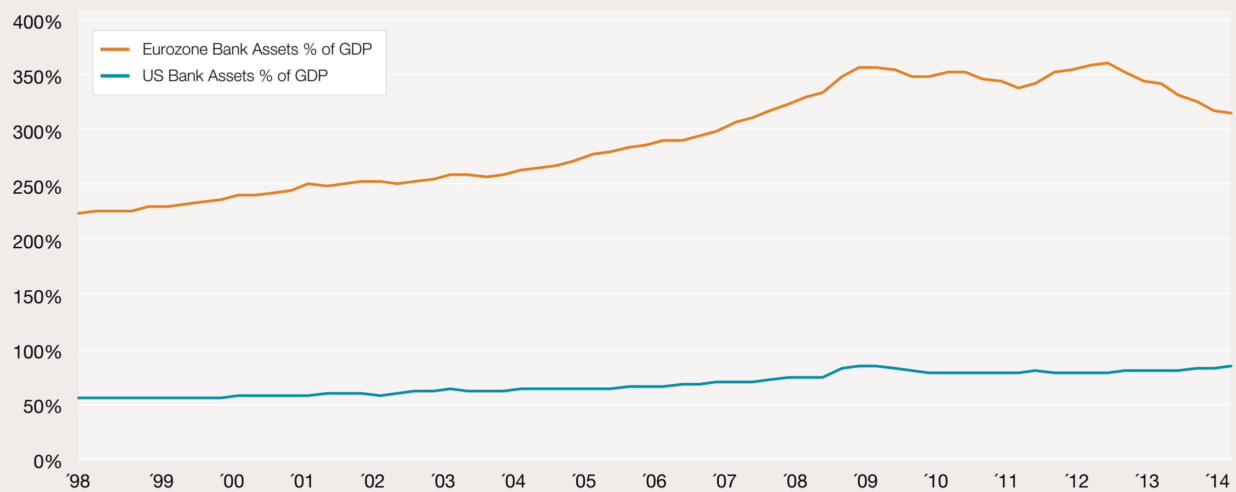
PERCENTAGE OF EUROPEAN LEVERAGED LOANS RATED CCC+ OR LOWER



Source: S&P European Leveraged Loan Index

…but a material component of those loans will need to be restructured.

TOTAL BANK ASSETS AS A PERCENTAGE OF GDP

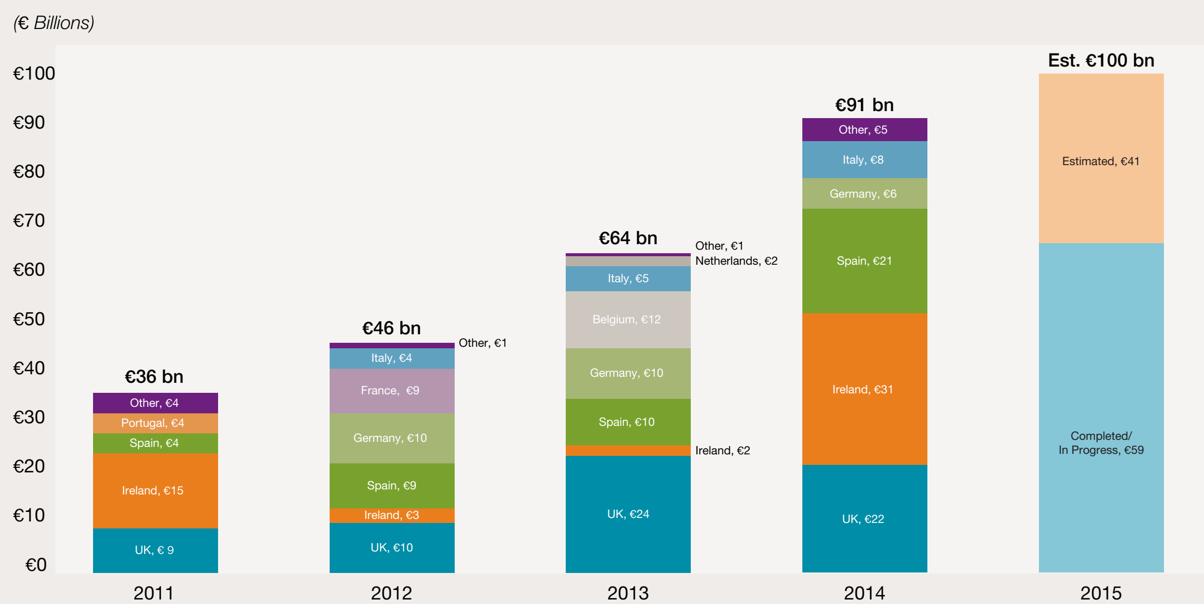


Nominal GDP

Source: Federal Reserve, ECB, Credit Suisse

European banks have made material progress shedding assets, but are still relatively overextended compared to their U.S. counterparts.

EUROPEAN BANKS ARE SELLING ASSETS



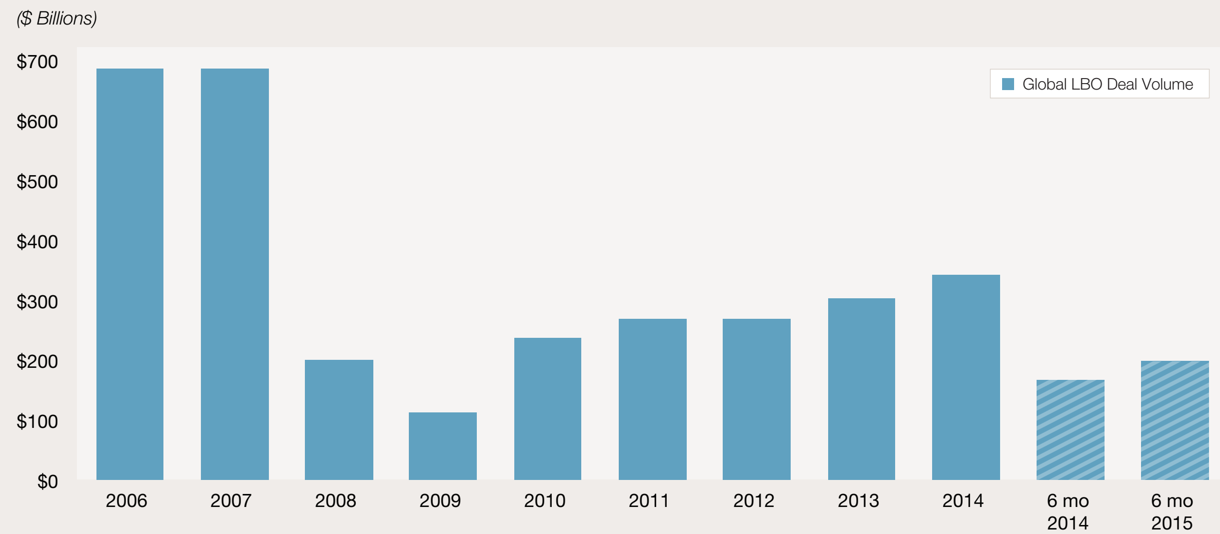
Note: Based on the location of the head office of the bank selling the assets

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

NPL sales from European banks began several years ago but only recently achieved considerable scale.

PRIVATE EQUITY

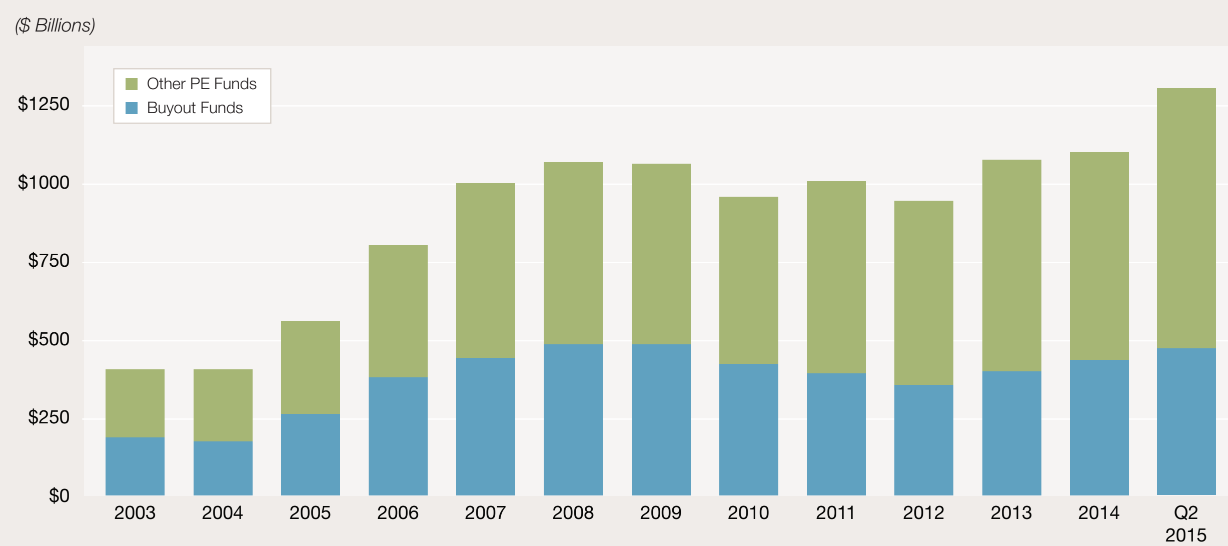
GLOBAL LBO DEAL VALUE



Source: Preqin

Global deal volume in the first half of 2015 increased approximately 20% from the prior year and is on pace to have its best year since 2007.

GLOBAL PRIVATE EQUITY DRY POWDER



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

Source: Preqin

Buyout dry powder increased to $467 billion as of Q2 2015, close to record levels set in 2008.

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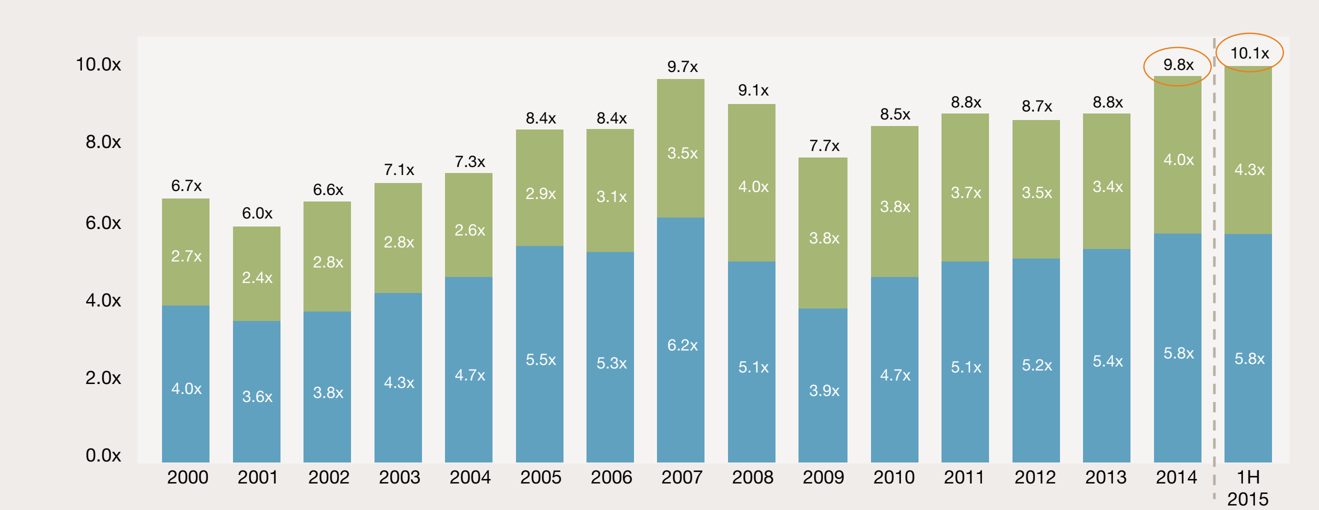
LBO CAPITALIZATION

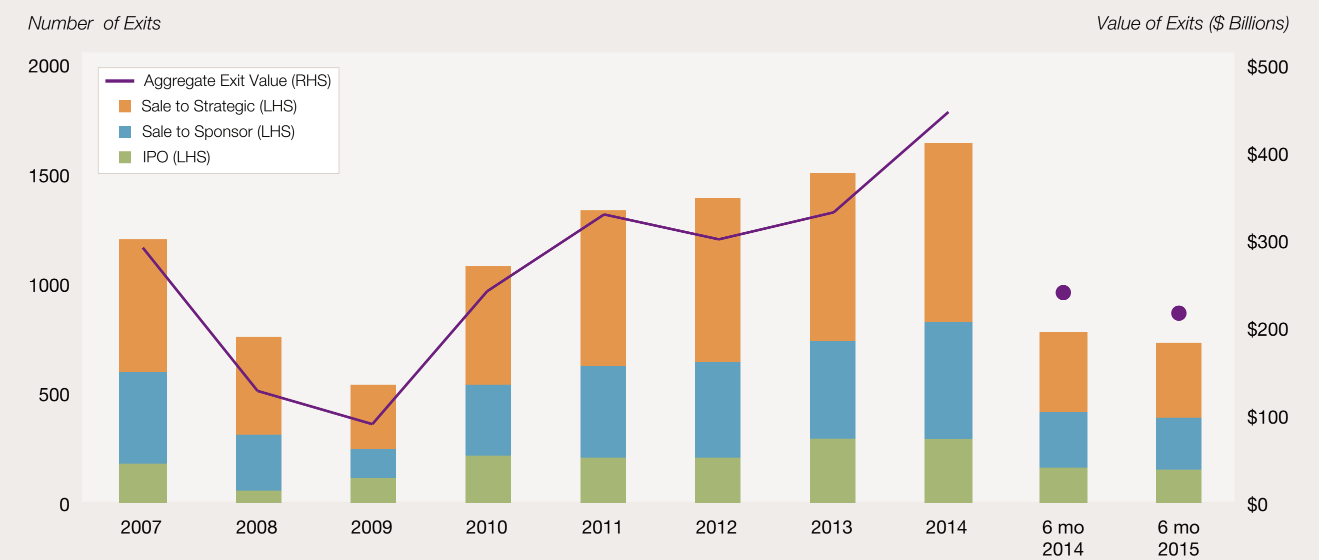


Equity Contribution	**40%**	**35%**	**37%**	**35%**	**33%**	**30%**	**31%**	**31%**	**39%**	**46%**	**41%**	**38%**	**38%**	**36%**	**37%**	**40%**

Source: S&P CapitalIQ LCD

LBO multiples in the first half of 2015 (10.1x EBITDA) are on pace to break the record of 9.8x achieved in 2014.

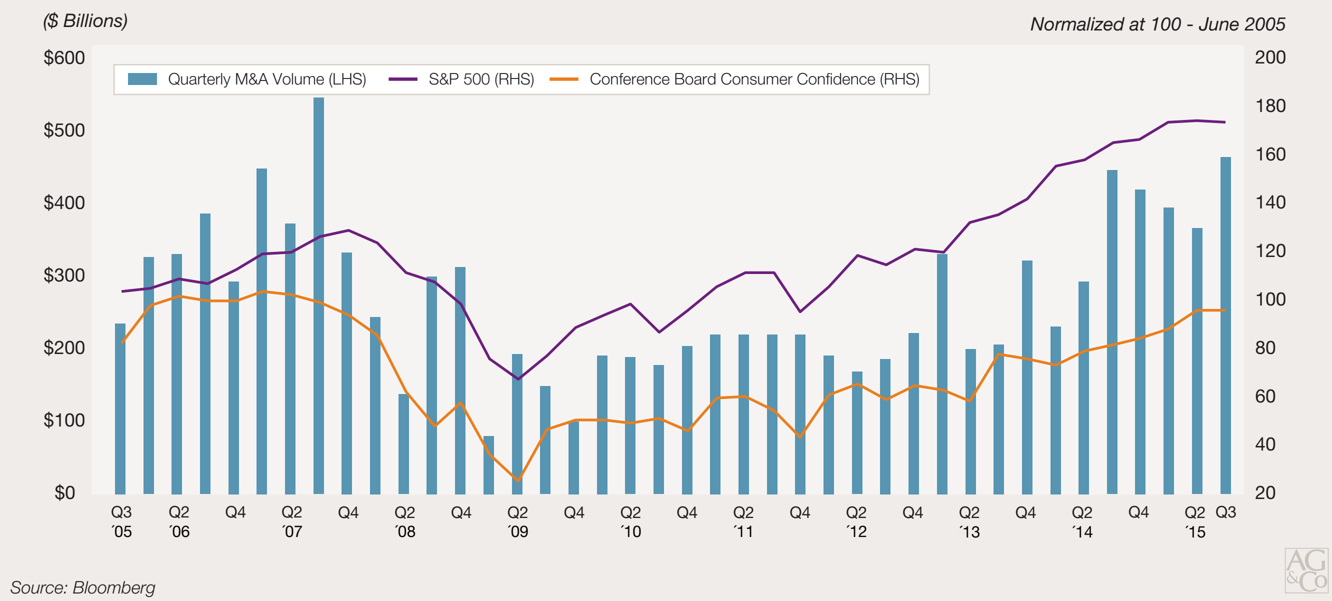
PRIVATE EQUITY EXITS



Source: Preqin

Although exits in the first half of 2015 were lower both in number and dollar volume from the prior year, they are still on pace to have the second best year ever.

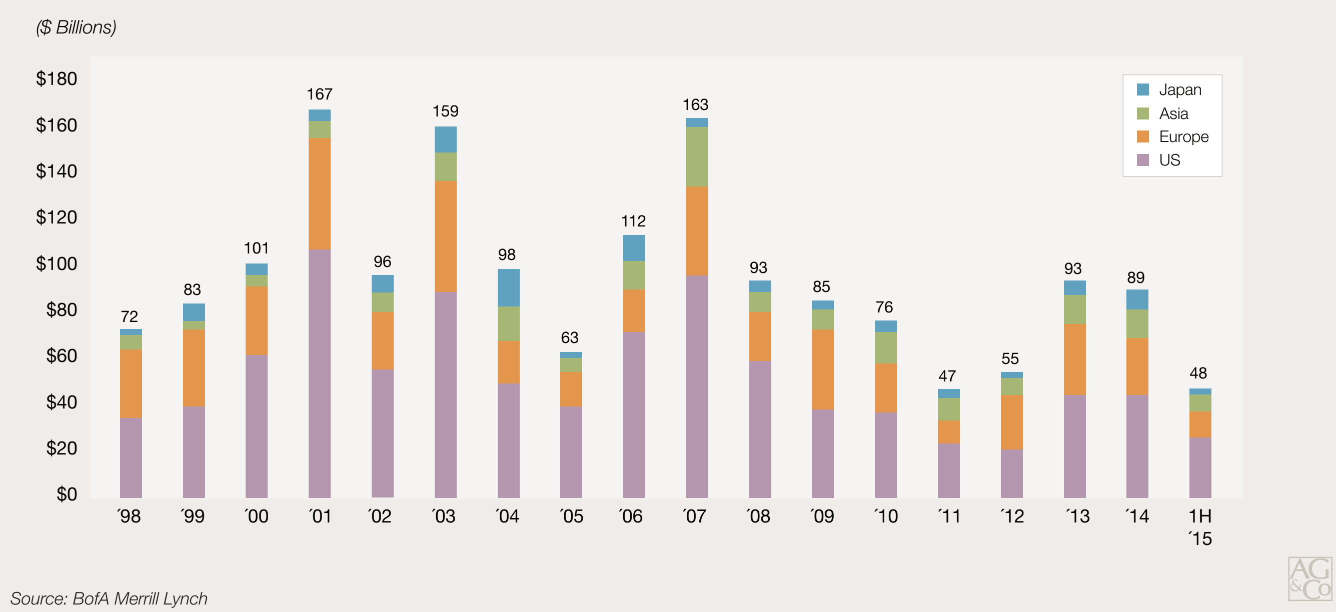
QUARTERLY NORTH AMERICAN M&A VOLUME VS. S&P 500 AND CONSUMER CONFIDENCE



Source: Bloomberg

The market continues to be driven by large-cap deals. Acquirers were unfazed as premiums paid increased and deal valuations reached new heights this quarter.

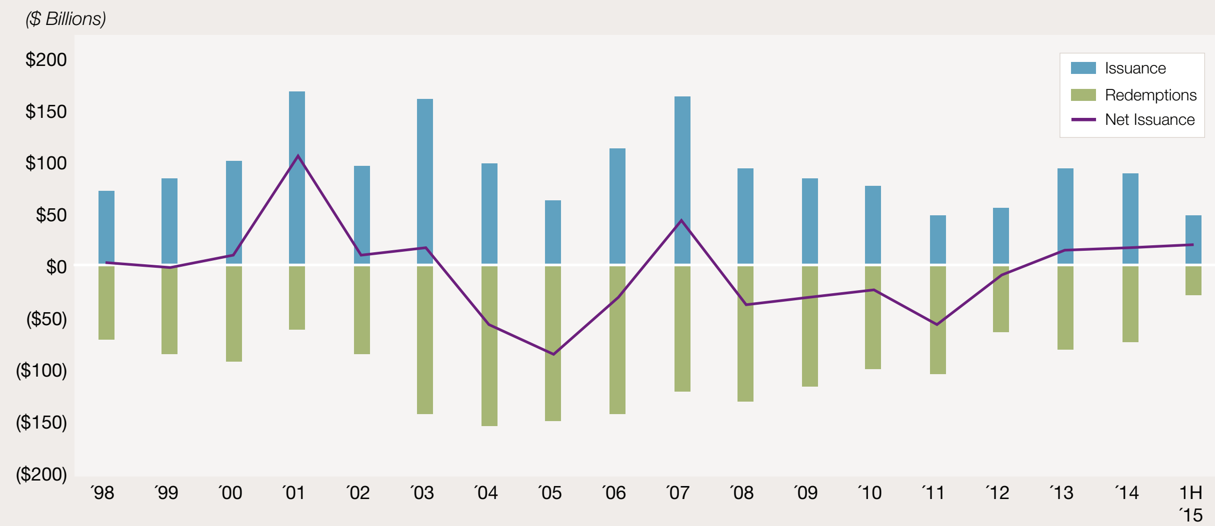
CONVERTIBLE BONDS ANNUAL GLOBAL ISSUANCE BY REGION



Source: BofA Merrill Lynch

New issuance is on track to surpass the previous year's level.

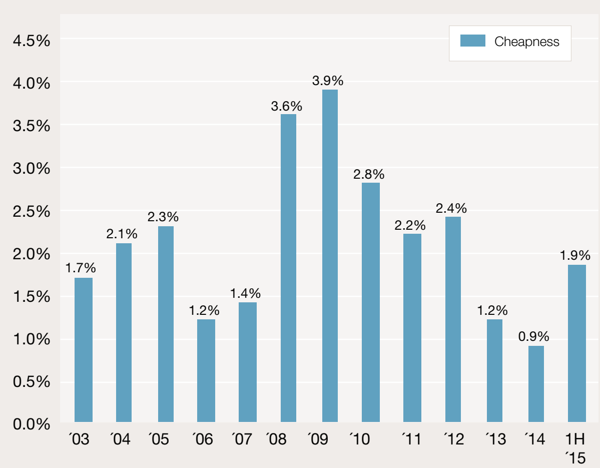
CONVERTIBLE BONDS GLOBAL NET ISSUANCE



Source: BofA Merrill Lynch

The market is growing at a moderate pace; net supply is easily absorbed without affecting secondary market valuations.

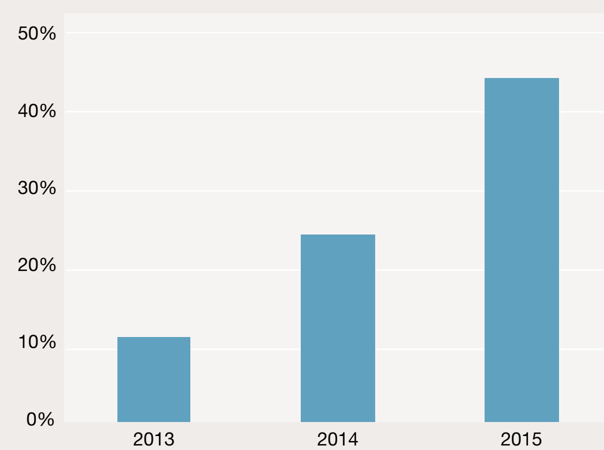
HISTORIC NEW ISSUE CHEAPNESS



Source: Barclays

Despite strong demand for the product, investors can currently expect new issues to price very attractively.

MANDATORIES AS A PERCENTAGE OF U.S. ISSUANCE



A mandatory convertible security has a required conversion or redemption feature. Typically, these securities provide investors with higher yields to compensate holders for the mandatory conversion structure.

Source: BofA Merrill Lynch

Increased M&A led to more mandatory issuance.

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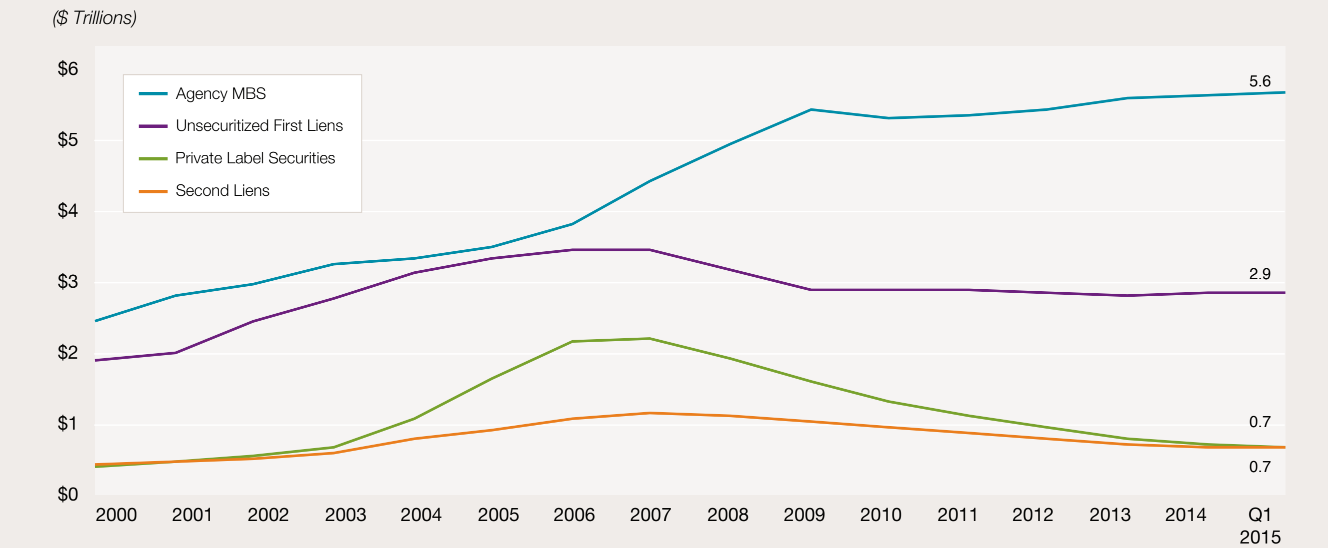
SIZE OF U.S. RESIDENTIAL MORTGAGE MARKET

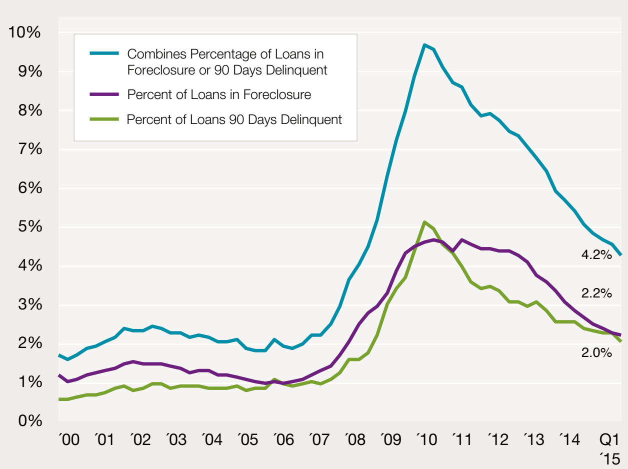


Note: Unsecuritized first liens include loans held by commercial banks, GSEs, savings institutions, and credit unions

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 and at $9.9 trillion, shows signs of stabilization.

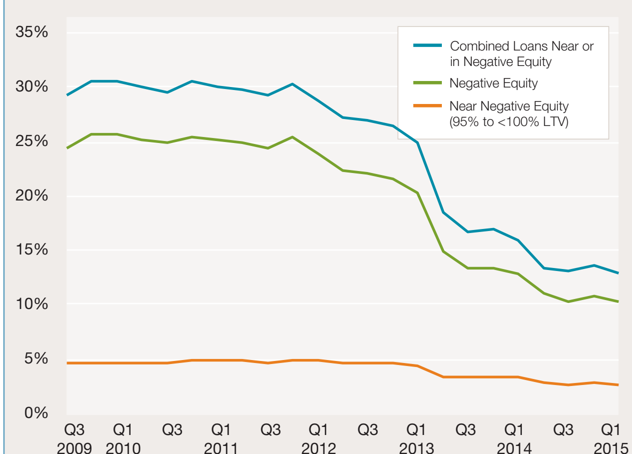
U.S. RESIDENTIAL MORTGAGES IN SERIOUS DELINQUENCY/FORECLOSURE



Source: Mortgage Bankers Association and Urban Institute.

Serious delinquencies and foreclosures continue to decline as the housing market and economy improve. Loans that are 90 or more days delinquent or in foreclosure fell to 4.2% in Q1.

U.S. RESIDENTIAL MORTGAGES WITH NEGATIVE EQUITY



Negative Equity: LTV greater than 100%

Near Negative Equity: LTV between 95% and 100%

Source: Corelogic and Urban Institute

Mortgage borrowers with negative equity benefit from sustained home price appreciation. As a share of all residential borrowers, the share of those underwater or near underwater continued to drop from 30% in 2009 to 12.9% in Q1.

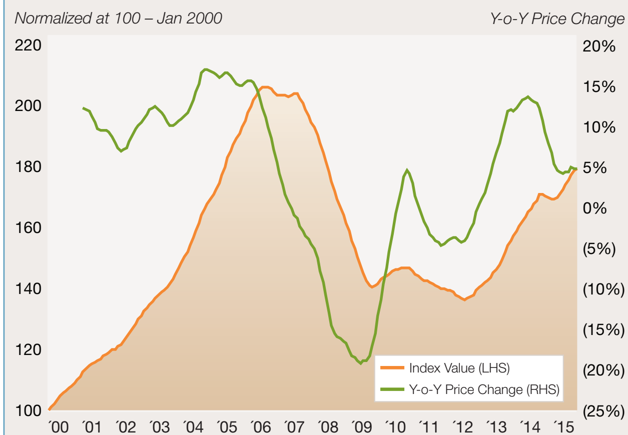
SUBPRIME INDEX

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 prices on subprime RMBS have remained stable.

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

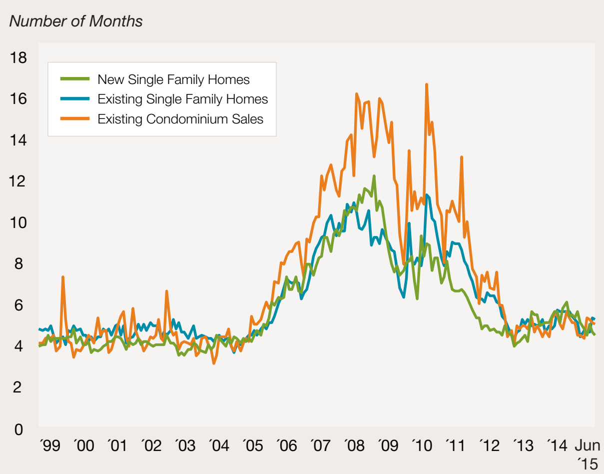


The S&P/Case-Shiller Composite of 20 Home Price Index is a value-weighted average of 20 metro area indices. These metro areas include: Boston, Chicago, Denver, Las Vegas, Los Angeles, Miami, New York City, San Diego, San Francisco, Washington, DC, Atlanta, Charlotte, Cleveland, Dallas, Detroit, Minneapolis,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

Source: Bloomberg

The pace of home price appreciation has moderated but remains positive.

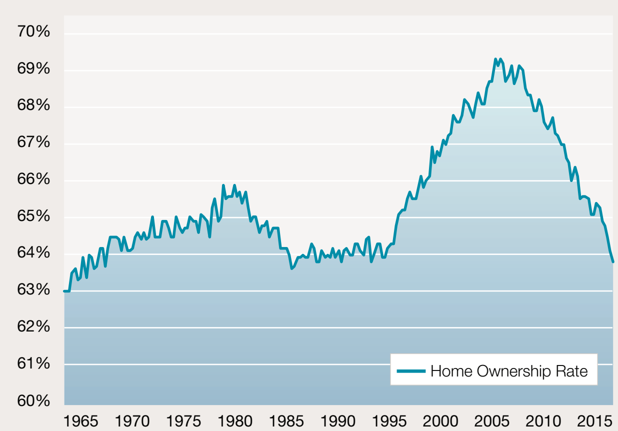
MONTHS SUPPLY OF HOUSING



Source: Bloomberg

Housing supply has returned to more normalized levels as the housing market recovers.

HOMEOWNERSHIP RATE CONTINUES TO FALL



Source: DB Global Market Research

Fallout from the crisis and continued home price appreciation has limited homeownership, which fell to 63.7% in Q1.

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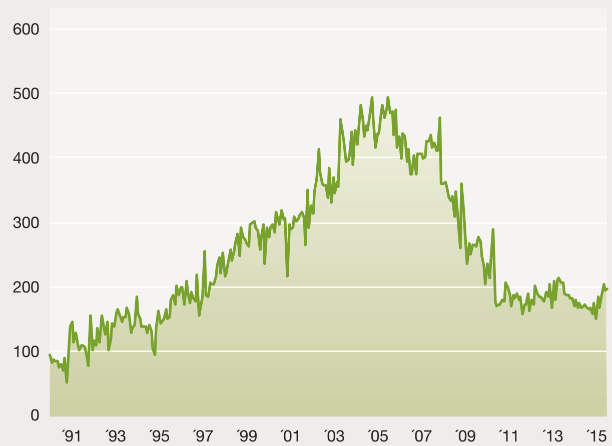
RESIDENTIAL AND CONSUMER DEBT (RMBS/ABS) *(continued)*

MORTGAGE APPLICATION INDEX

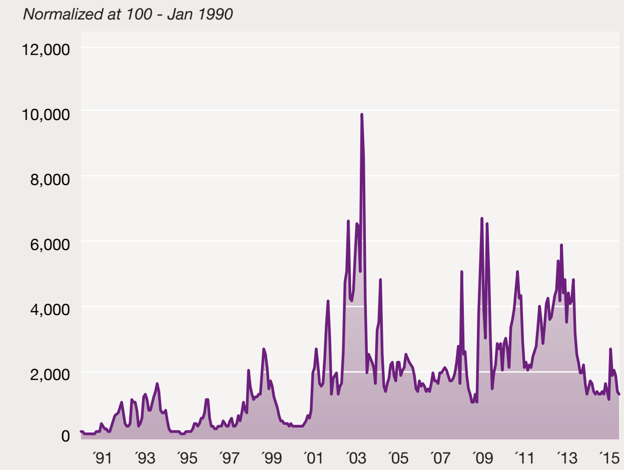


This concept tracks the volume of mortgage loan applications that have been submitted to lenders. Seasonally readjusted.

Source: Bloomberg

Though mortgage credit has slightly expanded, mortgage applications continue to be hampered by stringent underwriting standards.

MORTGAGE REFINANCING INDEX

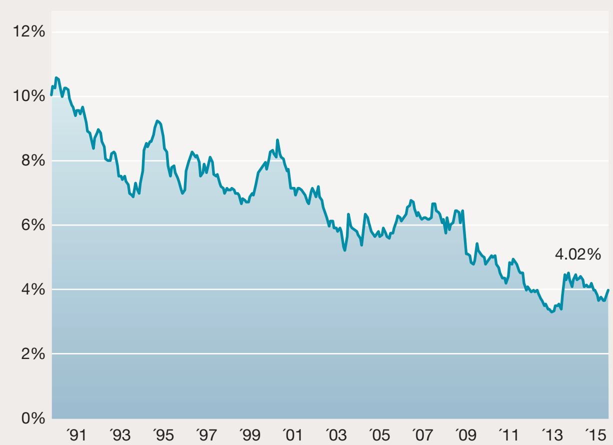


This concept tracks the volume of mortgage refinancing loan applications that have been submitted to lenders. Seasonally readjusted

Source: Bloomberg

Although the index experienced a temporary spike earlier this year, re-financings have burnt out despite historically low rates.

30-YEAR MORTGAGE FIXED RATE

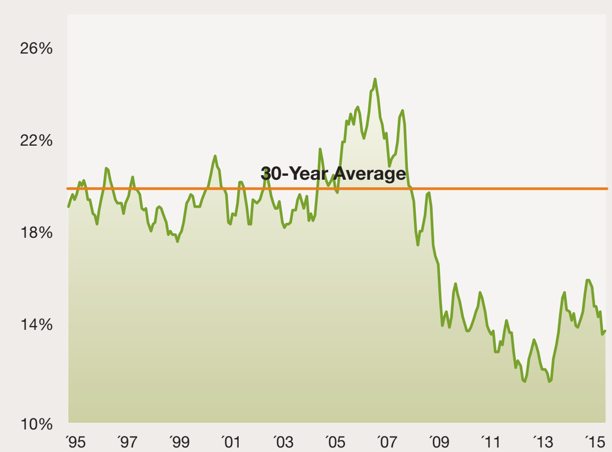


Freddie Mac U.S. Mortgage Market Survey 30 Year Homeowner Commitment National: This concept measures movements of interest rates on residential real estate loans that are usually secured by a mortgage.

Source: Bloomberg

The 30-year mortgage rate spiked late in the first half of 2015, but remains near historic lows.

MORTGAGE PAYMENT AS A PERCENTAGE OF INCOME

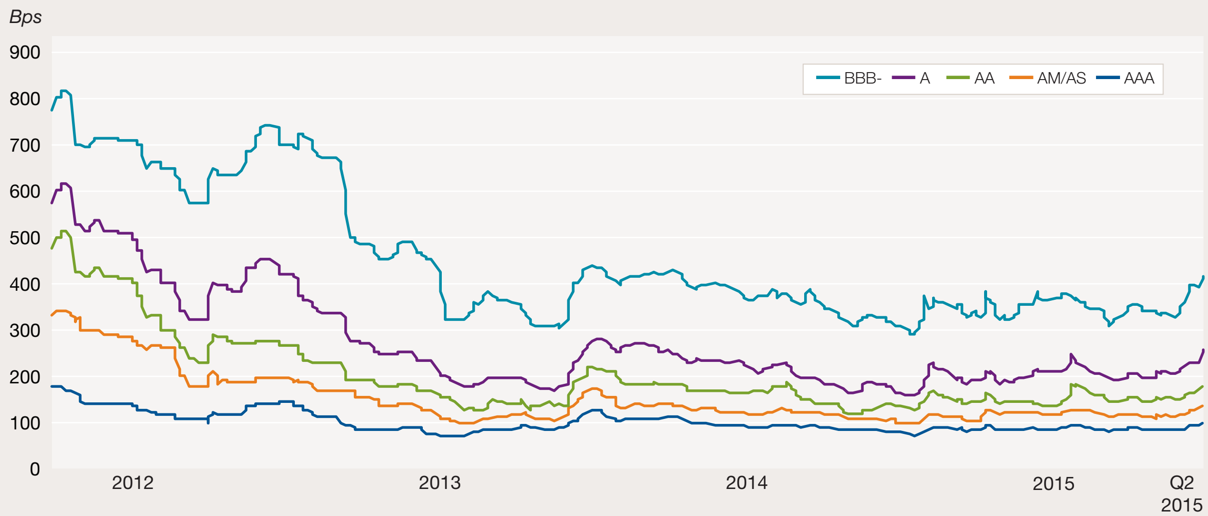


Source: NAR, DB Global Markets Research

Mortgage payments are meaningfully lower than the 30-year average due to historically low mortgage rates.

COMMERCIAL REAL ESTATE DEBT (CMBS)

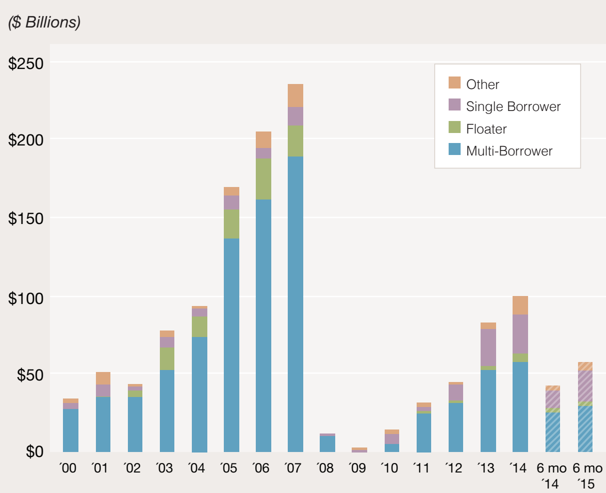
NEW ISSUE CMBS SPREADS



Source: BofA Merrill Lynch

New issue spreads widened later in the quarter as macro volatility resurfaced.

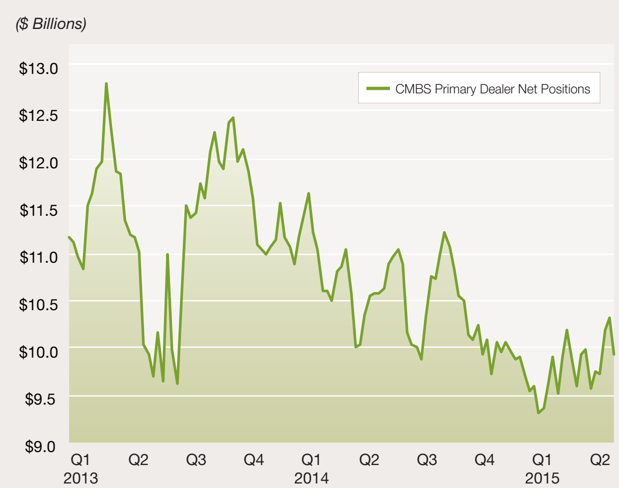
U.S. CMBS ANNUAL ISSUANCE



Source: Credit Suisse

2015 YTD issuance surpassed 2014 first half issuance.

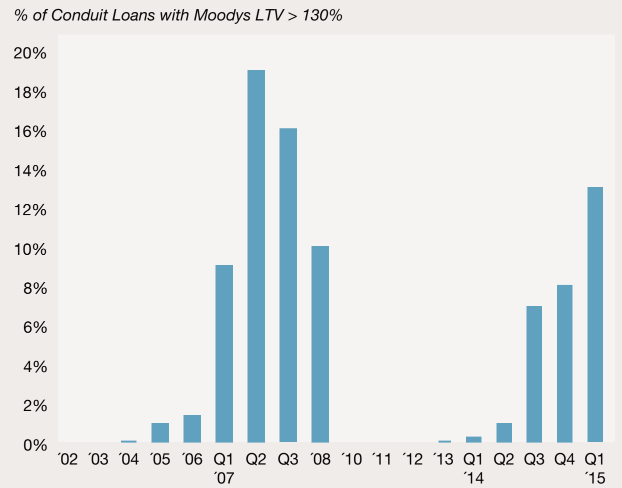
DECLINING DEALER BALANCE SHEET EXPOSURE TO CMBS



Source: Federal Reserve Bank of New York, Bloomberg

Dealers' ability to provide liquidity has been affected by regulatory constraints and capital charges, creating the potential for increased price volatility.

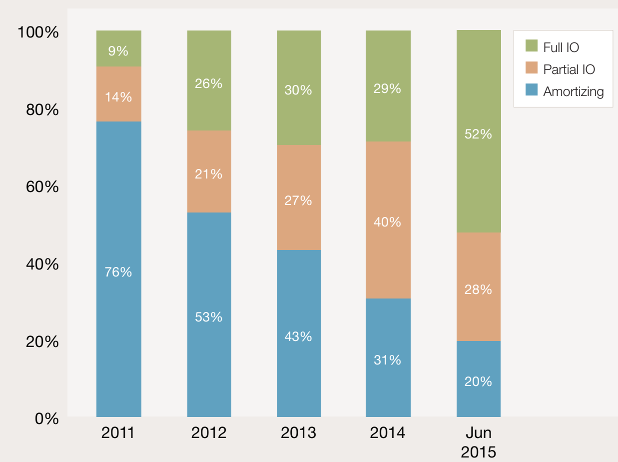
PERCENTAGE OF CONDUIT LOANS WITH MOODY'S STRESSED LTV LEVELS GREATER THAN 130%



Source: Moody's

Underwriting standards have deteriorated in CMBS; the share of conduit loans with Moody's stressed LTV levels above 130% rose sharply over the past year.

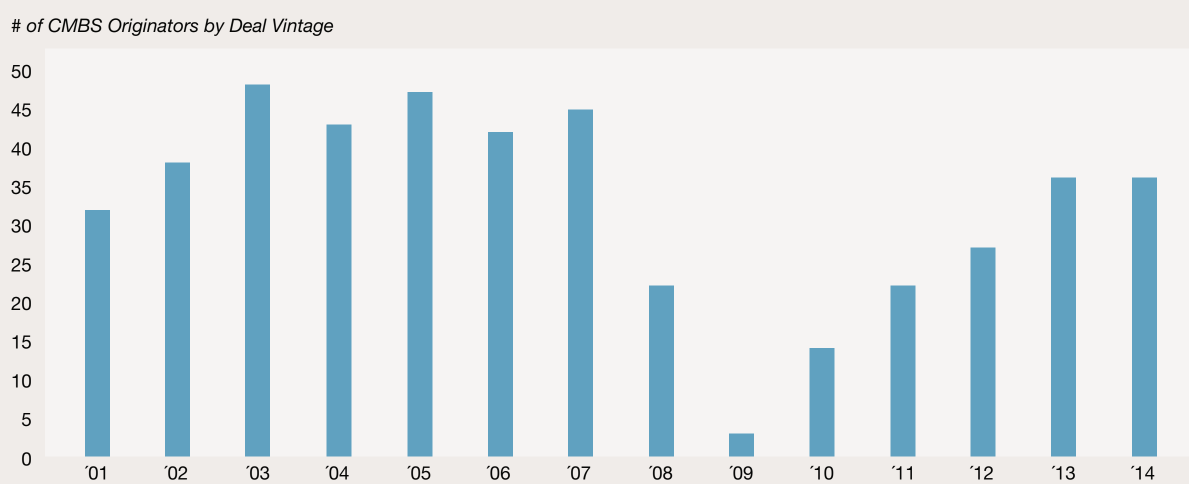
SHARP INCREASE IN FULL-TERM IO LOANS IN 2015



Source: Trepp and Citi Research

The increase in IO loans is another troubling sign of weaker underwritten new issue loans.

NUMBER OF ACTIVE CMBS ORIGINATORS

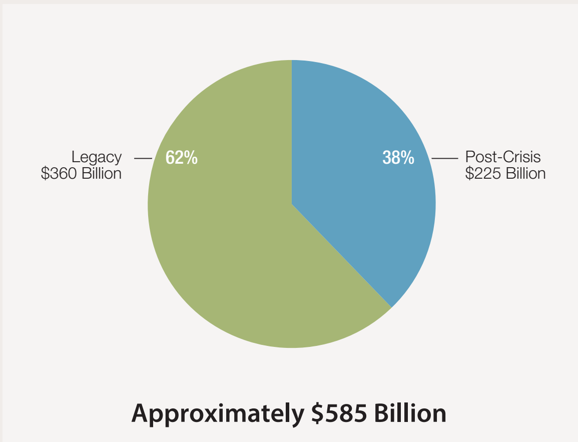


Source: BofA Merrill Lynch, INTEX

The number of active CMBS originators has rebounded substantially since the crisis. This increase in competition may be contributing to declining underwriting standards.

COMMERCIAL REAL ESTATE DEBT (CMBS) *(continued)*

OUTSTANDING BALANCE OF PRIVATE LABEL CMBS

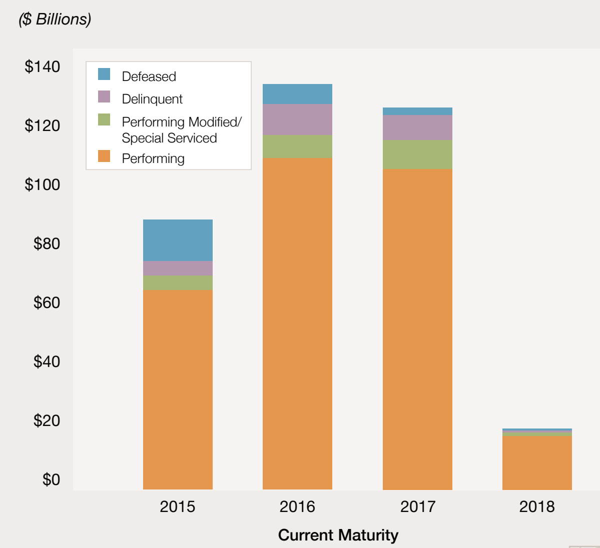


As of December 2014

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.

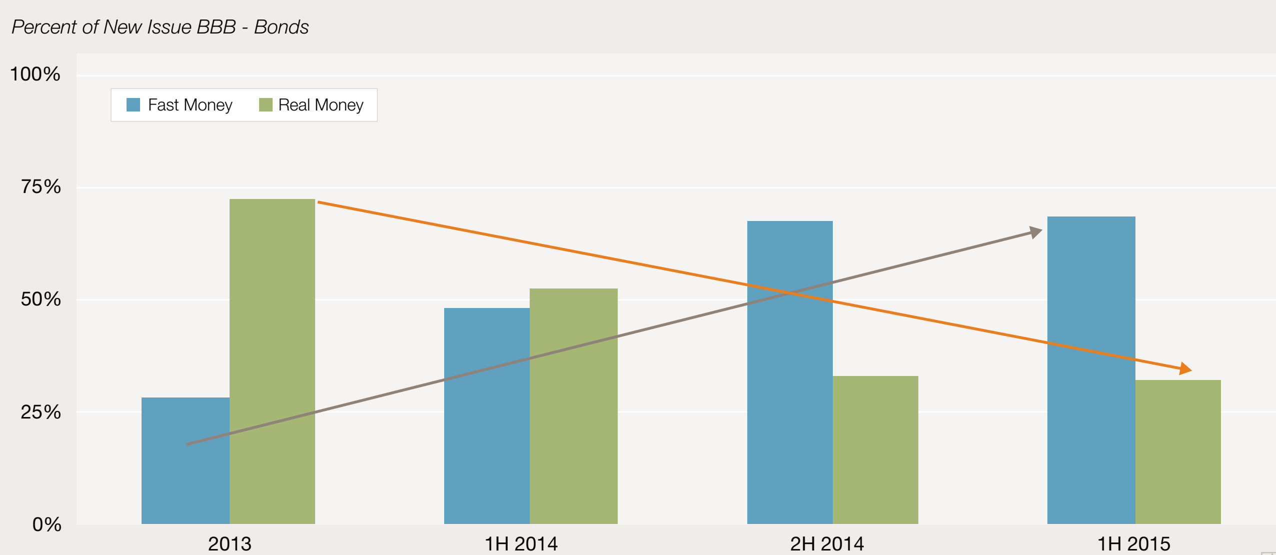
CMBS LOAN MATURITY PROFILE



Source: JPMorgan

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

THE BBB- BUYER BASE HAS SHIFTED AWAY FROM BUY AND HOLD INVESTORS TO FAST MONEY INVESTORS



Source: BofA Merrill Lynch Global Research

The shift in buyer base may create the potential for forced selling in the future, which could, in turn, be a buying opportunity for managers with strong underwriting skills and available cash.

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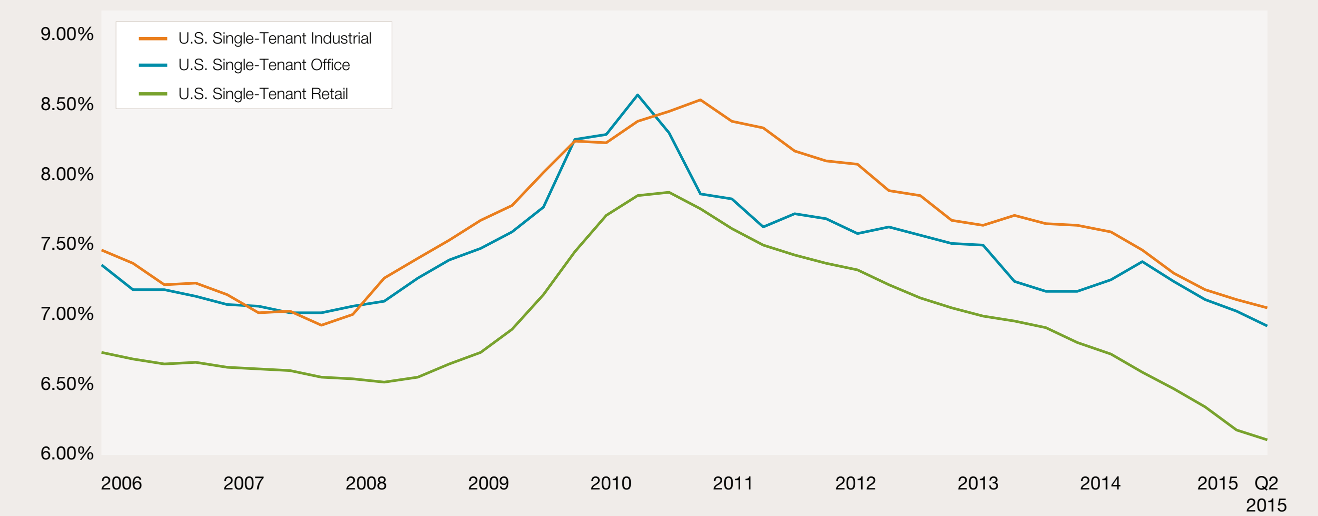
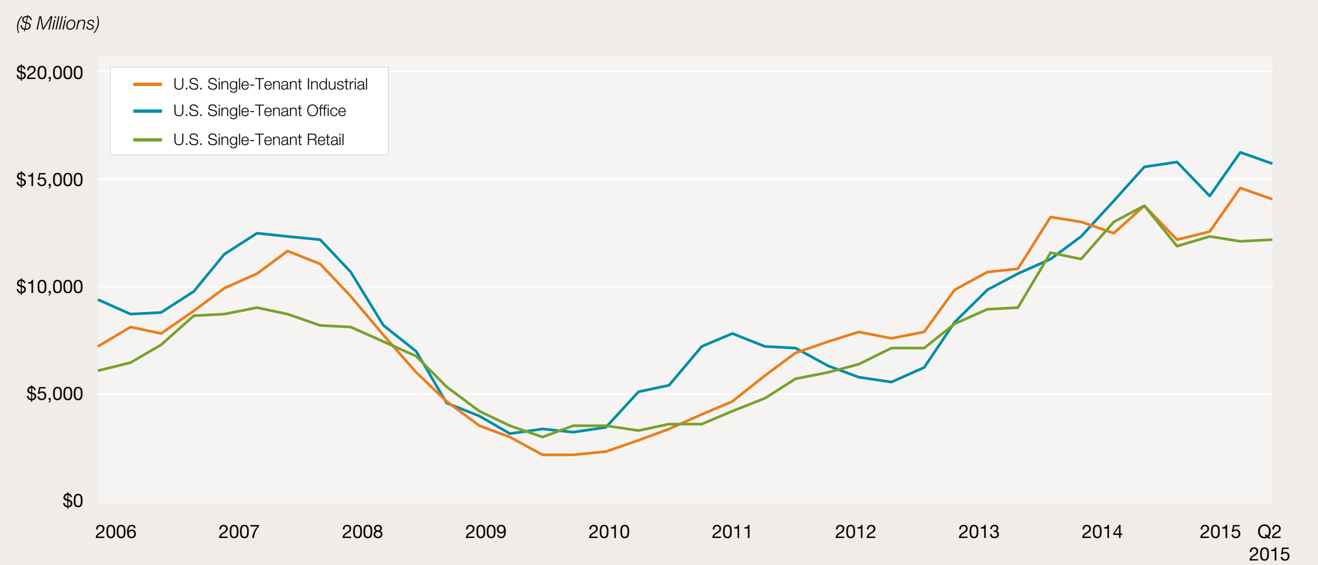
AVERAGE SINGLE-TENANT CAP RATES



Source: Real Capital Analytics

Pricing continues to strengthen.

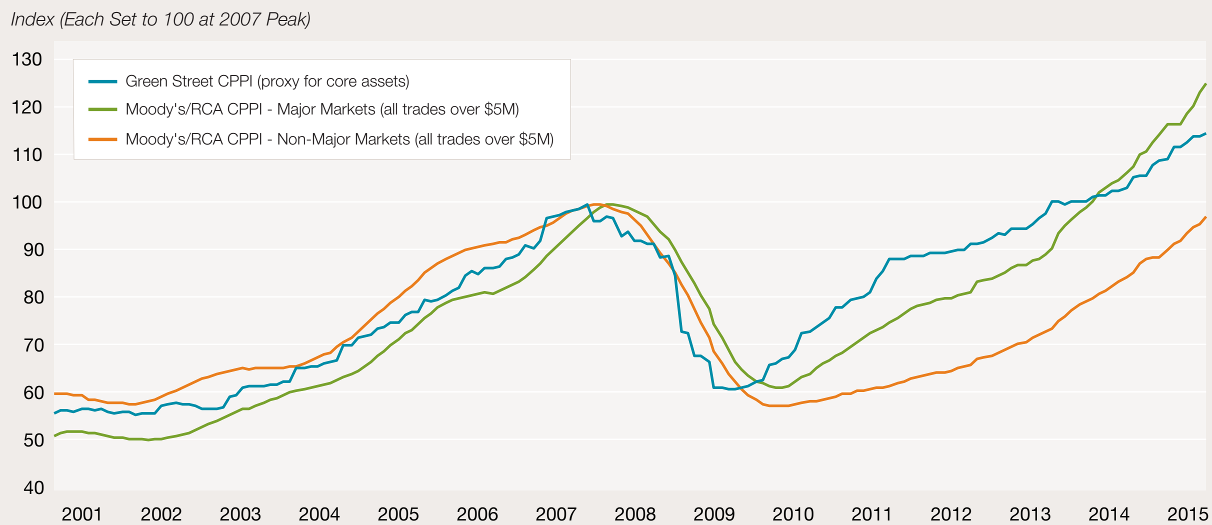
12-MONTH ROLLING SINGLE- TENANT DEAL VOLUME



Source: Real Capital Analytics

Transaction volume remains high, but has begun to level off.

COMMERCIAL REAL ESTATE PRICE INDICES



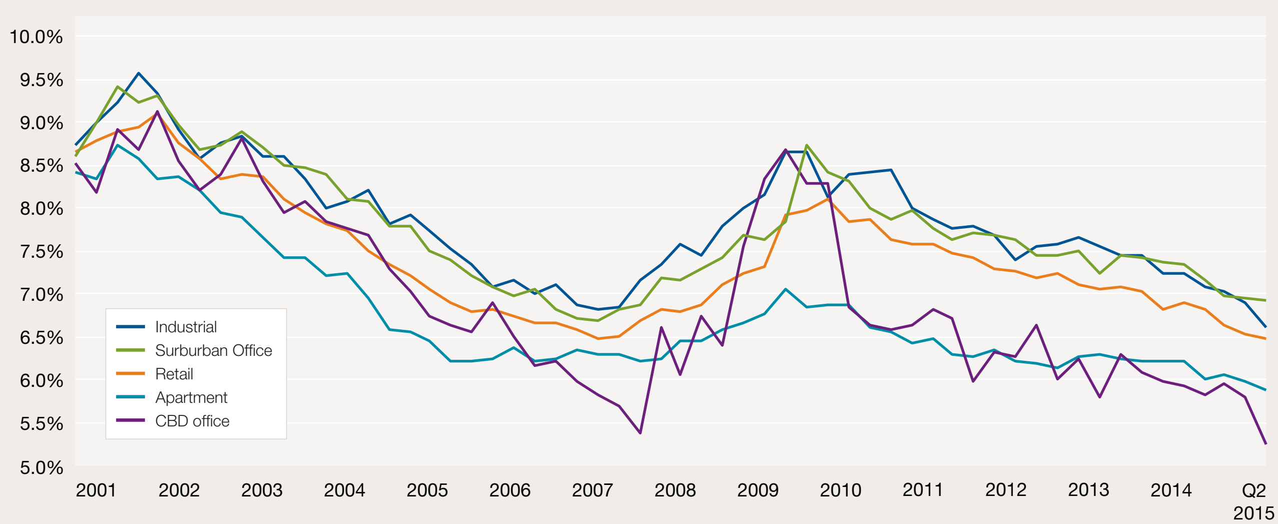
Moody's CPPI = Moody's/RCA All Property Types

Green Street CPPI = Major Sectors

Sources: Moody's – Commercial Property Price Index (Moody's CPPI) (data through April '15), Green Street Advisors – Commercial Property Price Index (Green St CPPI) (data through May '15). Note: Major markets include Boston, Chicago, Washington D.C. Metro, Los Angeles Metro, New York City Metro and San Francisco Metro.

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

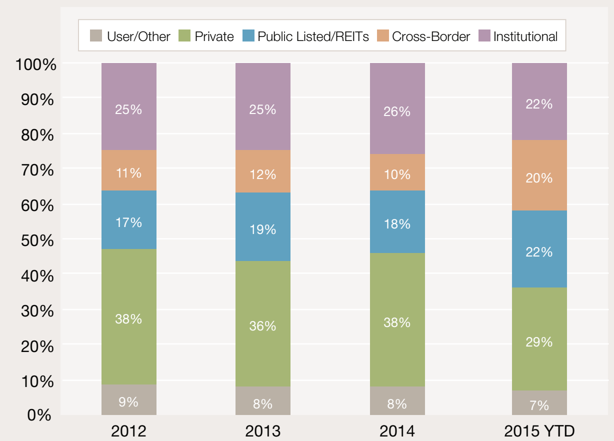
AVERAGE CAP RATES BY REAL ESTATE SECTOR



Source: Real Capital Analytics

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

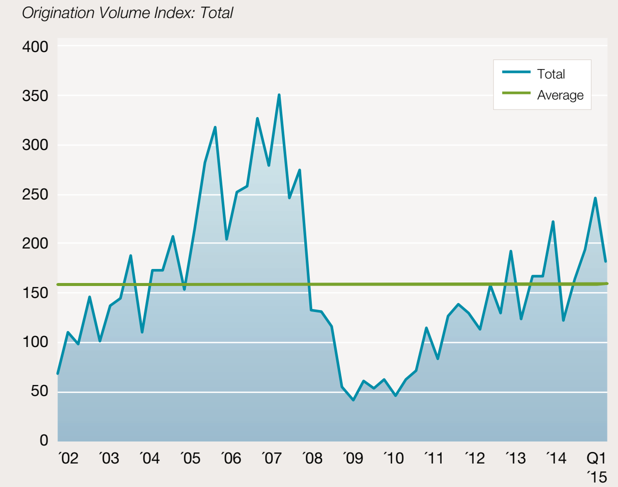
BUYER SHARE OF U.S. CORE COMMERCIAL REAL ESTATE



Source: Morgan Stanley Research

…strong capital flows (particularly from international)…

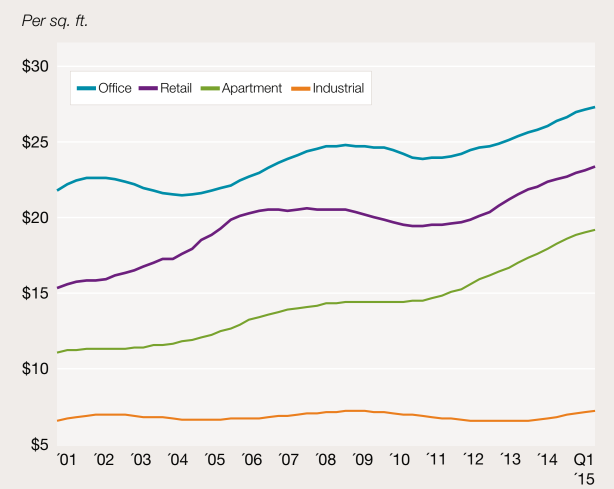
ORIGINATIONS VOLUME VS. HISTORICAL AVERAGE



Source: MBA, Morgan Stanley Research

…and robust supply of debt capital.

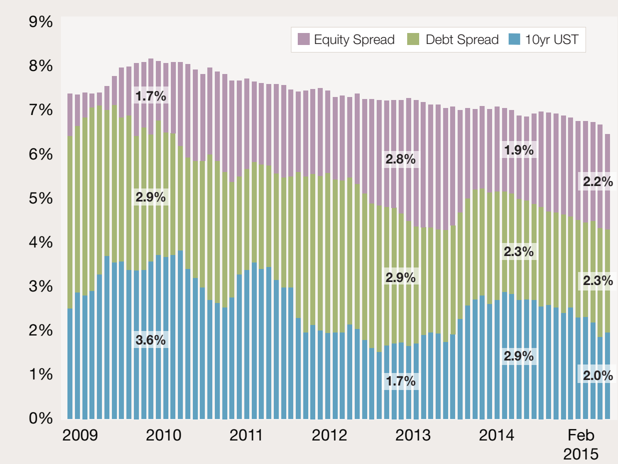
RENTAL RATES



Source: Real Capital Analytics

With limited new supply, rents should gradually accelerate.

EQUITY AND DEBT SPREADS



Data based on office property type

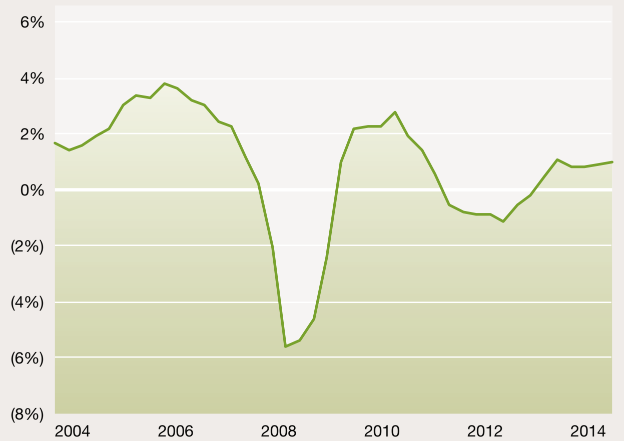
Equity Spread: Cap Rate less "Debt Spread" and "10yr UST"

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

Source: Real Capital Analytics

Equity and debt spreads remain at attractive overall levels.

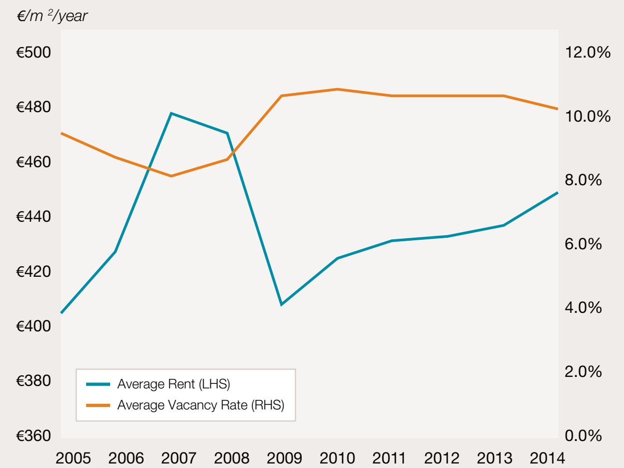
EUROZONE GDP Y-O-Y



Source: Bloomberg

Economic recovery in Europe has been very weak.

AVERAGE EUROPEAN PRIME OFFICE RENTS AND VACANCY RATES

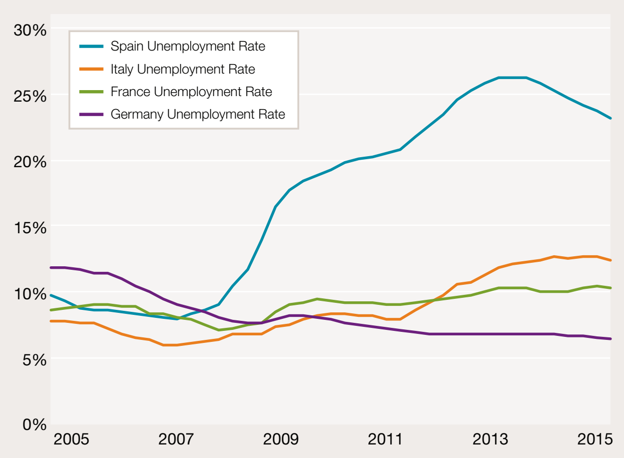


Data includes figures from 23 major European cities

Source: BNP Paribas Real Estate

Crisis was not driven by excess supply; average rents and vacancy rates are recovering.

NATIONAL UNEMPLOYMENT RATES



Source: Bloomberg

Unemployment has seen only a modest recovery and varies greatly between core and periphery; some downward trends can be seen in Germany and Spain.

EURO/DOLLAR EXCHANGE RATE

Source: Bloomberg

The euro has dropped meaningfully. However, the drop has been underway for more than one year without an above-trend economic recovery. This highlights the structural changes (labor markets, budget deficits) that still need to be addressed.

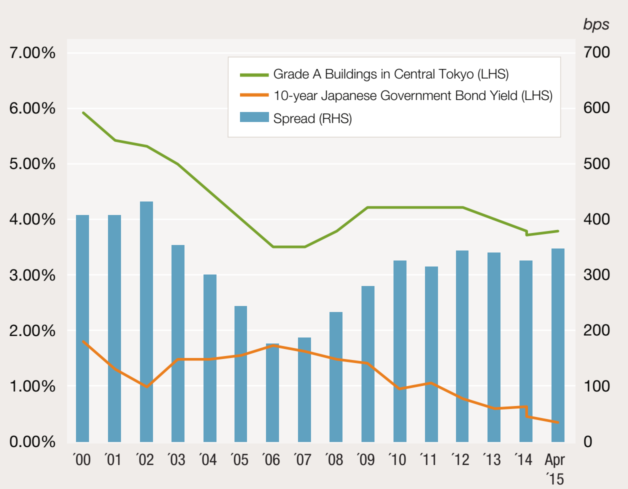
JAPAN

TOKYO'S 5 CENTRAL WARDS OFFICE RENT AND VACANCY RATE

Source: MIki Shoji

Vacancy in the Tokyo office market continued to improve, increasing rents by 3.6% in the first five months of 2015.

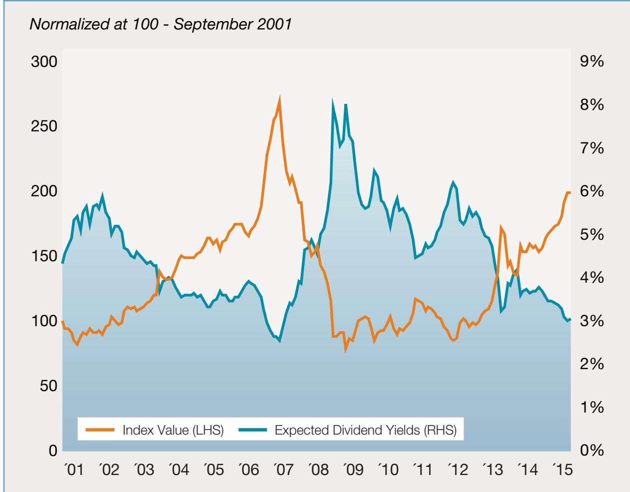
CAP RATES OF GRADE A OFFICE BUILDINGS VS. BORROWING COSTS



Source: Japan Real Estate Institute

Spreads continue to widen to nearly 350 bps as Japanese government bond yields continue to fall, making real estate attractive to investors.

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

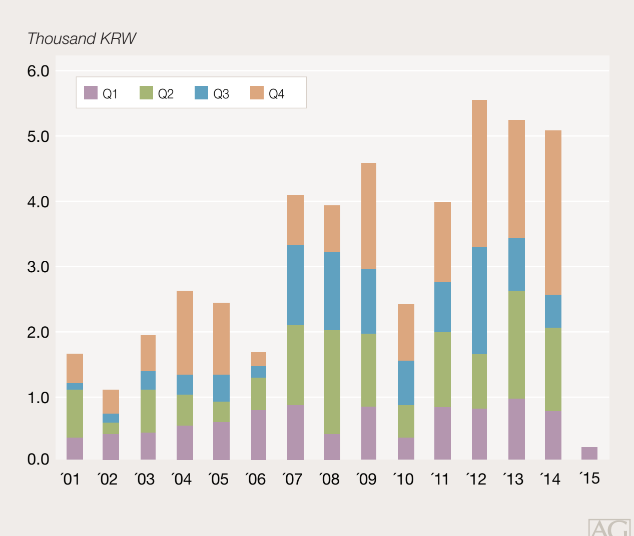


Source: Sumitomo Mitsui Trust Research Institute Co

Strong J-REIT index performance over the past two years has driven down dividend yields and thereby implied cap rates of stabilized assets.

KOREA

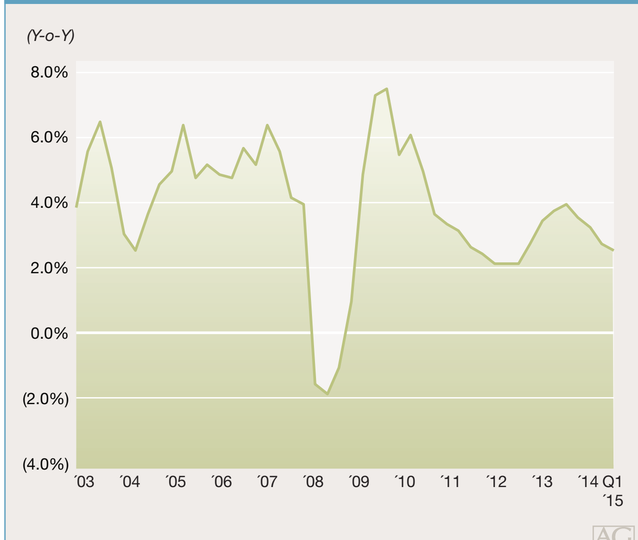
TRANSACTION VOLUME OF PRIME/ SECONDARY OFFICE BUILDINGS IN SEOUL



Source: Savills Research

There was a slow start to the year for office transactions in Seoul.

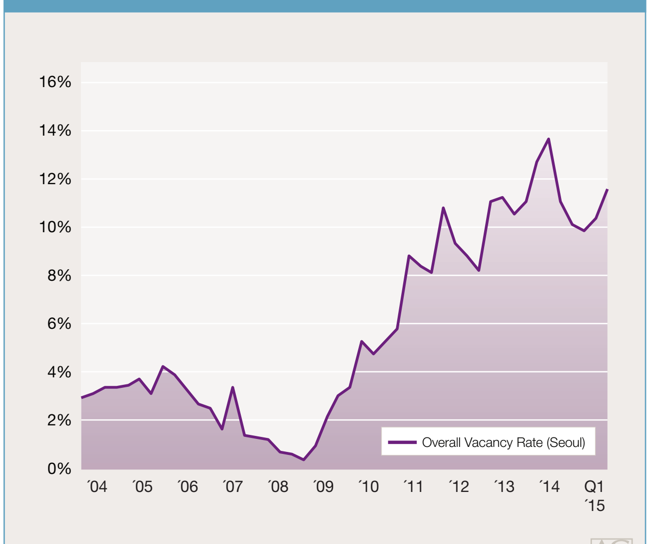
KOREA GDP GROWTH



Source: Bank of Korea

GDP growth weakened to 2.5% in Q1 2015.

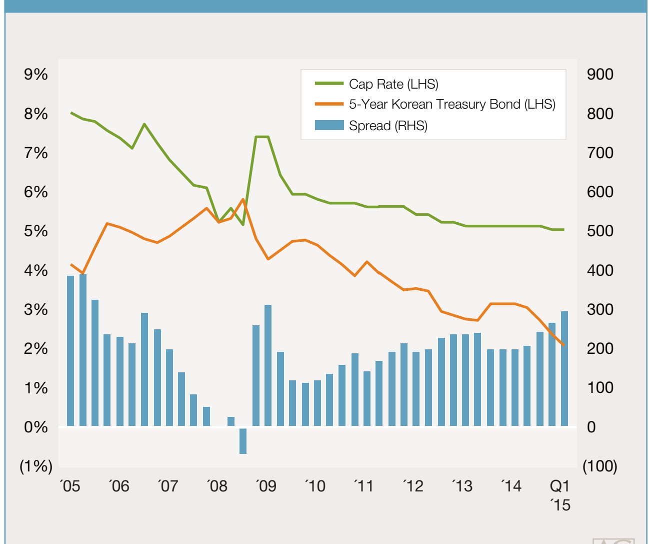
SEOUL OFFICE VACANCY RATE



Source: Jones Lang Lasalle Research

Seoul office vacancy edged up as new supply continued to negatively impact the market.

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

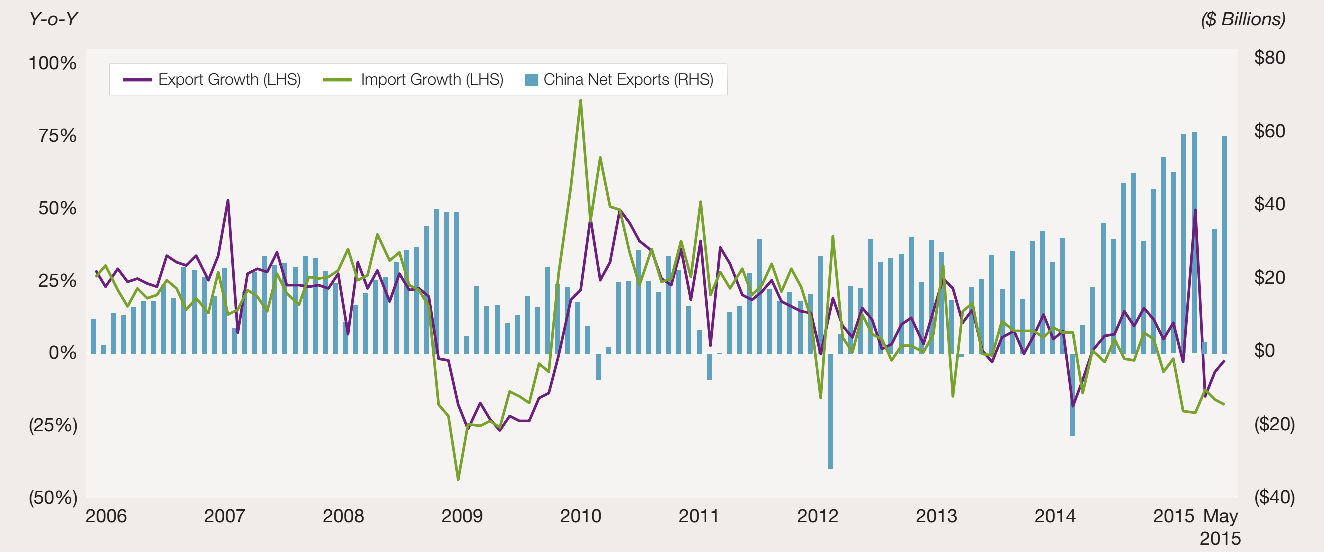


Source: Savills Research

Spreads continue to widen as Korean Treasuries continued their downward trend, which should have a positive impact on real estate investments.

CHINA

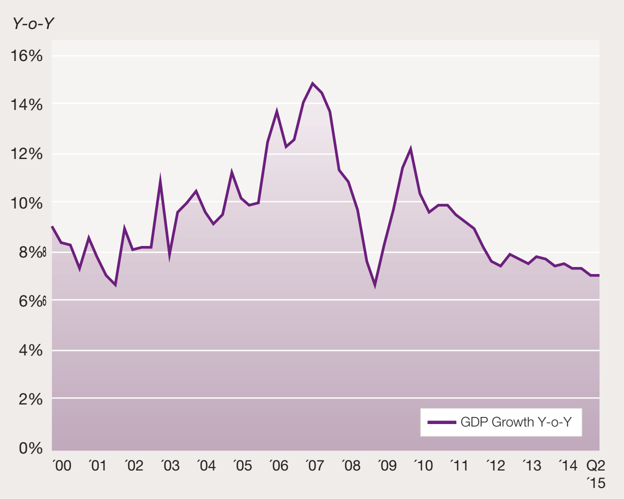
CHINA GROSS IMPORT/EXPORT GROWTH AND NET EXPORTS



Source: National Bureau of Statistics of China

Both import and export growth showed signs of a slowing economy.

CHINA GDP GROWTH RATE



Source: National Bureau of Statistics of China

GDP remained at 7.0% for Q2 2015.

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 figures dipped below 50 in early 2015 but has maintained a positive level since March.

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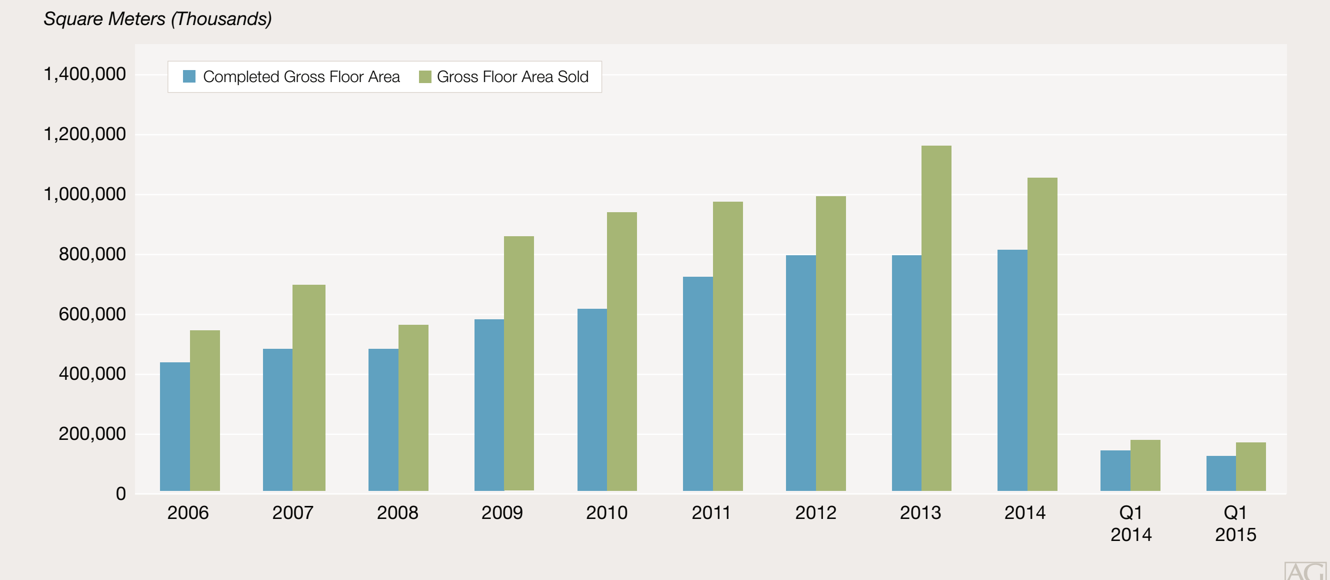
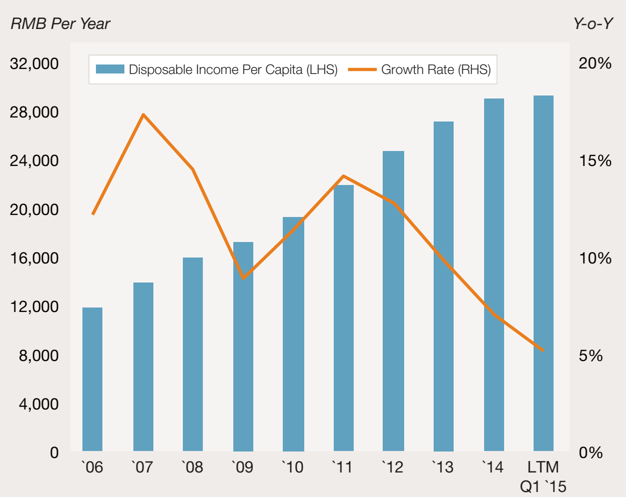
NATIONAL PRIMARY RESIDENTIAL SUPPLY AND SALES



Source: National Bureau of Statistics of China

Residential demand is keeping pace with supply although sales volume in the first quarter of 2015 fell 9.8% on a Y-o-Y basis.

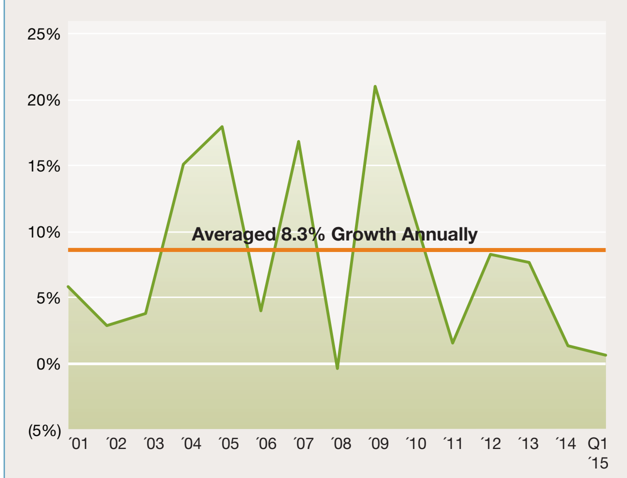
URBAN DISPOSABLE INCOME



Source: National Bureau of Statistics of China

Although still in positive territory, disposable income growth continued to slow to its lowest level in nearly 10 years.

ANNUAL HOUSING PRICE GROWTH



Source: National Bureau of Statistics of China

Housing prices remained flat in the first quarter of 2015.

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