ANGELO, GORDON & CO.

CAPITAL MARKETS PERSPECTIVES

THIRD 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.

ANGELO, GORDON & CO.

PORTFOLIO MANAGERS' CORNER

BRUCE MARTIN
Portfolio Manager
Non-Investment Grade Corporate Credit

Both the loan and high yield markets suffered their worst quarterly performance since Q3 2011 as technical and macro factors weighed on the leveraged finance markets. Although leveraged loans delivered a return of -0.76% in the third quarter, the asset class significantly outperformed the -4.89% return of the high yield index and remains among the top performers this year. Notably, this is the first time in 25 years that the high yield index has suffered negative returns for four consecutive months. On the technical side, fund flows are in solidly negative territory for the year with withdrawals of nearly $9 billion from high yield and over $11.5 billion from leveraged loans, and CLO formation has slowed materially. Assets under management ("AUM") for loan funds now stand at a 27-month low of $111 billion.

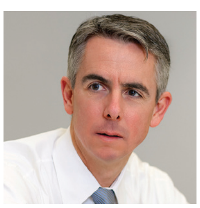
On the fundamental side, energy credits continued to struggle, as WTI dropped from $60 at the end of the second quarter and hit a post-2009 low of $38 in late August. Weakness has extended to many other sectors in the market as well, most notably to metals and mining where HY returns equaled -15% in the third quarter. Volatility and illiquidity across most sectors have become the norm as investors struggle with a myriad of uncertainties, including slowing Chinese economic growth, weak oil prices, the timing of an increase in interest rates by the Fed, the implications of a strong U.S. dollar, and questions of whether the U.S. economy is entering its next credit cycle. The number of credits considered "stressed" continues to grow and mark-to-market moves have been swift. Bid/ask spreads have been growing as buyers have increasingly less cash to deploy to absorb selling from outflows or from credit managers who want to decrease or exit a position.

TREVOR CLARK

CHRIS WILLIAMS
Portfolio Managers
Middle Market Direct Lending

While the broader lending markets experienced significant volatility in the third quarter, the middle market continued to experience a relatively favorable lending environment. The regulatory-driven exit of commercial banks from middle market leveraged loans has allowed non-bank participants to increase market share, and maintain pricing discipline. From a volume standpoint, middle market lending is down approximately 30% from the previous year. It is important to note that the volume decrease is the result of a decrease in refinance activity for existing credit facilities (as opposed to new M&A activity) which had supported overall market volumes in 2013 and 2014. From a pricing standpoint, the quarter produced significantly different results for the upper versus lower middle market debt providers. The upper middle market could not find its footing on relative value as volatility in stocks and high yield bled into the broader syndicated loan market. Lower middle market lenders were largely immune from the broad market gyrations, and loans continued to price based on credit-specific dynamics.

With the lending landscape affected by increased regulation, the middle market has witnessed an expansion in the quantity of alternative capital sources. Sources of non-traditional capital include hedge funds, business development corporations, small business investment companies, and other direct lending operations. The majority of these investors have a "buy and hold" mentality, and are more focused on credit quality and maintaining strict underwriting standards than on opportunistic trading. Middle market loans originated by these sources of capital tend to have comprehensive mandatory prepayment provisions, robust affirmative and negative covenants, as well as several financial covenants. We continue to monitor the impact of regulatory changes on the composition and behavior of middle market lenders, and believe that significant opportunities remain for lenders who bring a reliable source of capital to this space.



TODD DITTMANN
Portfolio Manager
Energy Direct Lending

The summer's oil price relapse chased hope out of the energy patch, and as a result, "lower for longer" is now consensus, resulting in very illiquid energy capital markets. Although U.S. production has slowly contracted, OPEC has maintained high levels of production in its battle for market share. In July, Saudi Arabia produced at its second highest rate in more than a decade, and Iran expects to increase oil exports by 500,000 barrels per day. As a result, yields on midstream MLPs have widened significantly as investors slashed growth expectations; oil and gas companies are treading water by limiting capex to that which can be funded with free cash flow; and oil service companies are struggling to survive. "Lower for longer" has decimated both the equity and junior creditor classes of many energy issuers and resulted in expectations of further bank borrowing base reductions for oil and gas borrowers.

The energy capital markets, particularly for all but the largest oil and gas and oil service companies, are now so locked up that investment bankers are reluctant to offer highly confident financing indications, making for an environment in which clubby and highly negotiated financings are likely to become the new normal. Current market conditions have produced three distinct oil and gas company profiles – big and healthy, medium and interesting, and small and challenged.

The big and healthy companies generally have equity market caps in excess of several billion dollars, have debt trading at single digit yields, and are the future industry consolidators. The medium and interesting firms may have more opportunity in the direct lending space. These companies have equity market caps ranging from several hundred million to several billion dollars and debt yielding 10% to 20%. The small and challenged are companies with market caps in the tens of millions to several hundred million dollars and debt yielding 15% to 50+%. Some of these companies are too far gone for new par loan origination, whereas others still offer solid asset coverage and an opportunity to replace bank debt with new, well-priced, tightly structured and amortizing first liens. For those that are too far gone, the opportunity to buy existing first lien bank debt at substantial discounts is developing.

GAVIN BAIERA
Portfolio Manager
Distressed Debt

Amidst choppy markets and challenging market technicals, both primary and secondary trading retrenched during the quarter. Most risk assets traded lower, occasionally blurring the lines between stressed and distressed. Additionally, increased volatility, retail loan fund withdrawals, and rates uncertainty pressured new high yield issuance, causing a downshift in prices. In exploration and production (E&P) names, the price and liquidity environment was comparable to the difficult Q3 2011 and Q4 2008 periods. In the U.S., the leg down was led by E&P issuers who were pressured by lower crude prices and weaker demand. Two energy-related loan defaults during the quarter (Samson and Alpha Natural) brought the LTM loan default rate to 1.27% by dollar amount (and 0.77% by loan count) as of September 30, still well below historical norms. However, since energy comprises less than 5% of the loan universe compared to approximately 15% for high yield, an acceleration of loan defaults will likely coincide with contagion and/or a broader negative economic turn.

In Europe, the quarter began and ended with macro-driven volatility stemming from Greece to China that primarily affected correlated assets. In the midst of tepid GDP growth, larger European banks continued to offload non-core loans. The flow of solid opportunities in senior secured tranches out of European banks, while uneven, remained quite encouraging for distressed investors. We continue to see attractive potential opportunities in leveraged corporate issuers, infrastructure assets, and real estate.

ARTHUR PEPONIS
Portfolio Manager
Private Equity

The private equity market continued many of the trends we have discussed over the last several quarters. However, the recent "choppiness" of the market exerted pressure on deal volume and exit activity. Global deal volume for the first nine months of 2015 increased approximately 10% from the first nine months of 2014 but deal volume actually declined from $91 billion in the third quarter of 2014 to $85 billion in the third quarter of 2015. A recurring theme is the level of "dry powder" which increased approximately 3% in the quarter to $481 billion-- only $1 billion lower than the record $482 billion set in 2008. Average leverage for buyouts remains high relative to historical standards. For the first nine months of 2015, leverage as a multiple of EBITDA was 5.8x, consistent with the multiple in 2014. Covenant lite loans, an issuer-friendly structure, represented 75% of new issues. Despite the unrest in the markets, multiples achieved by sellers continued their upward trajectory with a year-to-date average of 10.3x EBITDA, an all-time record. Further, the multiples paid in the third quarter averaged 11.2x. Although there can be anomalies in quarterly data, there is an increasing amount of capital chasing fewer deals resulting in higher multiples paid by buyers. Finally, although private equity exits in both dollar volume and number of sales continued to be lower than the record 2014 levels, exits in 2015 remain on pace to be one of the strongest years ever.

DAVID KAMIN
Portfolio Manager
Merger Arbitrage

As the third quarter came to a close, merger arbitrage spreads reached their widest levels of the year, creating attractive opportunities for arbitrageurs. Spreads were at a median of 11.5% at quarter-end versus an average of 7% throughout the year. While spreads were resilient during the August flash crash, they succumbed to market volatility in September. Last quarter we wrote about the return of U.S. regulators. This quarter, concerns of regulatory oversight should have eased when the U.S. Department of Justice cleared Expedia's acquisition of Orbitz Worldwide, and the U.S. Federal Trade Commission was dealt a surprising defeat by the courts in their challenge of Steris Corporation's acquisition of Synergy Health plc. However, despite these two events, arbitrageurs remained reluctant to re-price deals with regulatory risk, which as a result continued to widen during the quarter.

Late in the second quarter, acquirers' shares began to exhibit lackluster performance. Historically, acquirer share prices have declined upon an M&A announcement. However, since 2011, shareholders have rewarded companies for using their cash to pursue ostensibly accretive acquisition growth, a trend that has been an important driver of this merger and acquisition cycle. This pattern started to break late in the second quarter and continued during the third quarter as shareholders became more selective in which deals they reward. Nonetheless, many positives remain in the merger arbitrage marketplace. July represented the strongest month on record for North American deal volume, which also proved to be resilient during the market rout, with two large-cap deals announced during the last week of August. Schlumberger Ltd. agreed to buy Cameron International, and Southern Company announced an acquisition of AGL Resources Inc. Led by a continued surge in $5 billion+ deals, North America is on pace to exceed the record volume level set in 2007. The M&A boom had a broad reach as healthcare, industrials, financials, and technology sectors were the most active this past quarter. Given the relative strength and stability of the U.S. economy, the M&A market remains strong. Companies continue to have sizeable cash balances, and while financing costs have increased for some issuers, interest rates remain low.

GARY WOLF
Portfolio Manager
Convertible Arbitrage

The third quarter was quite difficult for almost all asset classes and across regions. Markets only enjoyed short-term relief after the Greece situation was resolved as concerns over growth in China soon took center stage. The extreme gyrations witnessed in Chinese equities led to widespread weakness in emerging markets and commodities. The debate over the timing of the Fed's eventual tightening, combined with expectations of weakening global growth, only added to the volatility in already nervous markets. Convertible bonds lost the bulk of their year-to-date gains, as the BAML Global 300 Convertible Index fell 4.2% in local currency terms in the quarter. The general risk-off tone in markets also made for a somewhat challenging environment for convertible arbitrage investors. While increasing equity volatility was supportive of valuations, widening credit spreads and overall risk reduction by long-only investors more than offset this. In addition, a number of name-specific situations, like the corporate scandal at Volkswagen, put pressure on a wide range of convertible market participants. The HFRX FI-Convertible Arbitrage Index, an indicator for global convertible arbitrage returns, fell 1.12% in the third quarter. Global convertible new issuance slowed down during the summer period amid the market volatility, with UBS recording a deal volume of $10.9 billion in the third quarter (U.S. $4.7 billion, Europe $2.9 billion, Japan $1.2 billion). On an annualized basis, however, the market remains on track to slightly exceed last year's level. The increase in equity volatility should ultimately provide solid opportunities for convertible arbitrage investing.

PORTFOLIO MANAGERS' CORNER *(continued)*

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

After two consecutive years of positive performance, the third quarter proved to be a challenging period for RMBS and ABS assets. Credit concerns and lack of liquidity in other credit markets finally bled over into the mortgage and asset backed sectors. MBS and ABS credit spreads moved wider during the quarter as fears of a global slowdown, energy-related credit weakness, and a lack of liquidity across markets caused risk appetite to evaporate. Primary issuance was anemic and new issue pricing remained under pressure. Broker-dealers remained on the sidelines with little to no interest in positioning securities or making markets. Mortgage credit continued its pattern of stable to modest improvement in borrower performance. Home prices also continued to modestly rise and inventory levels remained light in many major markets. Consumer appetite for housing continues to remain firm with expanding mortgage credit availability taking hold in the markets. Meanwhile on the consumer side, collateral performance for auto, equipment, and student loans exhibited modest deterioration, whereas credit card delinquencies remained at historical lows. Agency MBS continued to materially underperform due to higher levels of volatility in both credit and interest rate markets. Potential changes in monetary policy and concerns around re-investment of the Fed's QE agency MBS portfolio added more uncertainty to the mortgage capital markets. Due to the recent decline in interest rates, the supply of newly originated mortgages further pressured the mortgage basis. Finally, interest rate swaps typically used by most mortgage and ABS investors underperformed relative to their MBS and credit positions. Seven and 10-year swap rates went negative and effectively traded through U.S. Treasuries. Capital flight from emerging markets is the primary suspect in swap spread underperformance.

ANDREW SOLOMON
Portfolio Manager
Real Estate Debt (CMBS)

On an absolute basis, the CMBS market went from interesting to downright ugly during the quarter, although on a relative basis, CMBS outperformed many other asset classes. However, in a quarter in which U.S. stocks had their worst performance in four years and yet still dramatically outperformed Asian, European, and emerging market equity indexes, relative performance is an extremely low benchmark. During the quarter, investors finally began demanding pricing concessions for poorer loan quality. This tiering makes quoting quarterly changes more challenging but, generally speaking, spreads on new issue 10-year AAA-rated bonds widened by about 20 basis points over the quarter. The widening was more pronounced for credit-sensitive bonds, with new issue BBB-bonds widening by about 75 basis points, which equates to a more than 5% price decline. This performance is even more dramatic in light of the material price declines suffered by these securities during the second quarter. Furthermore, the impact is magnified by the fact that many of the holders of these securities own them on a levered basis.

The period ended with a dealer pricing a new issue CMBS transaction at spread levels that represented multi-year highs across the capital structure. In addition to broader macro headwinds, this deal was hindered by the fact that the pool's largest loan was the re-financing of a loan that had gone delinquent and recently generated significant losses in two legacy CMBS transactions. On a constructive note, commercial property performance in general continues on its positive trends. The CMBS price corrections we have witnessed so far this year do not appear to be correlated to anything specifically related to underlying real estate fundamentals. In addition, it is probably healthy for the longer-term prospects of CMBS that the market is beginning to factor differences in loan collateral quality into pricing, thereby rewarding reasonably underwritten deals and punishing those that are not. Finally, with spreads at current levels and plenty of new supply on the horizon, potential returns in the market are at more attractive levels than they have been in the last several years.

GORDON J. WHITING
Portfolio Manager
Net Lease Real Estate

Activity in the single tenant market remained robust during the third quarter, however levels have begun to plateau. The increase in transaction amounts has been partially supported by growth in price per square foot across industrial, office and retail assets since the troughs in early 2010. According to Real Capital Analytics, price per square foot since Q1 2010 has increased by roughly 30% for office and industrial assets and by nearly 50% for retail assets. This increase in price per square foot has also been reflected in cap rates, which have compressed by 18% since 2010, or nearly 4% a year. Cap rates for single tenant office and industrial assets have trended slightly below 7%, while retail assets have continued to trend downward below 6%, according to Real Capital Analytics. Although asset pricing is elevated, the appetite for net lease assets remains robust due, in part, to the steady cash flow, long duration of the assets, and a favorable lending market. Buyers of net lease assets have benefited from 10-year Treasury rates of roughly 2%, tight CMBS spreads and long interest-only periods. This environment allows for a healthy spread for net lease investors between cap rates and borrowing costs. In the months surrounding the Federal Reserve's meeting in September 2015, borrowers experienced some volatility in CMBS spreads, which, if continued, may push cap rates up.

PORTFOLIO MANAGERS' CORNER *(continued)*

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

Sales volumes of commercial properties as of quarter end were on track for an annualized pace of approximately $500 billion compared to $424 billion in 2014. However, the markets experienced a decline in sales activity in August and September resulting from the combination of widening CMBS spreads, volatility in the equity markets, and uncertainty regarding interest rates and China/global growth. Sales activity continued to see broad demand from all investor types with the exception of REITs, which are now trading at a 7% average discount to NAV, compared to a 5% historic premium, decreasing their appetite for new acquisitions. Trailing 12-month international capital flows totaled $62 billion, the highest ever, and represented nearly 20% of core purchasing activity. European investors edged out the capital flowing from Asia. Overall asset pricing continued to increase although at a slower pace. The Green Street CPPI index shows commercial property prices up 1% over the last 3 months, 10% over the last 12 months and 21% above the August 2007 peak. Despite the depth of the CRE lending markets, problem legacy loans remain. Citi recently issued a report stating that they classify 21% of the upcoming 2016 CMBS loan expirations and 27% of 2017 expirations as "not likely" to be able to refinance. As we get further into these maturities of 2006 and 2007 issuance, distressed capitalizations may prompt increased transactions for opportunistic investors.

Fundamentals remain attractive. Net operating income across sectors has continued to grow with a 28% increase from trough. Rental rates have seen improvement with multi-family average monthly rents up 6.8% in September to a record high of $1,247, a 5.2% increase over September 2014, the largest annual rate of growth since 2006. This increase is largely driven by a continued decline in the homeownership rate to the lowest level seen in decades. While permits and starts for new multifamily units continue to exceed the supply of new commercial real estate, multifamily occupancies remain at record highs. The U.S. office market vacancy rate remained largely unchanged in the second quarter. Office rents trended higher with 3.3% growth, although they remain below their 2008 peak. The pace of retail rent growth has slowed, up roughly 2.1%. We remain optimistic for continued property level income growth as these increasing rents work their way to the bottom line as below-market leases expire over the next few years. This income growth will continue to support asset values even in the face of an eventual rise in interest rates and potential increase in cap rates.

In Europe, strong demand for commercial real estate assets continued in the third quarter, with transaction volumes growing at a record pace and approaching peak levels. However, it is worth highlighting that in many large economies, commercial real estate volumes are still considerably below peak levels. For example, sales volume in Germany is only 61% of peak and France is at 68%. Total leasing take-up across Europe increased by 5% and vacancy rates have moved down from their peak of 12% to 10%. The de-leveraging by European banks continued with €21 billion of sales of non-core real estate exposure during the quarter and full-year expected dispositions of €60-70 billion. Currently €531 billion of non-core real estate and loans remain on the balance sheets of lenders and bad banks, down €53 billion from last year. However, experts are tracking over €90 billion of planned sales. Increased liquidity in the investment markets has occurred without a recovery in lending. This is best seen in the UK, where lending has recovered more than elsewhere in Europe. Still, net lending to property in the UK has been negative for the last five years and, today, property loans make up less than 8% of the total loan books for commercial banks, compared to nearly 12% in 2010. The trend of a depreciating euro has contributed to expanding export growth and record-setting trade surplus.

WILSON LEUNG
Portfolio Manager
Asia Real Estate

The Japanese real estate sector continued its gradual recovery from its post-global financial crisis lows. Cap rate spreads widened to nearly 400 basis points as Japanese government bond yields continued to decline. This phenomenon is driving both foreign and domestic investors into the core property sector. Office vacancy in Tokyo improved to 5% as of August and grade-A office rental rates rose 4% in the first eight months of the year. Despite this, rents are still 24% below their 2008 peak. Japan remains in the early recovery phase of the real estate cycle, which is in stark contrast to many of the other mature markets around the world which have already witnessed a full rebound of fundamentals and asset values. Rather than being too early or too late to invest in this market, we continue believe that this is an ideal time to invest in Japan – particularly for the opportunistic investor.

The Korean office market continued to digest the large supply overhang in place since the financial crisis. Vacancy in the Seoul office market remained flat at 12%, which is high compared to the 10-year average vacancy rate of 6%. Cap rate spreads over 5-year Korean Treasuries remained flat at approximately 300 basis points as Korean Treasury yields declined as prime office cap rates compressed. Distress in the office sector continued to be an investment theme and one that will continue in the short to medium term.

With the slowing Chinese economy, turbulence in the Chinese stock market, and concerns over a devaluing currency (RMB), China may be entering a very tumultuous period. This could potentially lead to overleveraged or distressed sellers bringing assets to market, which, in theory, would present an attractive buying opportunity. Over the past five years, knowledgeable investors have been exceptionally cautious about investing in mainland China, while Japan and Korea have offered more attractive risk-reward dynamics for investors. Opportunistic investors are always more likely to find appealing investments when the markets correct, rather than when they are fundamentally healthy; therefore, investors continue to monitor the China market closely, seeking favorable entry points in a market that is likely to see some volatility in the near future.

ECONOMIC DASHBOARD

ANGELO, GORDON & CO.

MARKET INDICES

Third Quarter 2015

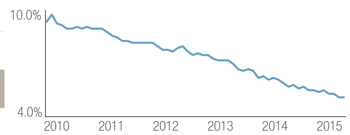
JOB MARKET

Macro Economics | Five-Year Trend

US – Unemployment Rate

As of 9/30/2015

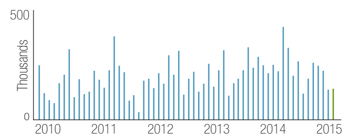
Latest Level	5.1
Change from Prior Month	0.0
Latest Direction	No Change
Frequency	Monthly



US – Non-Farm Payroll

As of 9/30/2015

Latest Level	142.0
Change from Prior Month	6.0
Latest Direction	Improving
Frequency	Monthly



US – Labor Participation Rate

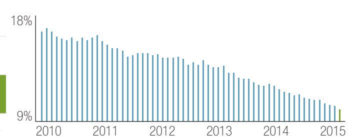
As of 9/30/2015

Latest Level	62.4
Change from Prior Month	(0.2)
Latest Direction	Deteriorating
Frequency	Monthly

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

As of 9/30/2015

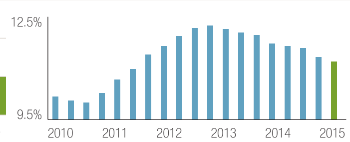
Latest Level	10.0
Change from Prior Month	(0.3)
Latest Direction	Improving
Frequency	Monthly



Eurozone Unemployment Rate

As of 6/30/2015

Latest Level	11.1
Change from Prior Quarter	(0.1)
Latest Direction	Improving
Frequency	Quarterly



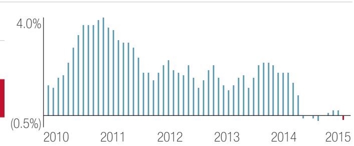
INFLATION

Macro Economics | Five-Year Trend

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

As of 9/30/2015

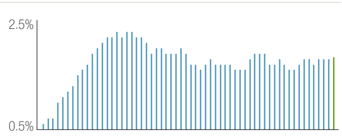
Latest Level	0.0
Change from Prior Month	(0.2)
Latest Direction	Decreasing
Frequency	Monthly



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

As of 9/30/2015

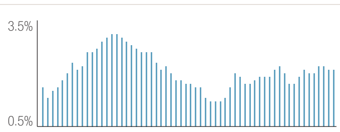
Latest Level	1.9
Change from Prior Month	0.1
Latest Direction	Increasing
Frequency	Monthly



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

As of 9/30/2015

Latest Level	2.1
Change from Prior Month	0.0
Latest Direction	No Change
Frequency	Monthly



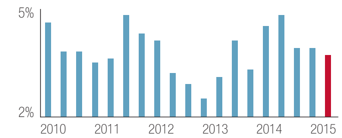
GDP GROWTH

Macro Economics | Five-Year Trend

US – GDP Y-o-Y %

As of 6/30/2015

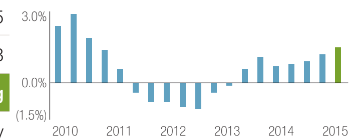
Latest Level	3.7
Change from Prior Quarter	(0.2)
Latest Direction	Deteriorating
Frequency	Quarterly



Eurozone – GDP Y-o-Y %

As of 6/30/2015

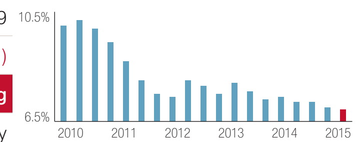
Latest Level	1.5
Change from Prior Quarter	0.3
Latest Direction	Improving
Frequency	Quarterly



China – GDP Y-o-Y %

As of 9/30/2015

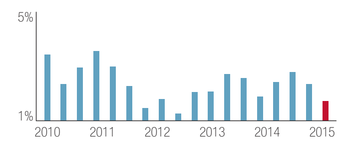
Latest Level	6.9
Change from Prior Quarter	(0.1)
Latest Direction	Decreasing
Frequency	Quarterly



World – GDP Y-o-Y %

As of 3/31/2015

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



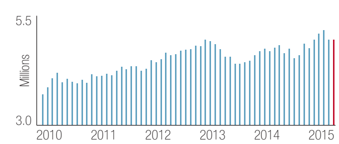
HOUSING

Macro Economics | Five-Year Trend

Existing Home Sales

As of 8/31/2015

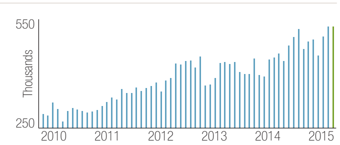
Latest Level	5.3
Change from Prior Month	(0.3)
Latest Direction	Deteriorating
Frequency	Monthly



New Home Sales

As of 8/31/2015

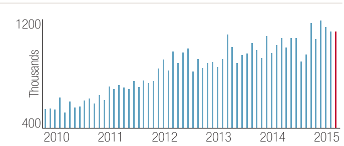
Latest Level	552.0
Change from Prior Month	30.0
Latest Direction	Improving
Frequency	Monthly



Housing Starts

As of 8/31/2015

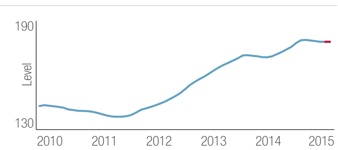
Latest Level	1,126.0
Change from Prior Month	(35.0)
Latest Direction	Deteriorating
Frequency	Monthly



Case-Shiller Index of Home Value in 20 Cities

As of 7/31/2015

Latest Level	178.3
Change from Prior Month	(0.4)
Latest Direction	Deteriorating
Frequency	Monthly



Source: Bloomberg (All)

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

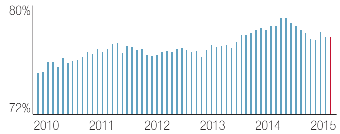
ECONOMIC DASHBOARD *(continued)*

ECONOMIC & MARKET CONFIDENCE

Macro Economics — Five-Year Trend

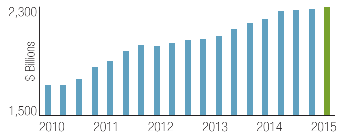
Capacity Utilization as a % of Capacity
As of 9/30/2015

Latest Level	77.5
Change from Prior Month	(0.2)
Latest Direction	Deteriorating
Frequency	Monthly



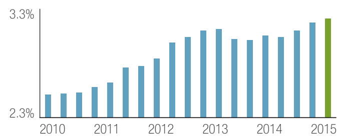
Private Fixed Investment Nonresidential SAAR
As of 6/30/2015

Latest Level	2,297.9
Change from Prior Quarter	17.2
Latest Direction	Improving
Frequency	Quarterly



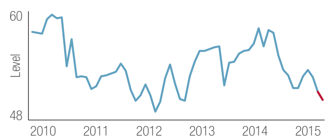
Residential Fixed Investment as a % of GDP
As of 6/30/2015

Latest Level	3.2
Change from Prior Quarter	0.0
Latest Direction	Increasing
Frequency	Quarterly



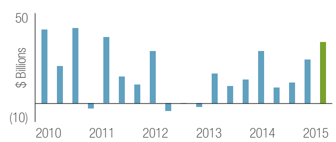
ISM Manufacturing Index
As of 9/30/2015

Latest Level	50.2
Change from Prior Quarter	(0.9)
Latest Direction	Deteriorating
Frequency	Monthly



Manufacturing Inventory Change Q-o-Q $
As of 6/30/2015

Latest Level	34.4
Change from Prior Quarter	9.9
Latest Direction	Increasing
Frequency	Quarterly

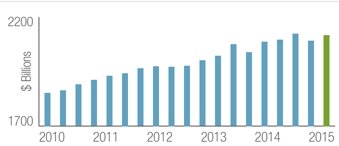


Architecture Firms Billings Index
As of 8/31/2015

Latest Level	49.1
Change from Prior Month	(5.6)
Latest Direction	Deteriorating
Frequency	Monthly

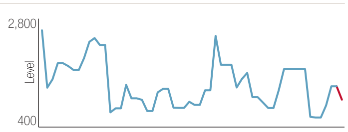
Exports of Goods/Services
As of 6/30/2015

Latest Level	2,118
Change from Prior Quarter	26
Latest Direction	Improving
Frequency	Quarterly



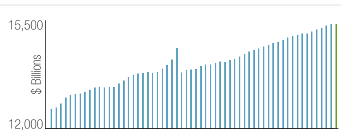
Shipping Rates
As of 9/30/2015

Latest Level	900
Change from Prior Quarter	(231)
Latest Direction	Deteriorating
Frequency	Quarterly



Personal Income Level
As of 8/31/2015

Latest Level	15,404
Change from Prior Month	53
Latest Direction	Improving
Frequency	Monthly

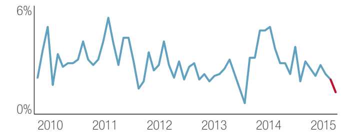


ECONOMIC & MARKET CONFIDENCE *(continued)*

Macro Economics — Five-Year Trend

US Retail Chain Store Sales Y-o-Y
As of 9/30/2015

Latest Level	1.2
Change from Prior Month	(0.7)
Latest Direction	Deteriorating
Frequency	Monthly



Michigan Consumer Confidence Sentiment
As of 9/30/2015

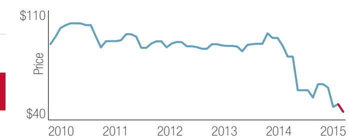
Latest Level	87.2
Change from Prior Month	(4.7)
Latest Direction	Deteriorating
Frequency	Monthly

COMMODITIES

Macro Economics — Five-Year Trend

WTI Crude Oil Price
As of 9/30/2015

Latest Level	45.1
Change from Prior Month	(4.8)
Latest Direction	Decreasing
Frequency	Monthly



Reuters/Jefferies Commodity Index
As of 9/30/2015

Latest Level	193.8
Change from Prior Month	(8.3)
Latest Direction	Decreasing
Frequency	Monthly

Gold
As of 9/30/2015

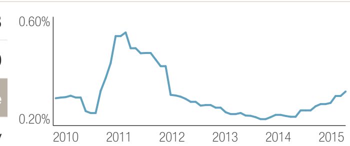
Latest Level	1,115.1
Change from Prior Month	(19.8)
Latest Direction	Decreasing
Frequency	Monthly

RATES

Macro Economics — Five-Year Trend

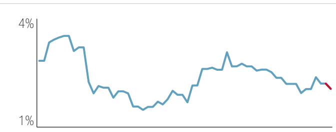
LIBOR 3M
As of 9/30/2015

Latest Level	0.33
Change from Prior Month	0.00
Latest Direction	No Change
Frequency	Monthly



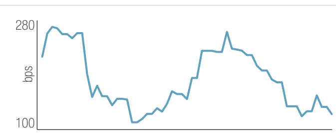
Treasury 10 Yr Yield
As of 9/30/2015

Latest Level	2.04
Change from Prior Month	(0.14)
Latest Direction	Decreasing
Frequency	Monthly



Swaps 2Y vs 10Y
As of 9/30/2015

Latest Level	125.43
Change from Prior Month	(11.81)
Latest Direction	Flattening
Frequency	Monthly



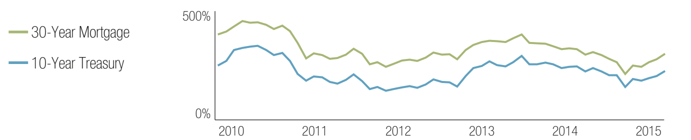
Source: Bloomberg (All)

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

RATES *(continued)*

Macro Economics | Five-Year Trend

30 Yr Mortgage and 10 Yr Treasury



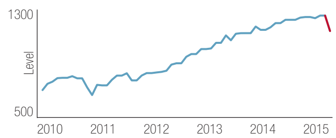
EQUITY

Macro Economics | Five-Year Trend

US Equity Markets – Russell 3000

As of 9/30/2015

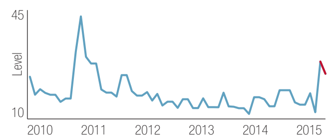
Latest Level	1,140.8
Change from Prior Month	(114.6)
Latest Direction	Sell-off
Frequency	Monthly



US Equity – VIX

As of 9/30/2015

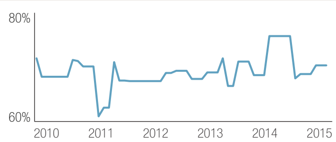
Latest Level	24.5
Change from Prior Month	(3.9)
Latest Direction	Decreasing
Frequency	Monthly



S&P 500 Percentage Exceeding Earning Estimates

As of 9/11/2015

Latest Level	68.3
Change from Prior Quarter	0.0
Latest Direction	No Change
Frequency	Monthly

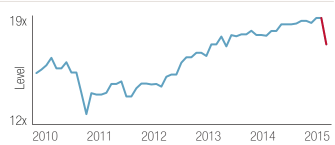


S&P 500 Historical Valuation Levels

Trailing P/E on S&P 500

As of 9/30/2015

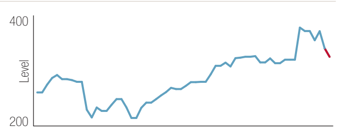
Latest Level	17.0
Change from Prior Month	(1.6)
Latest Direction	Decreasing
Frequency	Monthly



Equity Markets – Euro Stoxx

As of 9/30/2015

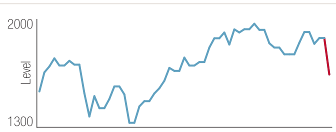
Latest Level	324.9
Change from Prior Month	(15.5)
Latest Direction	Decreasing
Frequency	Monthly



Equity Markets – MSCI EAFE

As of 9/30/2015

Latest Level	1,644.4
Change from Prior Month	(235.4)
Latest Direction	Decreasing
Frequency	Monthly



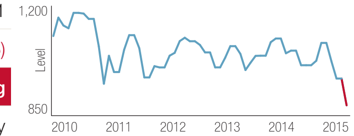
EQUITY *(continued)*

Macro Economics | Five-Year Trend

Equity Markets – MSCI EM

As of 9/30/2015

Latest Level	792.1
Change from Prior Month	(109.6)
Latest Direction	Decreasing
Frequency	Monthly



Russel 3000 - MSCI EAFE - MSCI EM

FOREIGN EXCHANGE RATE

Macro Economics | Five-Year Trend

Euro Spot Rate vs 1 USD

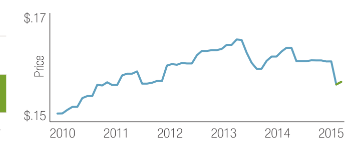
As of 9/30/2015

Latest Level	1.12
Change from Prior Month	0.00
Latest Direction	No Change
Frequency	Monthly

Yuan Spot Rate vs 1 USD

As of 9/30/2015

Latest Level	0.1573
Change from Prior Month End	0.0005
Latest Direction	Improving
Frequency	Monthly



Yen Spot Rate vs 1 USD

As of 9/30/2015

Latest Level	0.0083
Change from Prior Month	0.0001
Latest Direction	Improving
Frequency	Monthly

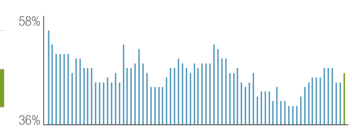
POLITICS

Macro Economics | Five-Year Trend

NBC NEWS/WSJ Poll Obama Approval Rating(1)

As of 9/24/2015

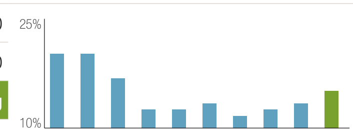
Latest Level	48.0
Change from Prior Month	2.0
Latest Direction	Increasing
Frequency	Monthly



NBC NEWS/WSJ Poll Congress Approval Rating(1)

As of 5/31/2015

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



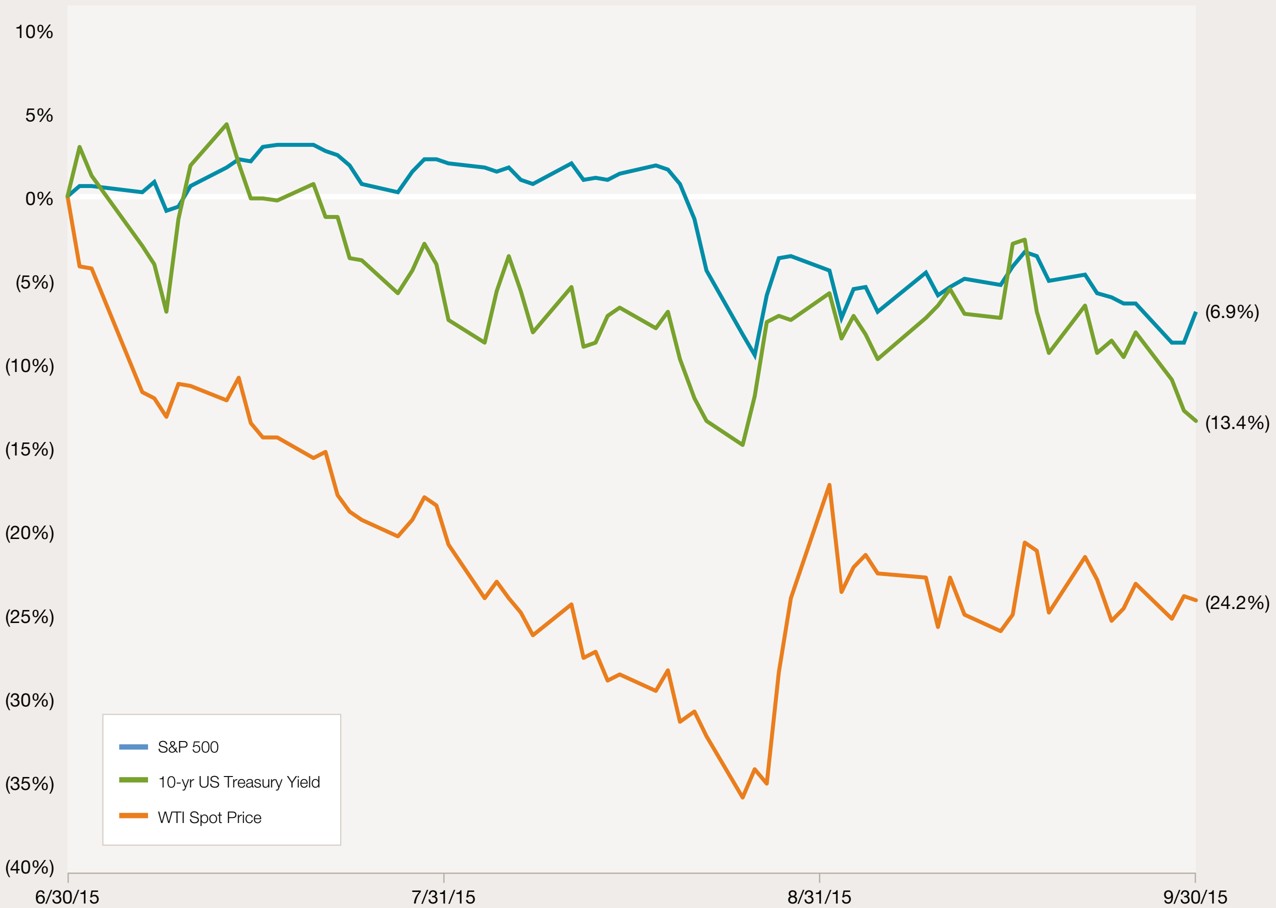
Source: Bloomberg (Except where noted)

(1) NBC News/Wall Street Journal Survey

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

CHART OF THE QUARTER

THIRD QUARTER 2015

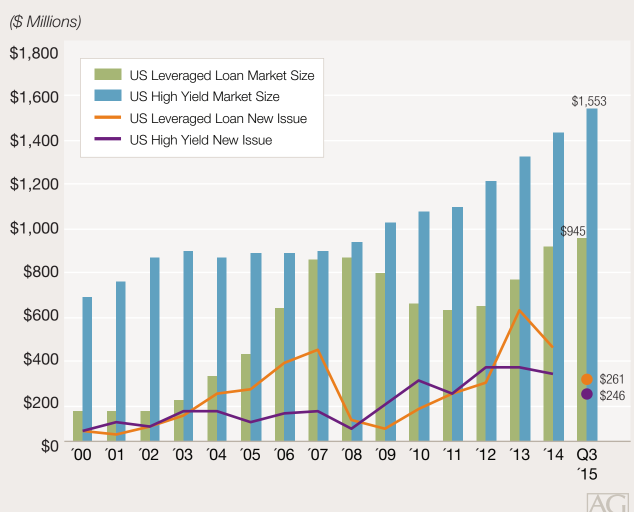


Source: Bloomberg

The third quarter of 2015 was marked by broad volatility and weakness across most capital markets. Equities and commodities struggled amidst an uncertain macro environment, while Treasury yields declined as risk-off sentiment prevailed. The Fed's mid-September decision to leave short-term interest rates unchanged stoked worries of an imminent slowdown in the U.S. economy. Fears of weak global energy demand and continued strong production put downward pressure on WTI throughout the period.

NON-INVESTMENT GRADE CORPORATE CREDIT

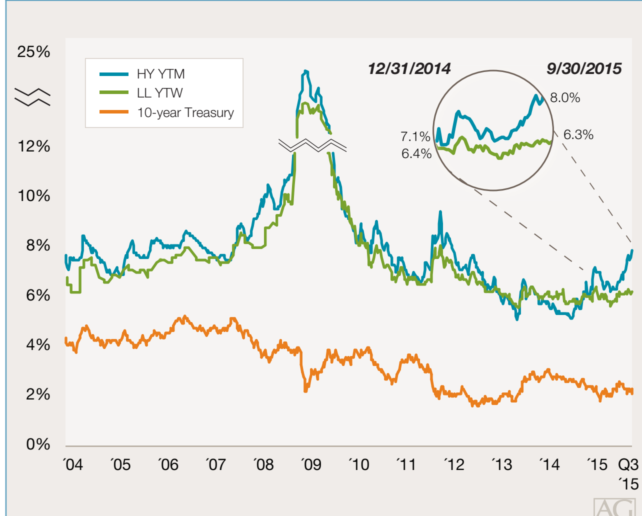
LEVERAGED LOAN AND HIGH YIELD BOND MARKET SIZE AND NEW ISSUE VOLUME



Source: Credit Suisse

High yield bond and leveraged loan markets continued to expand despite relatively light new issuance in both markets.

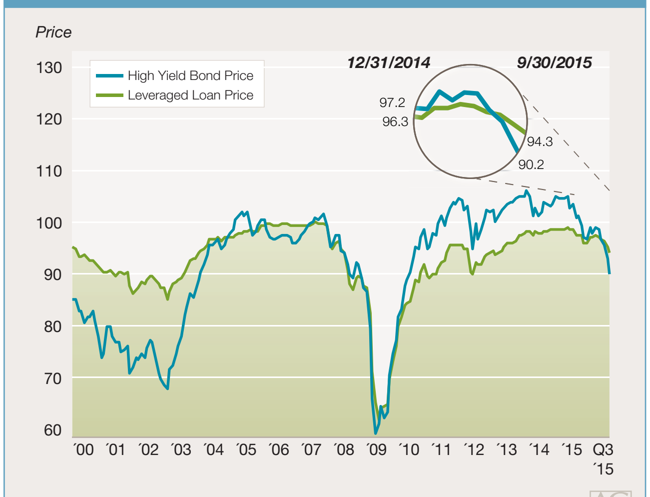
LEVERAGED LOAN VS. HIGH YIELD BOND VS. 10-YEAR TREASURY YIELDS



Source: Credit Suisse, Bloomberg

Macro uncertainty was the central theme during the quarter, leading to higher yields in most credit markets as well as lower Treasury yields.

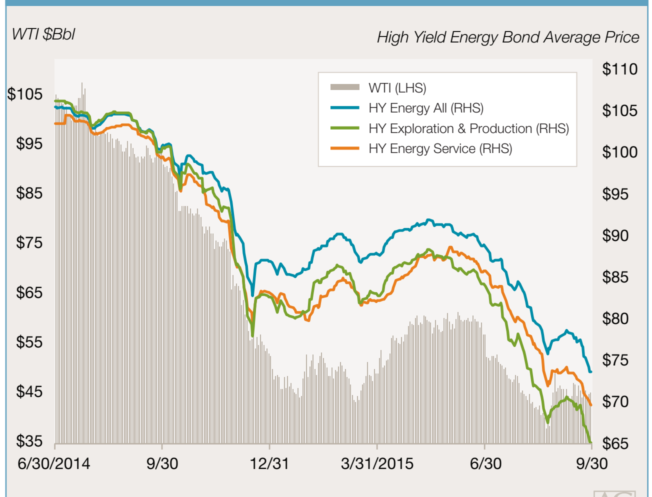
LEVERAGED LOAN AND HIGH YIELD BOND AVERAGE PRICE



Source: Credit Suisse

High yield bond and leveraged loan prices declined during the quarter with a much larger drop in high yield. High yield bonds have a larger exposure to the energy sector and have been extremely sensitive to the prospect of rising rates.

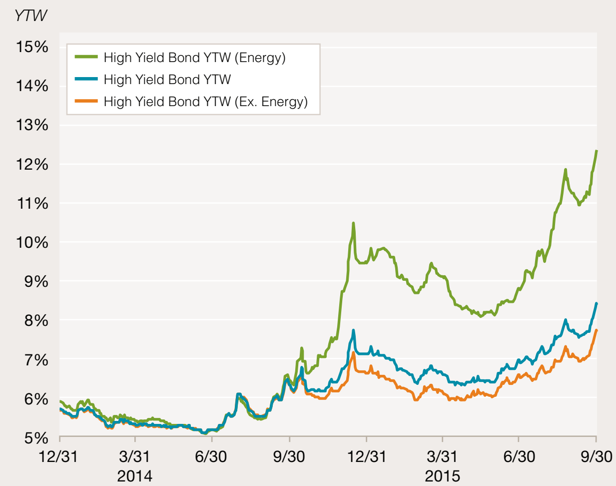
HIGH YIELD ENERGY AVERAGE PRICE VS. WTI



Source: JPMorgan Domestic High Yield Index

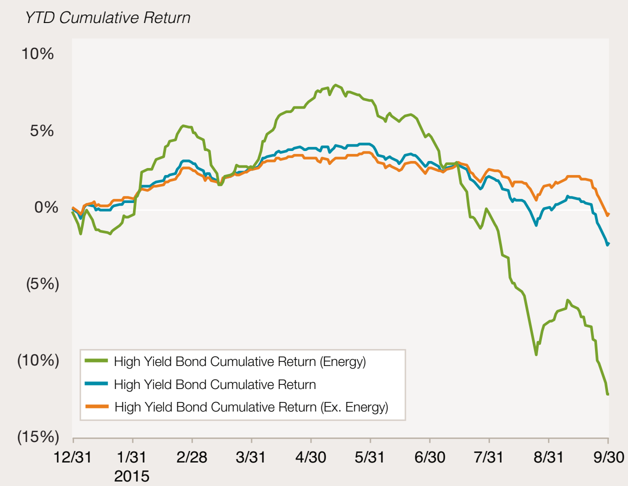
WTI and high yield energy declined in tandem in the third quarter. High yield energy credits ended the quarter at their lowest prices since the recent energy crisis began.

HIGH YIELD BOND YIELDS WITH AND WITHOUT ENERGY



Source: JPMorgan Domestic High Yield Index

2015 HIGH YIELD BOND RETURNS WITH AND WITHOUT ENERGY

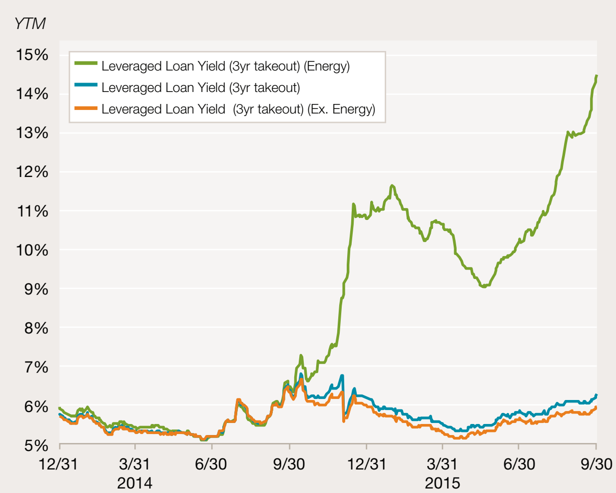


Source: JPMorgan Domestic High Yield Index

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).*

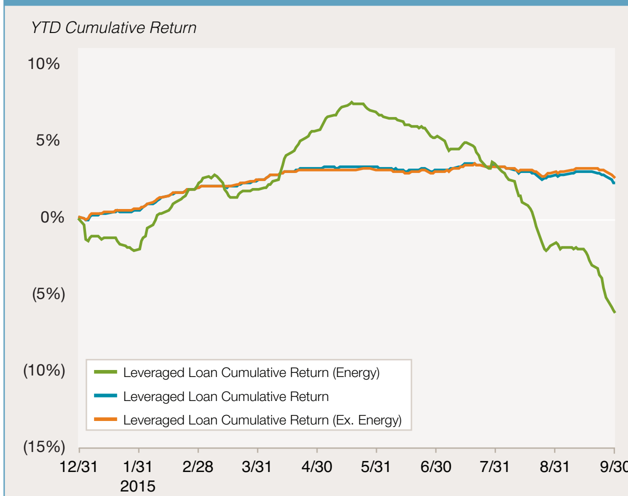
Energy performance had a larger effect on the high yield index than on the leveraged loan index *(applies to charts above and below).*

LEVERAGED LOAN YIELDS WITH AND WITHOUT ENERGY



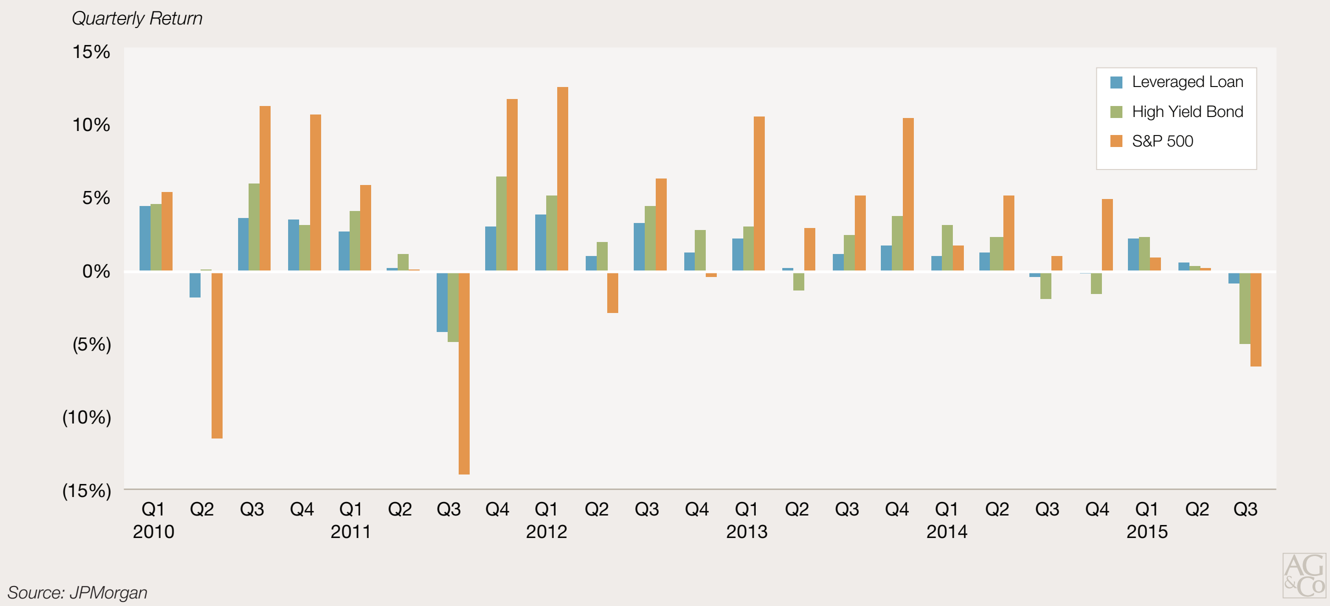
Source: JPMorgan Leveraged Loan Index

2015 LEVERAGED LOAN RETURNS WITH AND WITHOUT ENERGY



Source: JPMorgan Leveraged Loan Index

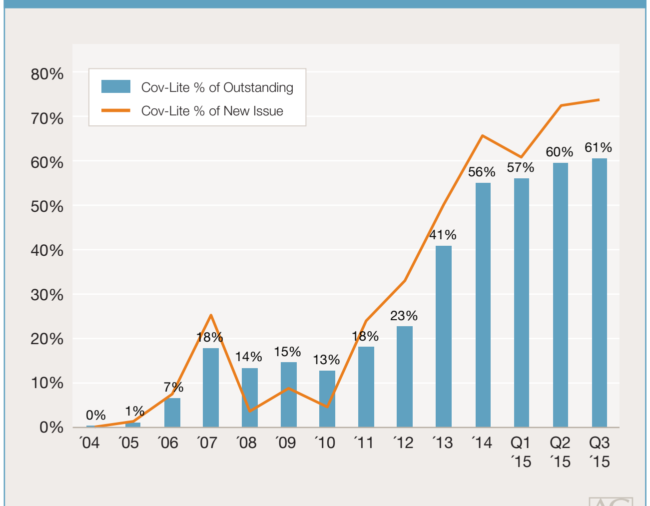
QUARTERLY PERFORMANCE SINCE 2011



Source: JPMorgan

High yield bonds and equities had their worst quarterly performance since Q3 2011. Loans performed well on a relative basis and far better than they did in Q3 2011.

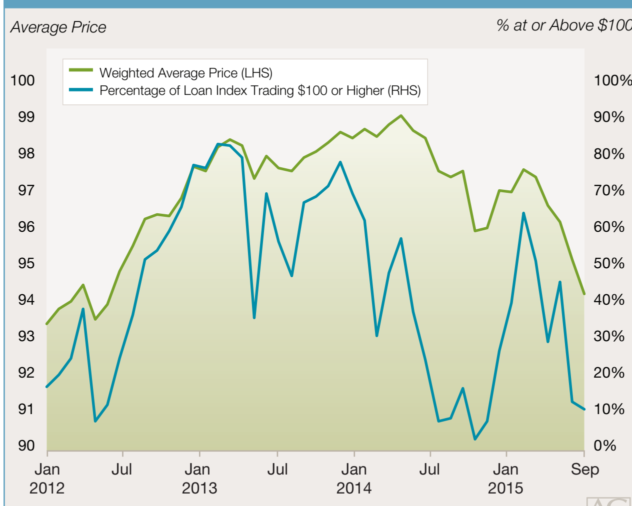
COV-LITE PERCENTAGE OF NEW ISSUE LOANS AND PERCENTAGE OF OUTSTANDING LOANS



Source: JPMorgan, Credit Suisse

Cov-lite as a percentage of new issue loans was elevated, as borrowers continued to take advantage of demand from ramping CLOs.

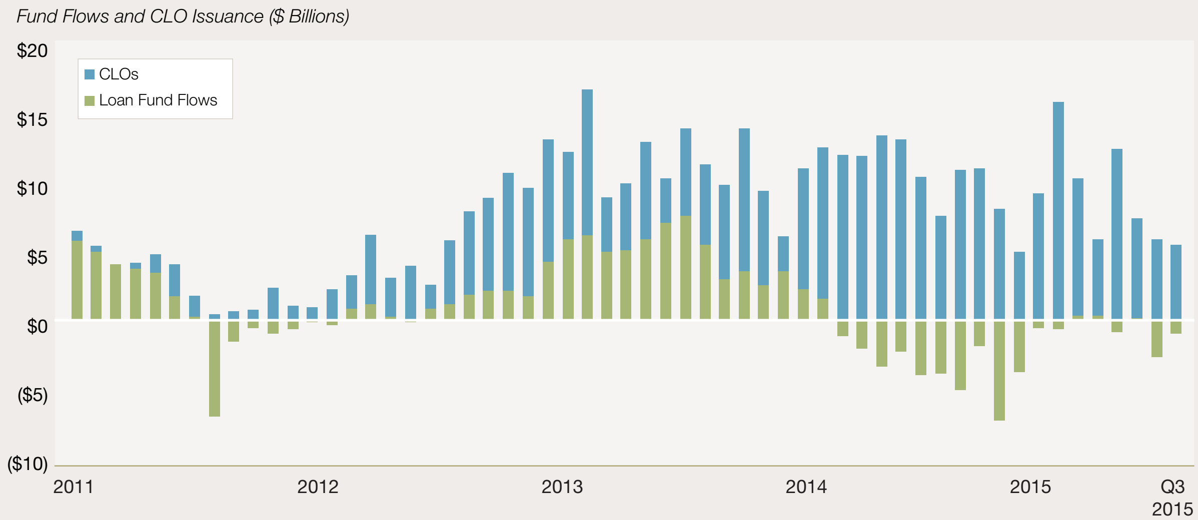
LEVERAGED LOAN AVERAGE PRICE AND PERCENTAGE ABOVE PAR



Source: S&P CapitalIQ LCD

As macro uncertainty continued, the average price of leveraged loans dropped to its lowest level in the past three years. The percentage of loans trading above par fell to approximately 10%.

LOAN MUTUAL FUND FLOWS AND CLO ISSUANCE

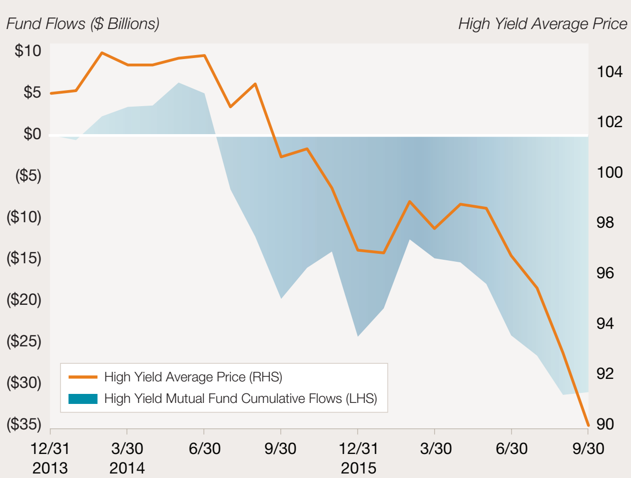


Fund Flows JPMorgan, CLO issuance LSTA

Source: S&P CapitalIQ LCD, JPMorgan

Although fund flows remain negative, ongoing CLO issuance has resulted in a positive technical landscape. Of late, however, the pace of CLO issuance is declining.

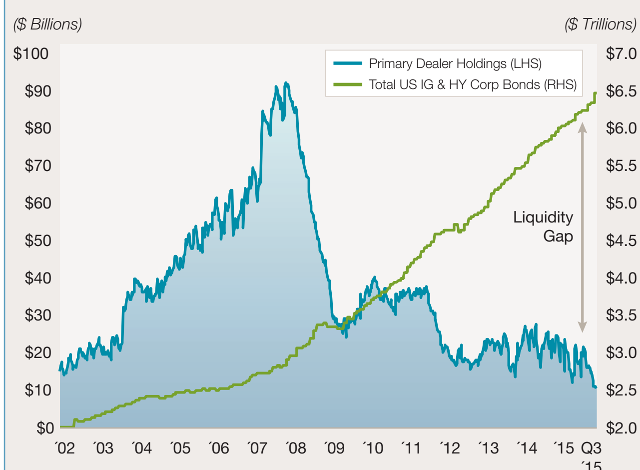
HIGH YIELD MUTUAL FUND FLOWS VS. AVERAGE PRICE



Source: JPMorgan, Credit Suisse

High yield prices tumbled during the 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.

PRIMARY DEALER POSITIONS – HY AND IG CORPORATE SECURITIES



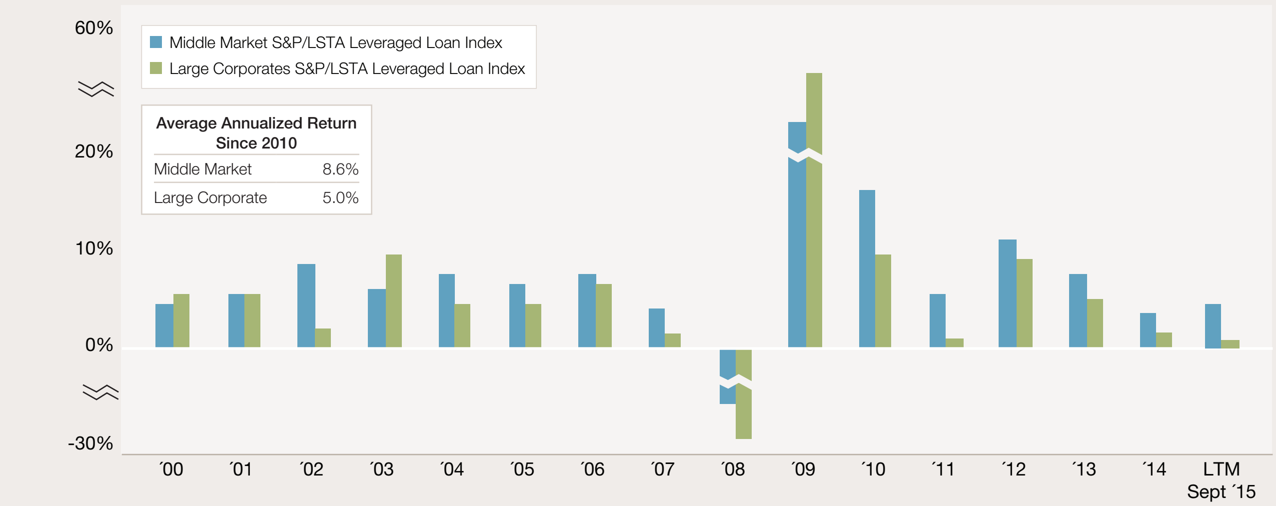
Note: In the above chart, Primary Dealer positions pre-March 2013 are adjusted to track IG and HY bonds, notes and debentures. Post-April 2013 figures track IG and HY bonds, notes and debentures. As of March 2013, there was a reporting change in the series. Pre-March 2013 reported figures track IG and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

Dealers continued to maintain tight balance sheets in 2015 contributing to the illiquidity in today's credit market's.

MIDDLE MARKET DIRECT LENDING

ANNUAL RETURNS: MIDDLE MARKET VS. LARGE CORPORATES

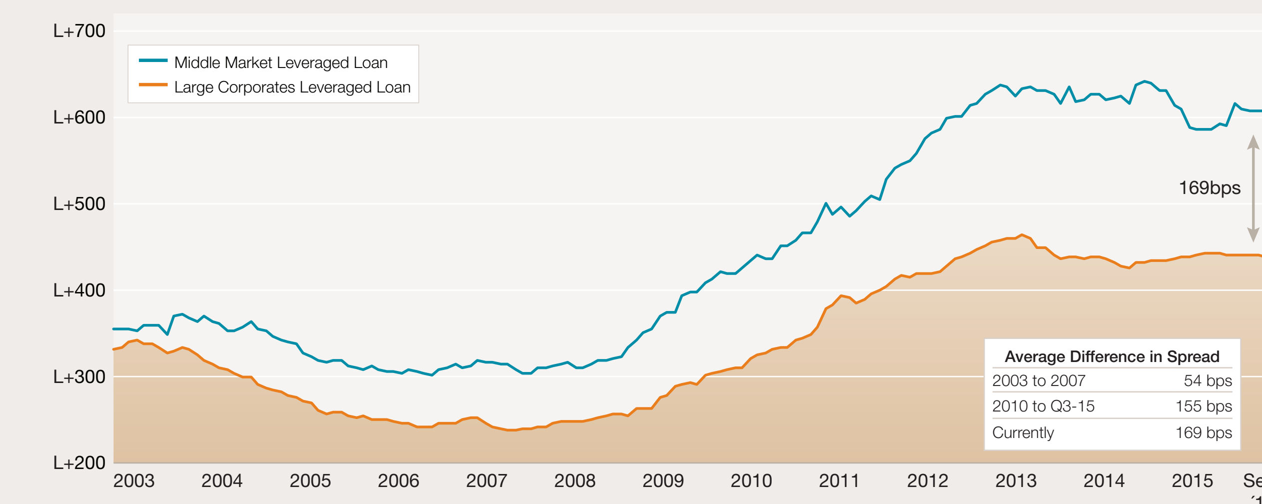


Middle market leveraged loan includes issuers with less then $50m EBITDA

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

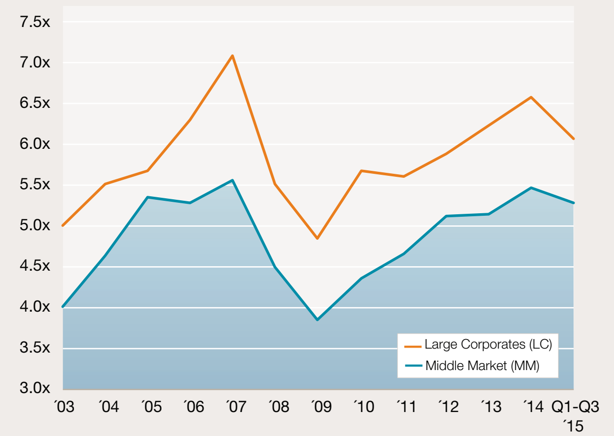
Average spread includes any LIBOR floor benefit

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.

MIDDLE MARKET DIRECT LENDING *(continued)*

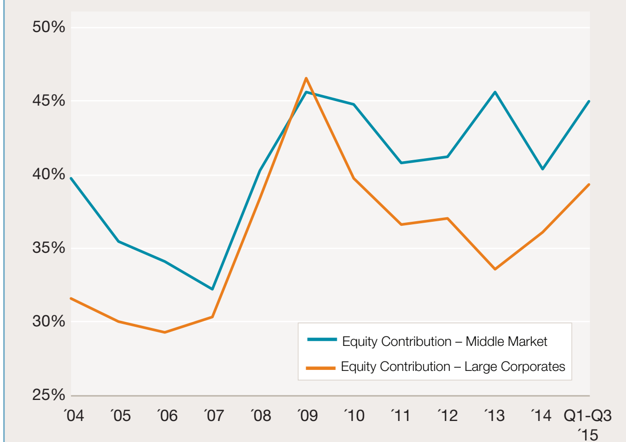
LBO DEBT TO EBITDA: MIDDLE MARKET VS. LARGE CORPORATES



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

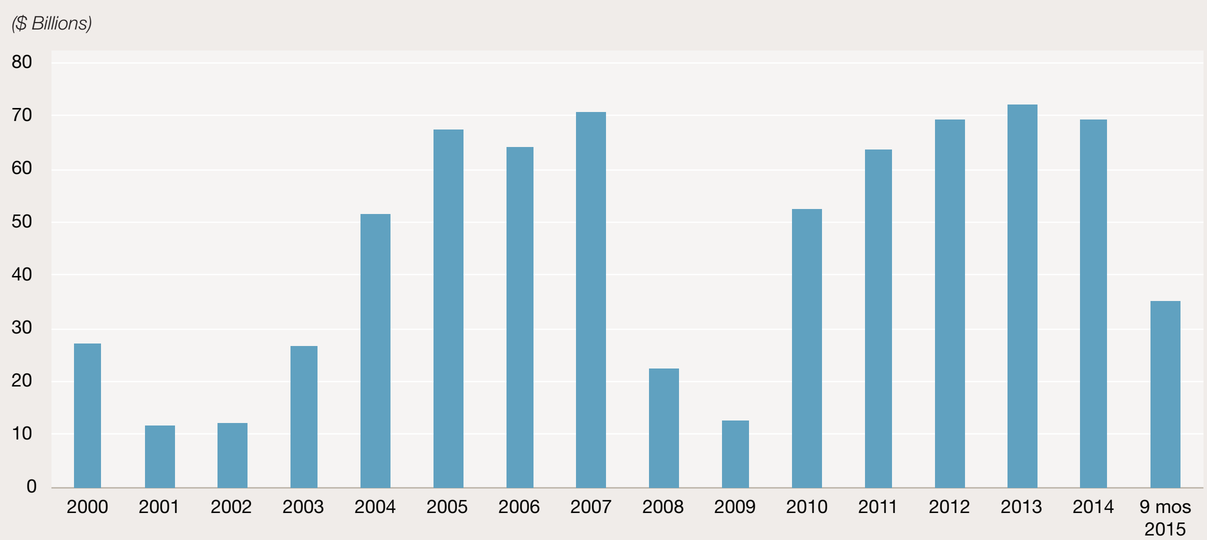


Middle market leveraged loan includes issuers with less than $50m EBITDA Average spread includes any LIBOR floor benefit

Source: S&P CapitalIQ LCD

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

MIDDLE MARKET SPONSORED ISSUANCE

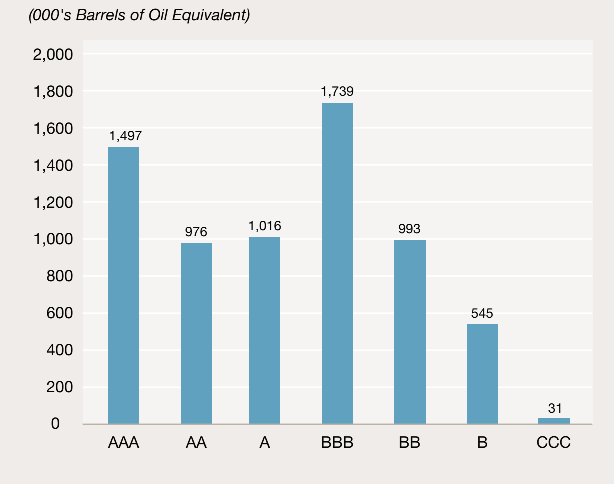


Source: Thompson Reuters

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

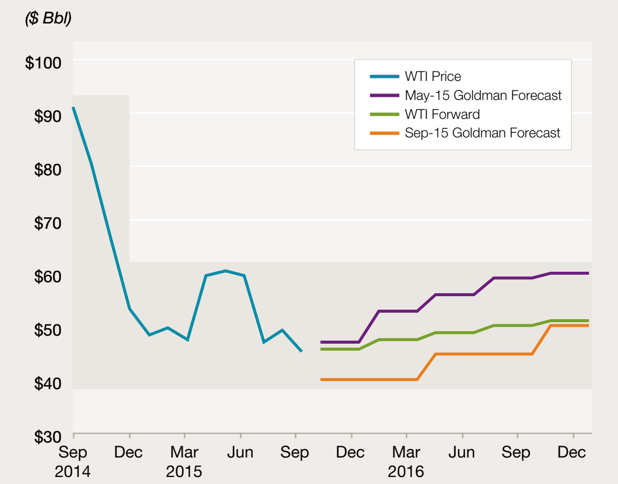
ENERGY DIRECT LENDING

2015E PRODUCTION BY CREDIT RATING



Source: S&P, Goldman Sachs Global Investment Research

THE FAT L

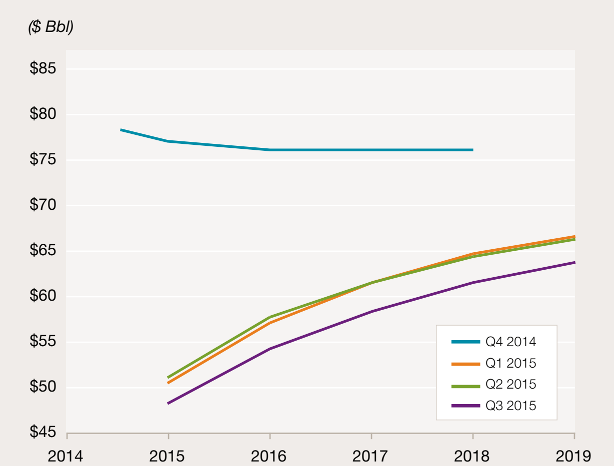


WTI forward as of 9/10/2015

Source: CME, ICE, Goldman Sachs Global Investment Research.

With over 75% of production coming from investment grade companies, hope for a 'V-shaped' recovery has been replaced with a 'Lower-for-Longer' reality — 'The Fat L.'

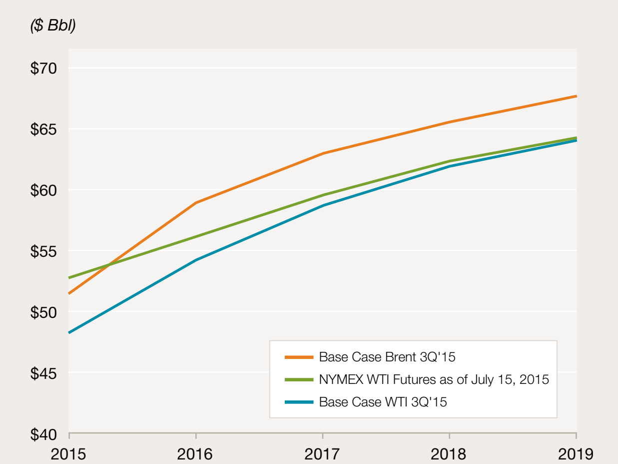
BANK BASE CASE TRENDS



'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: Macquarie 3Q'15 Energy Lender Price Survey.

BANK BASE CASE VS. NYMEX



'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: Macquarie 3Q'15 Energy Lender Price Survey.

Banks have dropped their price decks, increasing the prospect of significantly reduced borrowing bases across the E&P sector.

BANK BASE CASE TRENDS

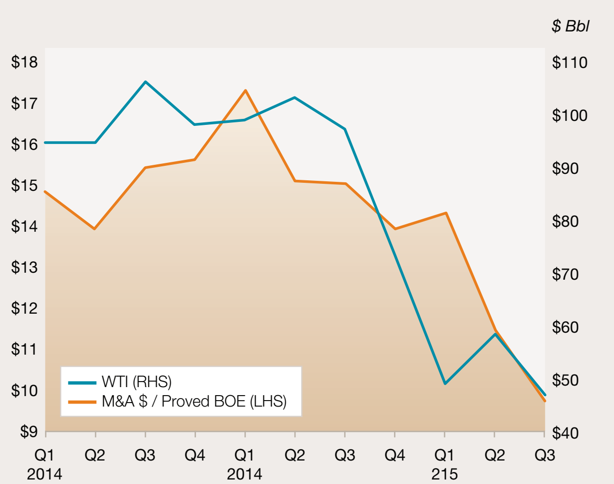
	Oil ($ Bbl) - WTI			Oil ($ Bbl) - Brent[1]			Gas ($/MMBtu) - Henry Hub		
	Q2/15	Q3/15	% Increase / (Decrease)	Q2/15	Q3/15	% Increase / (Decrease)	Q2/15	Q3/15	% Increase / (Decrease)
Front-Year	51.01	48.17	(5.6%)	52.66	51.41	(2.4%)	2.82	2.82	0.0%
Second-Year	57.68	54.18	(6.1%)	59.98	58.73	(2.1%)	3.10	3.04	(1.7%)
Third-Year	61.59	58.46	(5.1%)	63.90	62.65	(2.0%)	3.32	3.23	(2.7%)
Fourth-Year	64.36	61.59	(4.3%)	66.81	65.31	(2.2%)	3.50	3.38	(3.2%)
Fifth-Year	66.20	63.77	(3.7%)	68.79	67.29	(2.2%)	3.63	3.51	(3.3%)
Sixth-Year and Beyond	1.2%	1.3%	NA	1.3%	1.3%	NA	1.5%	1.7%	NA
Cap	72.40	70.13	(3.1%)	74.50	72.83	(2.2%)	4.35	4.23	(2.7%)

[1] Mean of 4 Participating Banks in Q3'15.

'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: Macquarie 3Q'15 Energy Lender Price Survey.

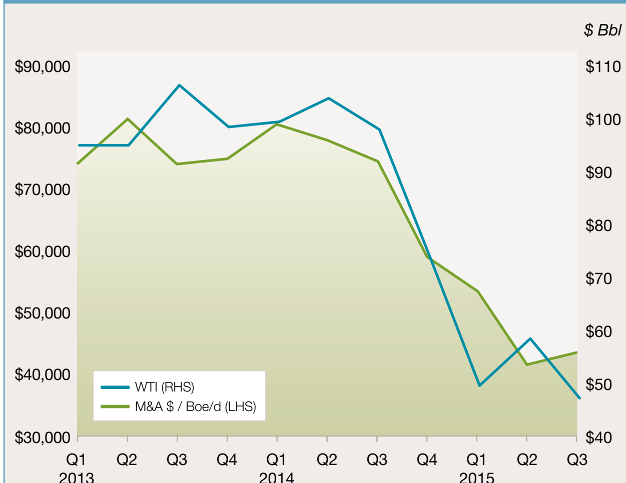
U.S. M&A TRANSACTION COMPS $/ PROVED BARREL VALUATION METRIC



Note: Excludes transactions less than $5MM.

Source: PLS, Bloomberg

U.S. M&A TRANSACTION COMPS $/ CURRENT PRODUCTION (BARRELS OF OIL EQUIVALENT PER DAY)



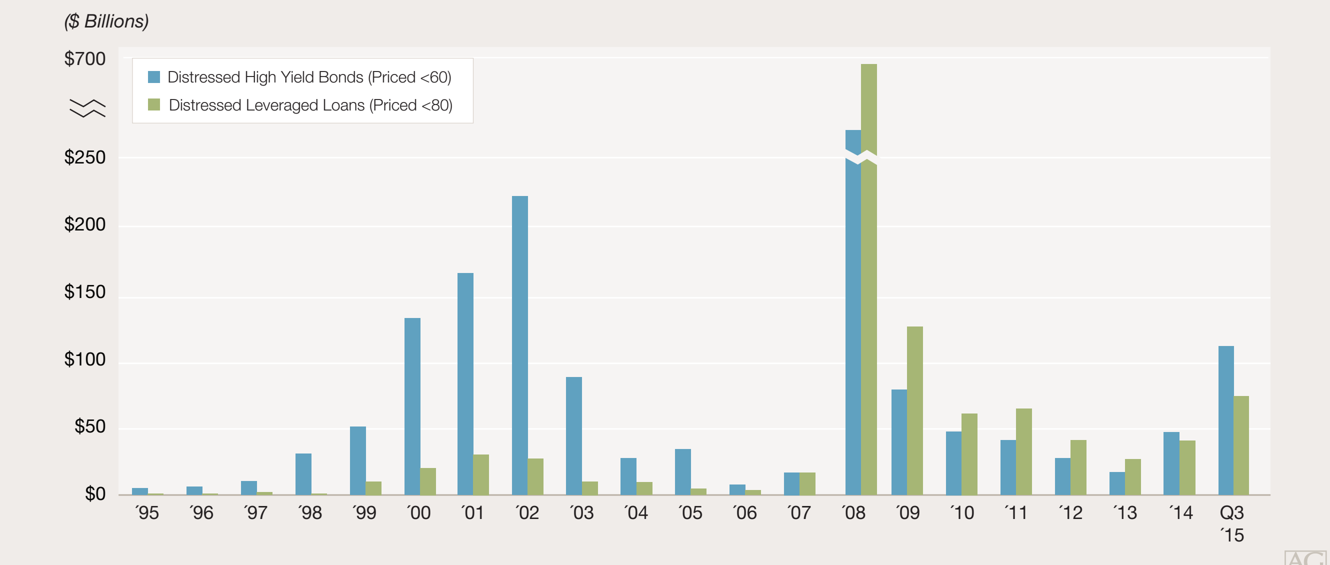
Note: Excludes transactions less than $5MM.

Source: PLS, Bloomberg

M&A valuations have decreased commensurate with oil prices.

DISTRESSED DEBT – U.S.

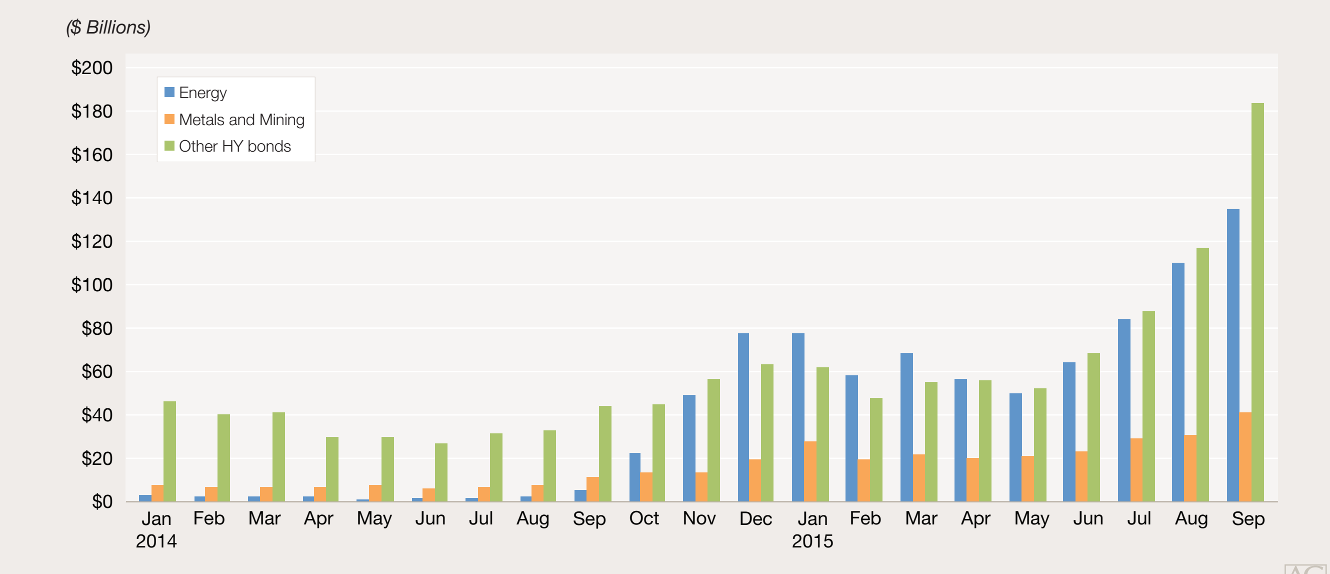
SIZE OF DISTRESSED DEBT MARKET



Source: Credit Suisse

The supply of U.S. distressed paper remains low by historical norms.

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

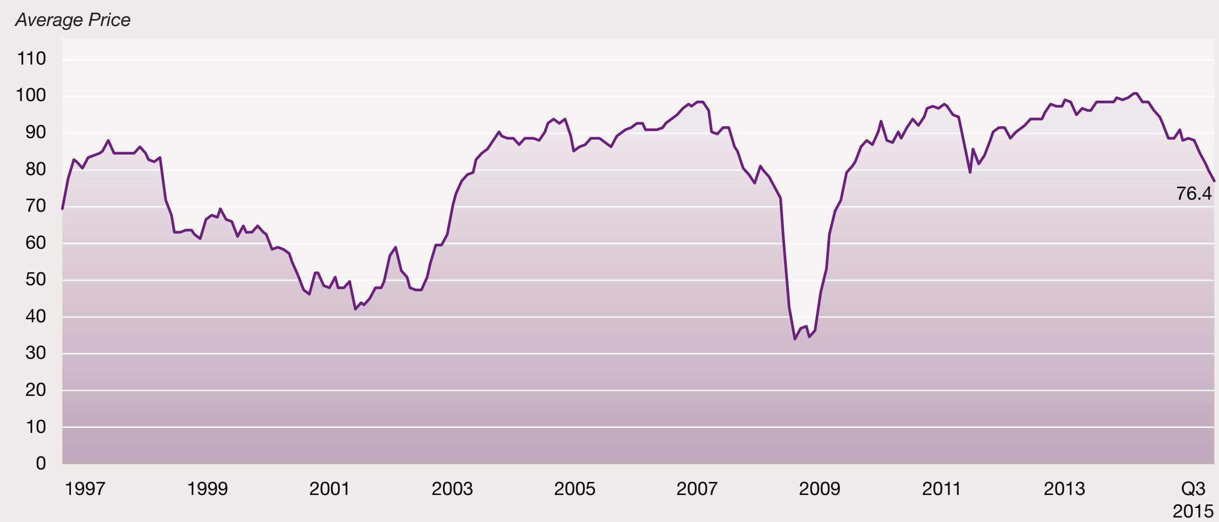


Source: JPMorgan

However, low commodity prices and recent market volatility have combined to pressure yields and increase the pipeline of potential opportunities.

DISTRESSED DEBT – U.S. *(continued)*

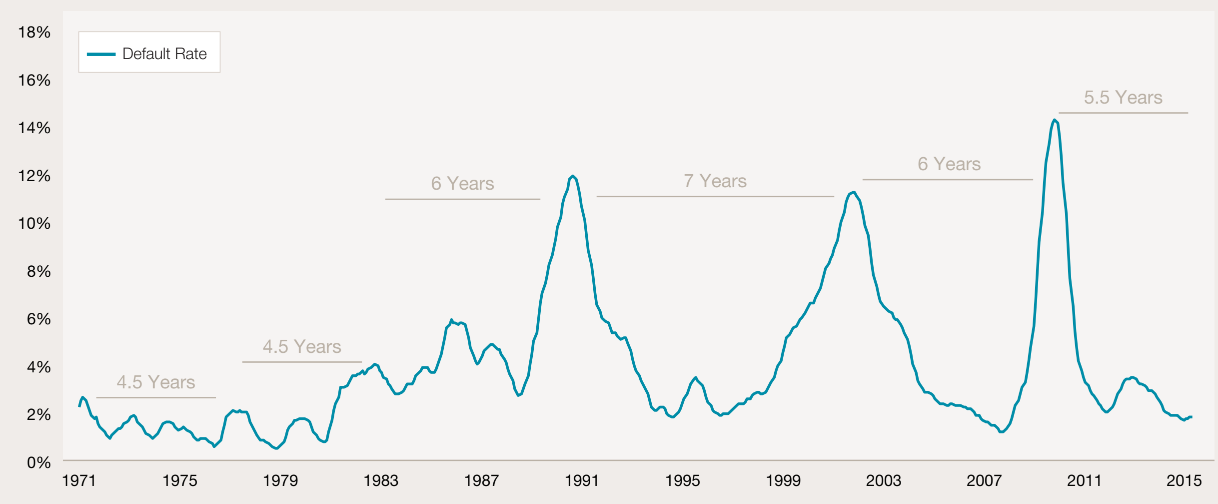
CCC HIGH YIELD BOND AVERAGE PRICE



BofA CCC and Lower US High Yield Index
Source: BofA Merrill Lynch, Bloomberg

Choppy markets and challenging technicals caused primary and secondary markets to retrench during Q3 2015.

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 impossible to time the credit cycle, evidence suggests we are nearing a later phase with lax underwriting standards.

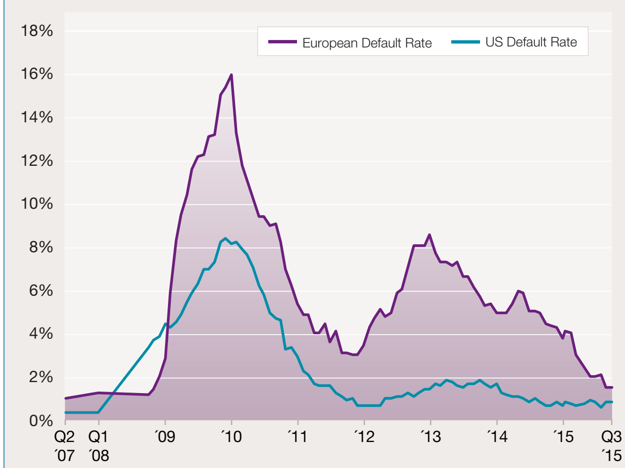
DISTRESSED DEBT – EUROPE

EUROPEAN HIGH YIELD BOND AND LEVERAGED LOAN MARKET

Source: Credit Suisse

European high yield issuance continues to outgrow loans as European banks are hamstrung by increased regulation.

U.S. AND EUROPEAN LEVERAGED LOAN DEFAULT RATE

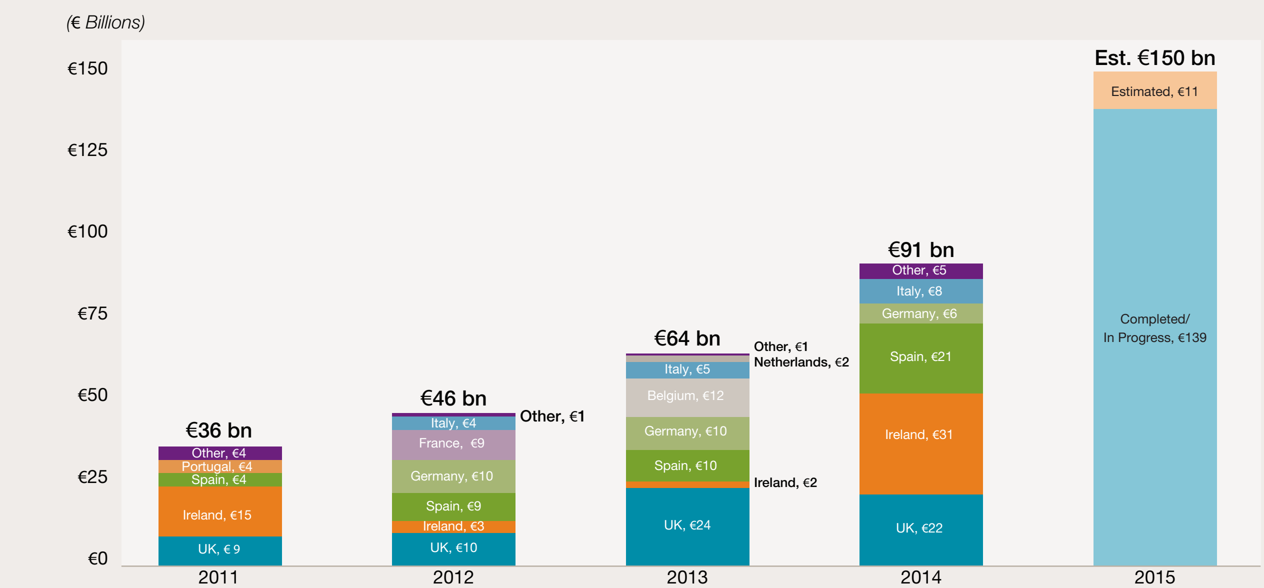


Issuer based default rates

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

The European default cycle trails that of the U.S. while asset values recover amidst stagnating growth.

EUROPEAN BANKS ARE SELLING ASSETS



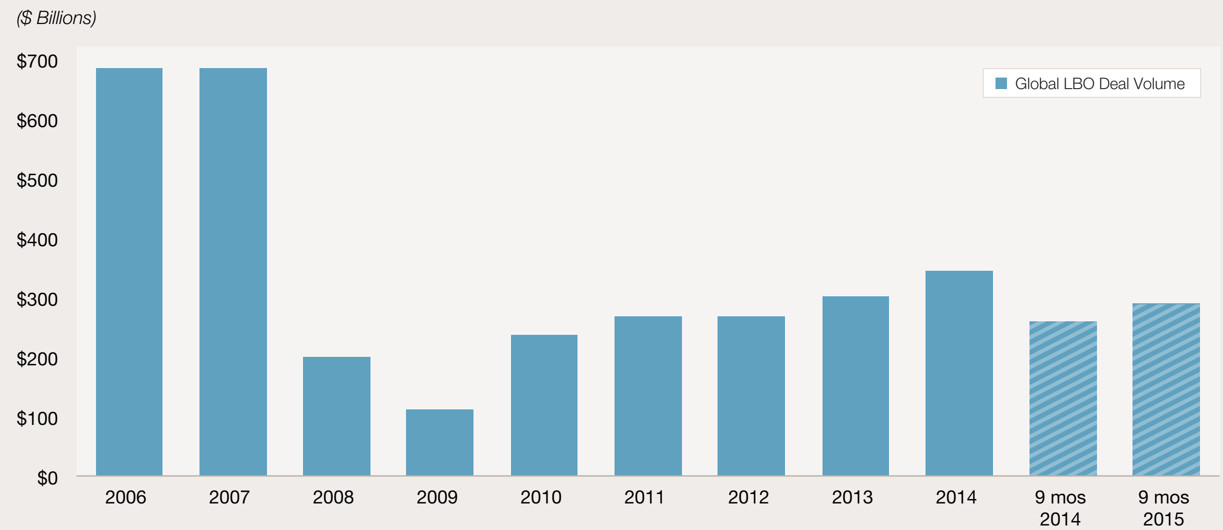
Note: Based on the location of the head office of the bank selling the assets

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

European banks continue to sell pools of loans at record rates, with an expected total of €150bn at the end of 2015, a 60% increase from 2014.

PRIVATE EQUITY

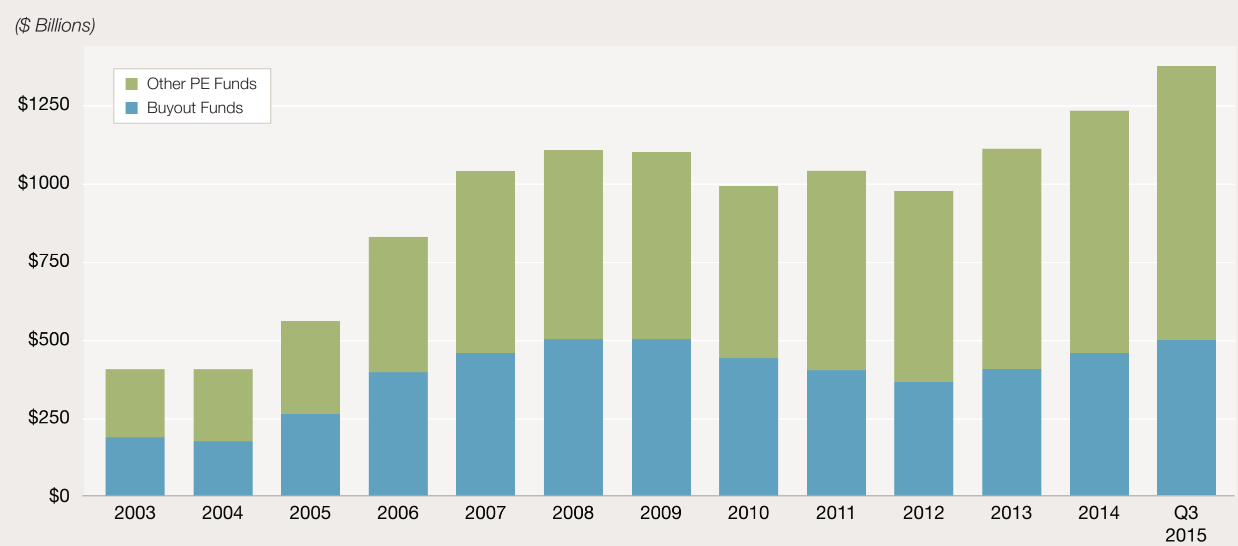
GLOBAL LBO DEAL VALUE



Source: Preqin

Global deal volume for the first three quarters of 2015 increased approximately 10% from the prior year despite a slight decline in Q3 volume.

GLOBAL PRIVATE EQUITY DRY POWDER



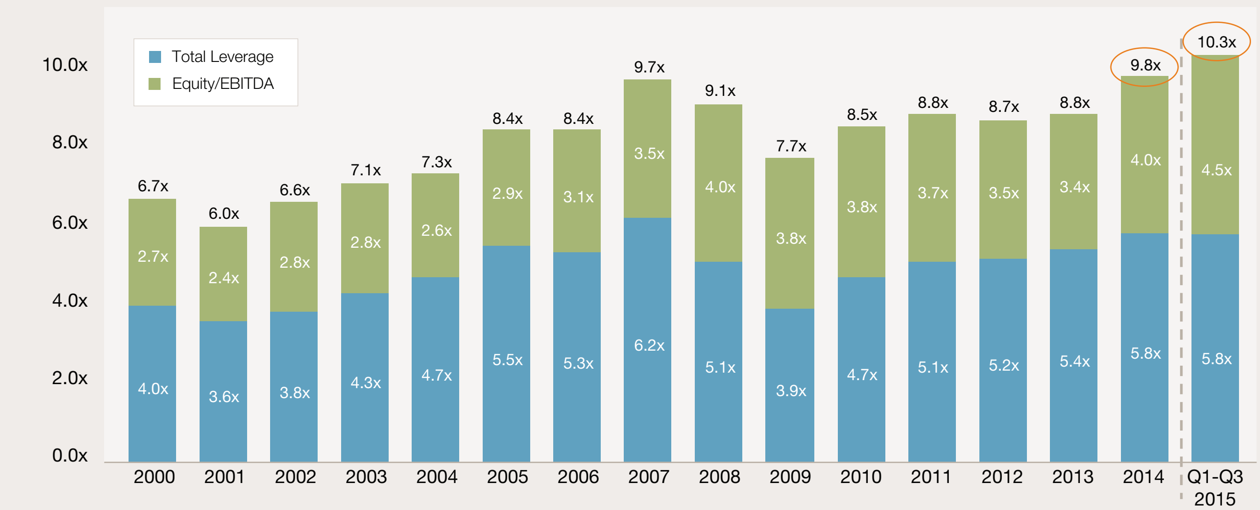
Other PE Funds: Real Estate, Venture, Infrastructure, Growth, Distressed, Mezzanine, Other

Source: Preqin

Buyout dry powder increased to $481 billion as of September 30, 2015, equal to the record level set in 2008.

PRIVATE EQUITY *(continued)*

LBO CAPITALIZATION

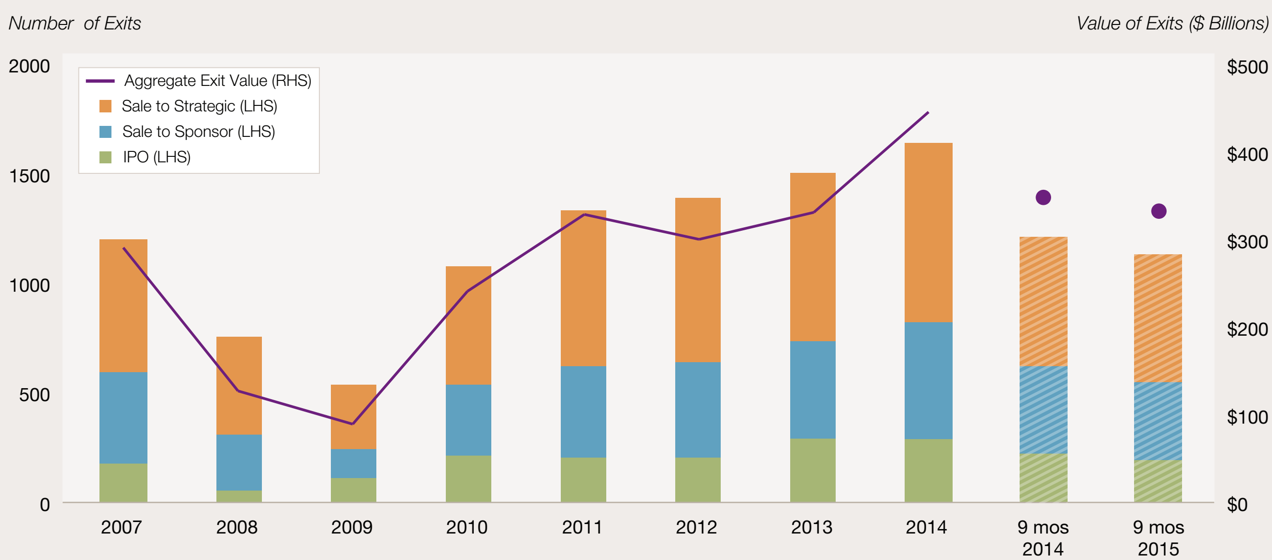


Equity Contribution	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Q1-Q3 2015
	40%	35%	37%	35%	33%	30%	31%	31%	39%	46%	41%	38%	38%	36%	37%	41%

Source: S&P CapitalIQ LCD

LBO Multiples in the first three quarters of 2015 (10.3x EBITDA) are on pace to break the record of 9.8x achieved in 2014.

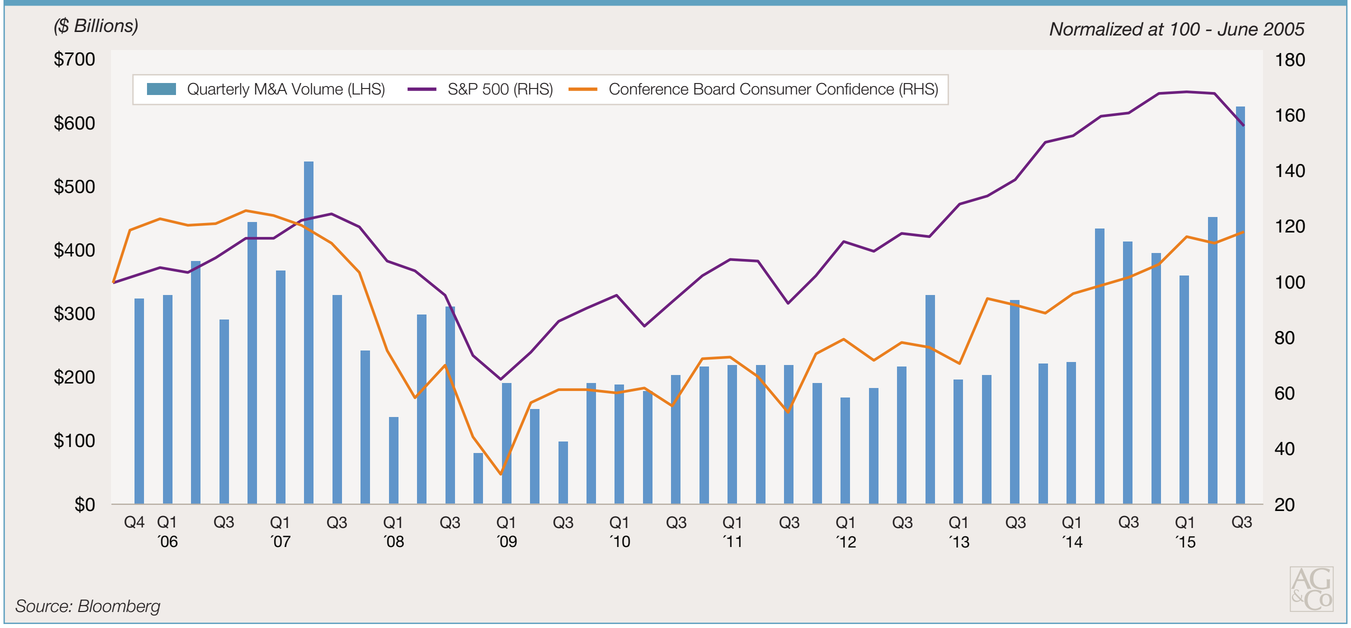
PRIVATE EQUITY EXITS



Source: Preqin

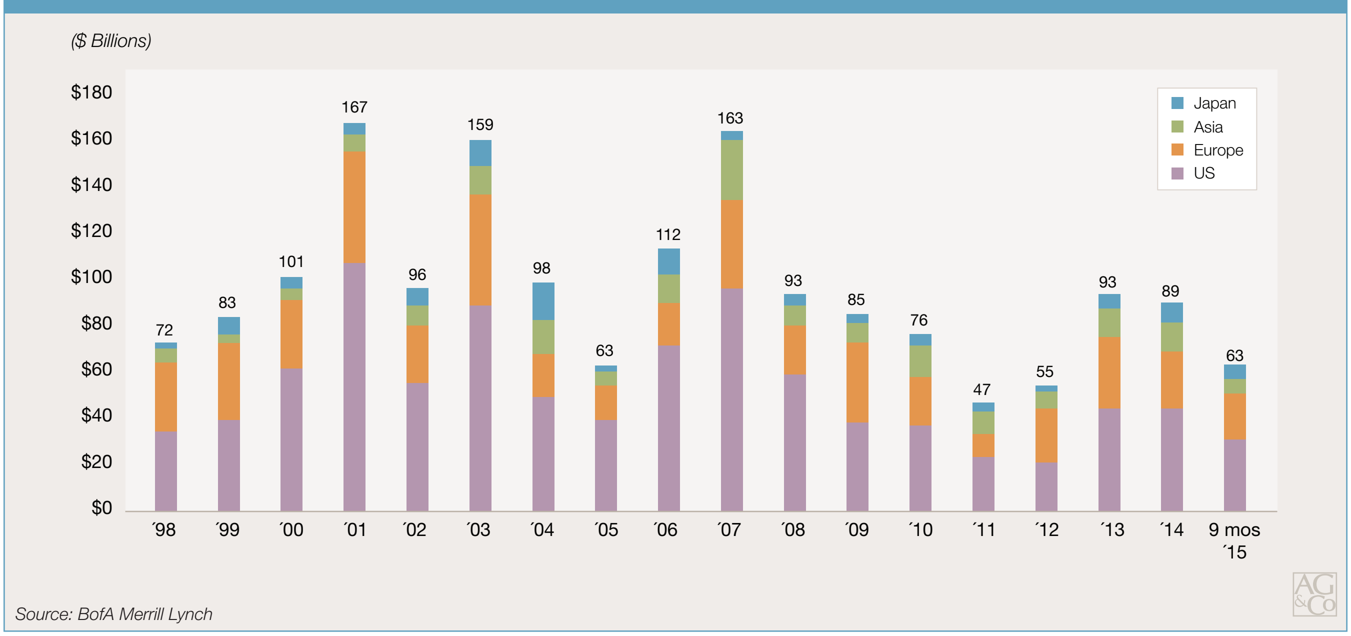
Although exits in the first three quarters of 2015 were lower both in number (7%) and dollar volume (4%) from the prior year, they are still on pace to have one of the strongest years ever.

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



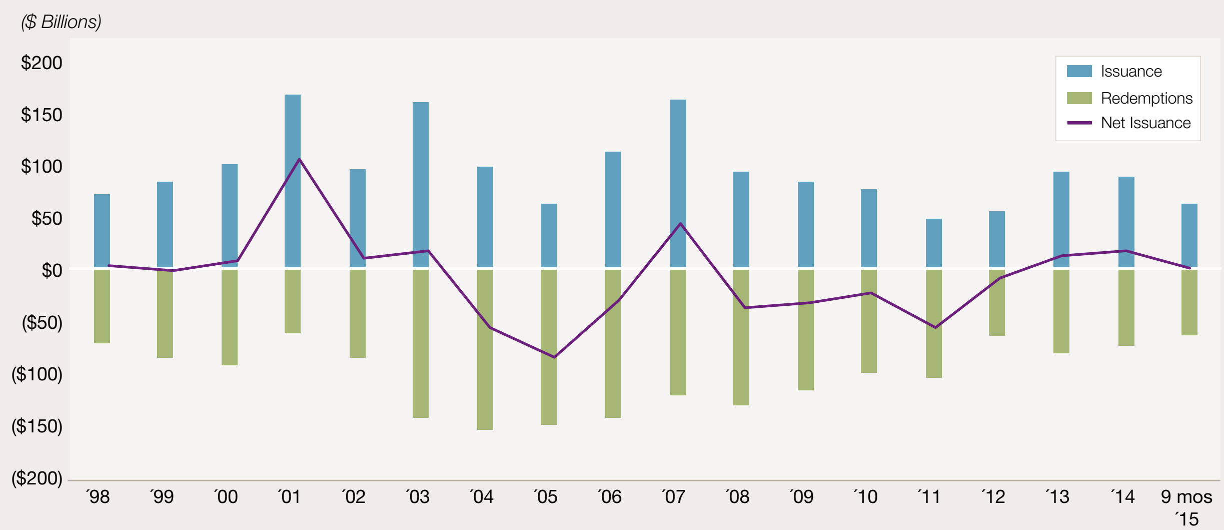
Third-quarter M&A was the strongest on record despite market jitters.

CONVERTIBLE BONDS ANNUAL GLOBAL ISSUANCE BY REGION



Issuance slowed substantially in July and August, but increased in September.

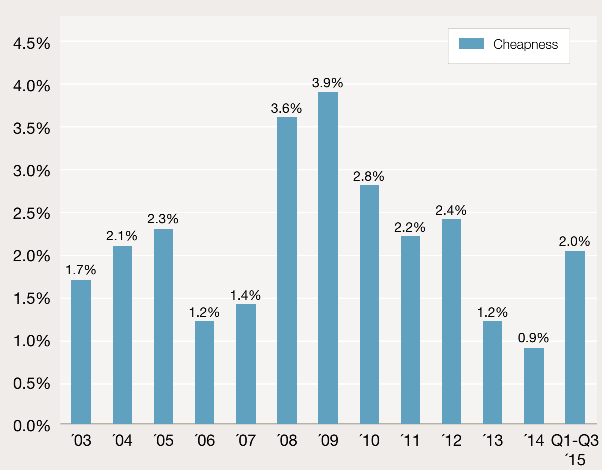
CONVERTIBLE BONDS GLOBAL NET ISSUANCE



Source: BofA Merrill Lynch

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

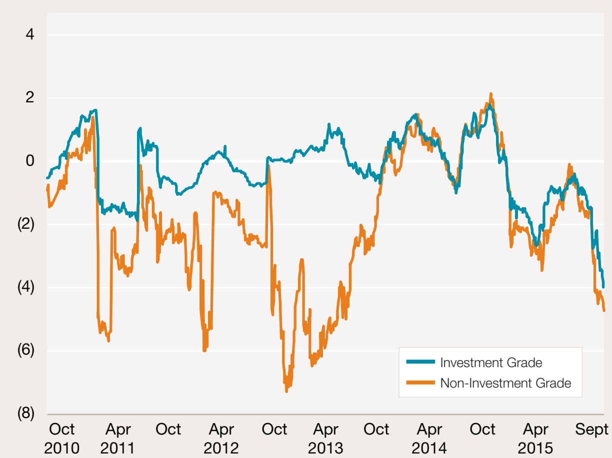
HISTORIC NEW ISSUE CHEAPNESS



Source: Barclays

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

JAPANESE CONVERTIBLES - RICH/(CHEAPNESS) TO FAIR VALUE (%)

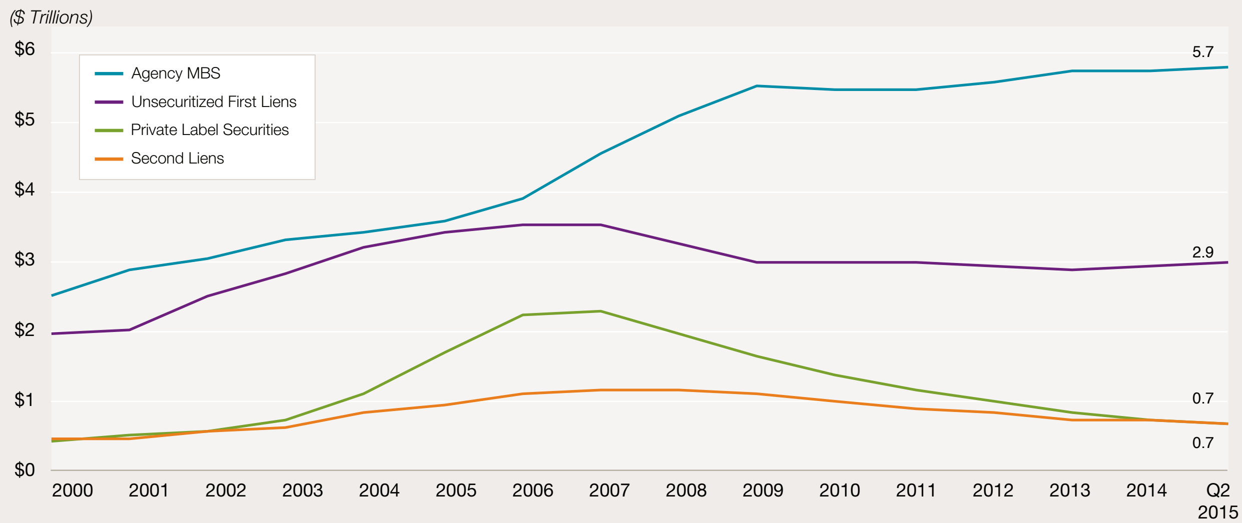


Source: Nomura

The notable rise in realized volatility has not yet fed into convertible valuations, making the market look increasingly attractive.

RESIDENTIAL AND CONSUMER DEBT (RMBS/ABS)

SIZE OF U.S. RESIDENTIAL MORTGAGE MARKET

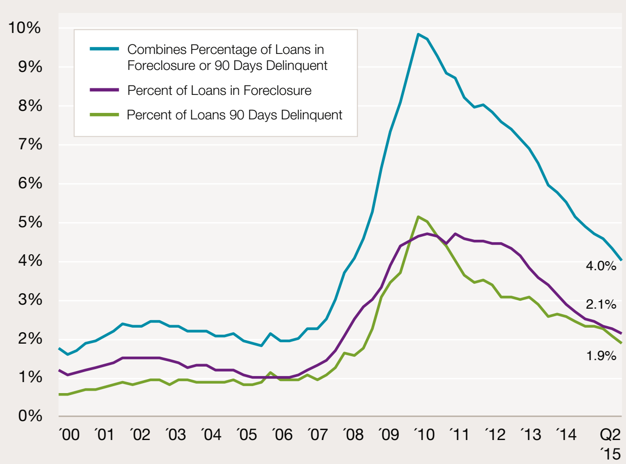


Note: Unsecuritized first liens include loans held by commercial banks, GSEs, savings institutions, and credit unions

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 $10 trillion, shows signs of stabilization.

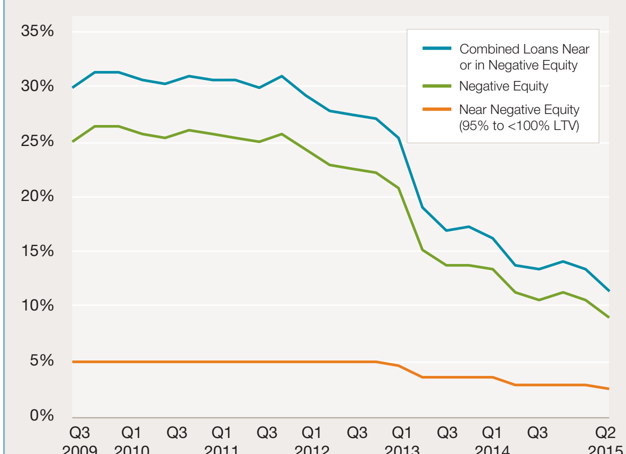
U.S. RESIDENTIAL MORTGAGES IN SERIOUS DELINQUENCY/FORECLOSURE



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 4.0% in Q2.

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 11% in Q2.

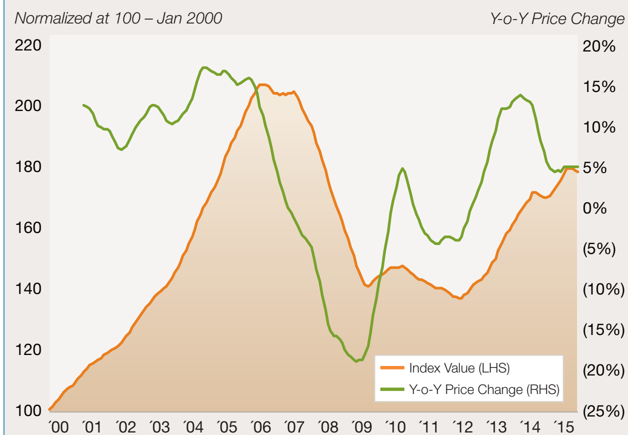
SUBPRIME INDEX

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

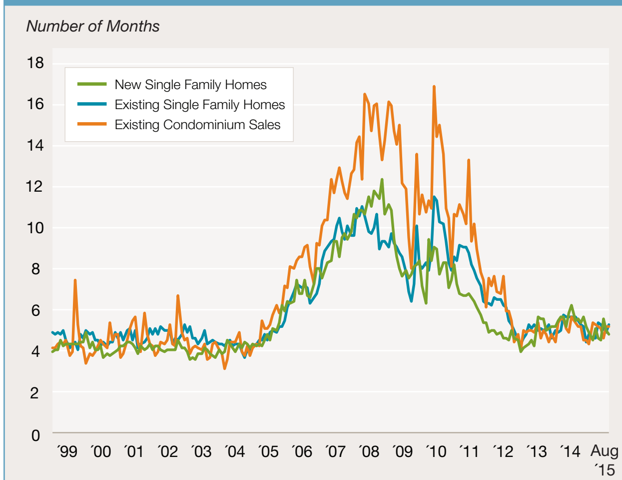


The S&P/Case-Shiller Composite of 20 Home Price Index is a value-weighted average of 20 metro area indices. These metro areas include: Boston, Chicago, Denver, Las Vegas, Los Angeles, Miami, New York City, San Diego, San Francisco, Washington, DC, Atlanta, Charlotte, Cleveland, Dallas, Detroit, Minneapolis,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

Source: Bloomberg

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

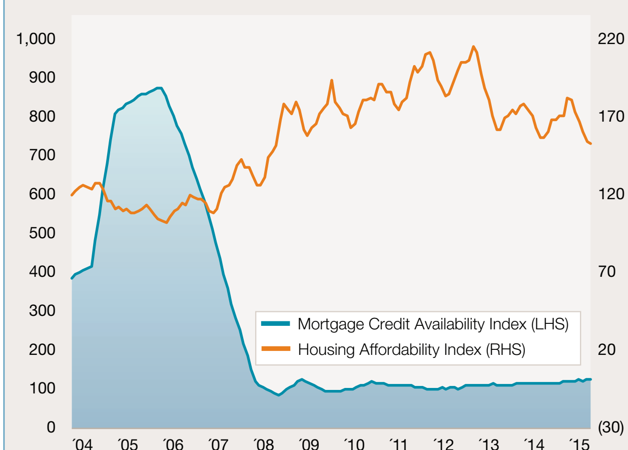
MONTHS SUPPLY OF HOUSING



Source: Bloomberg

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

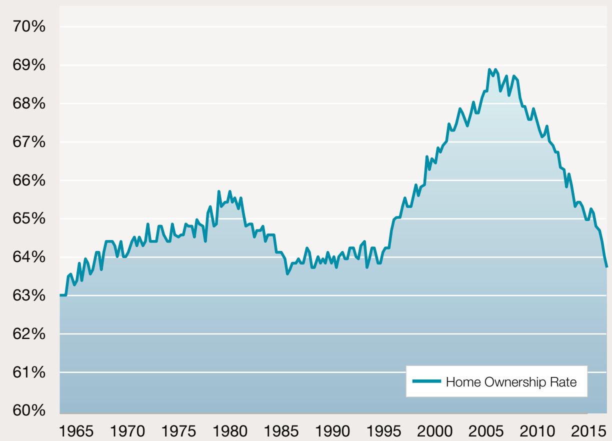
MORTGAGE CREDIT AVAILABILITY INDEX VS HOUSING AFFORDABILITY



Source: BofA Merrill Lynch, Bloomberg

Although near historic lows, mortgage credit availability has steadily increased. Housing affordability remains above levels seen during the crisis.

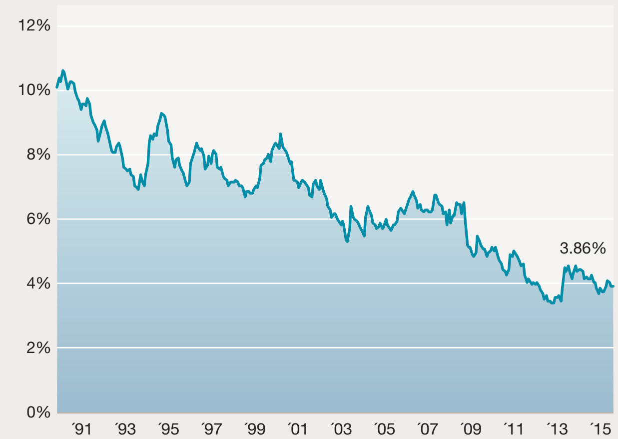
HOMEOWNERSHIP RATE CONTINUES TO FALL



Source: DB Global Market Research

Fallout from the crisis amid historically tighter credit conditions and continued home price appreciation have limited homeownership to approximately 64%.

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

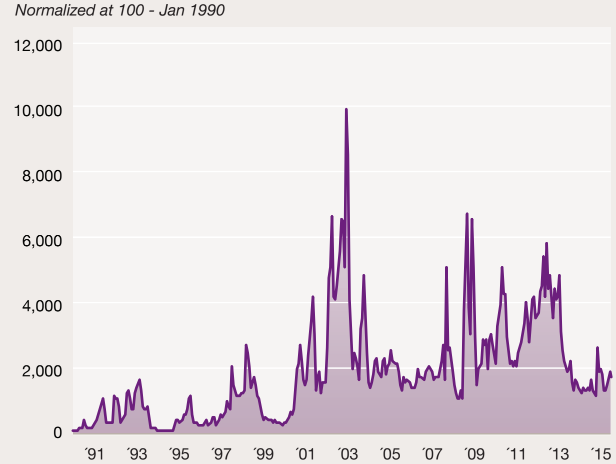
The 30-year mortgage rate spiked late in the first half of 2015, but remains near historic lows.

MORTGAGE APPLICATION INDEX

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

MORTGAGE REFINANCING INDEX

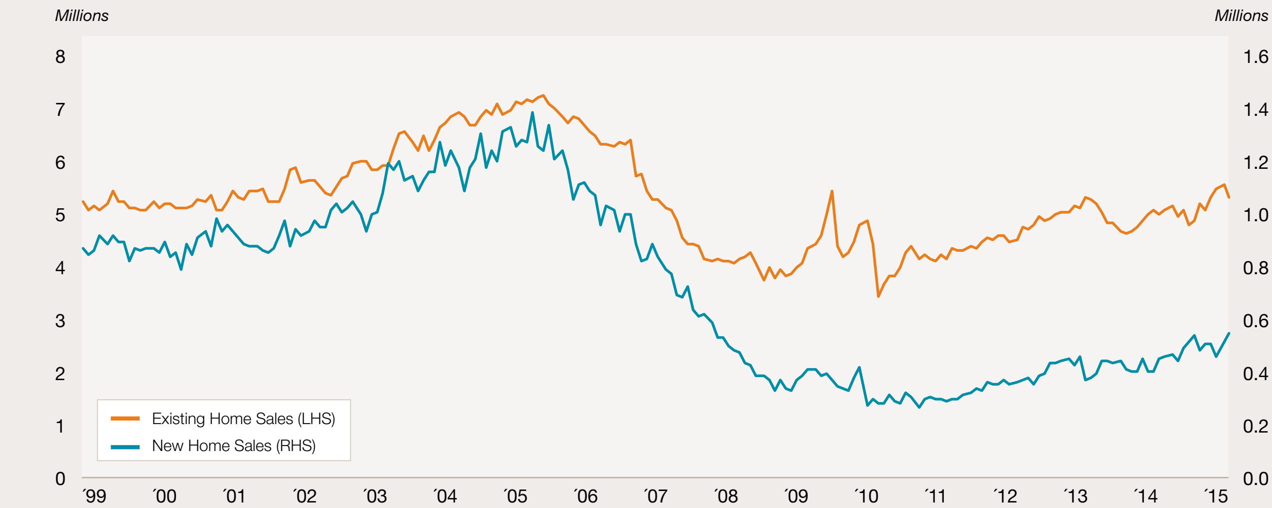
Normalized at 100 - Jan 1990



This concept tracks the volume of mortgage refinancing 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.

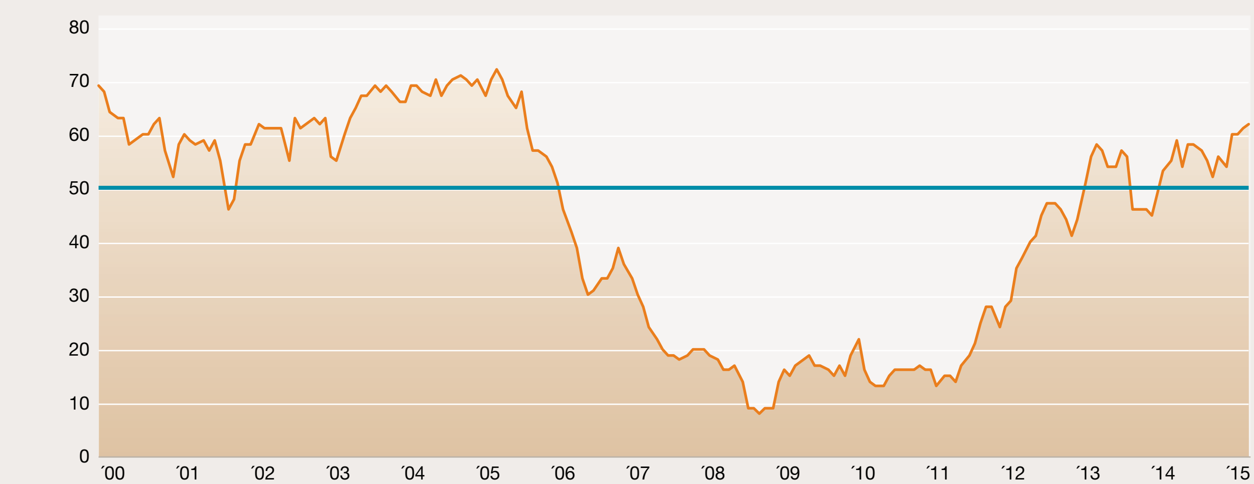
NEW AND EXISTING HOME SALES



Source:

Sales of new and existing home sales sit near post-crisis highs.

HOMEBUILDER INDEX

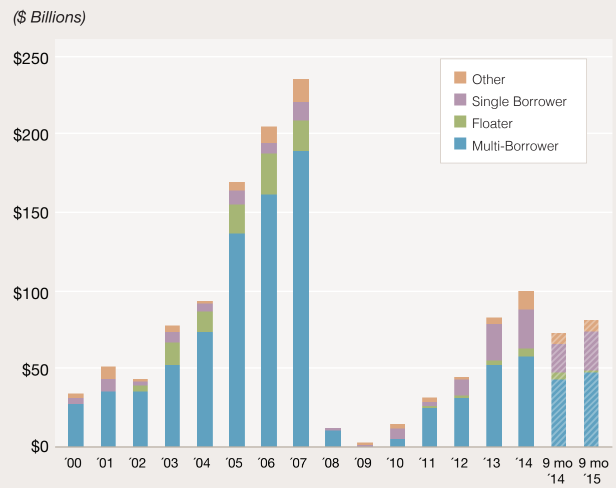


Source: Bloomberg

Standing at 61 in September, the Homebuilder Index has remained above 50 for the last 14 months. A reading above 50 indicates that a majority of builders see favorable market conditions.

COMMERCIAL REAL ESTATE DEBT (CMBS)

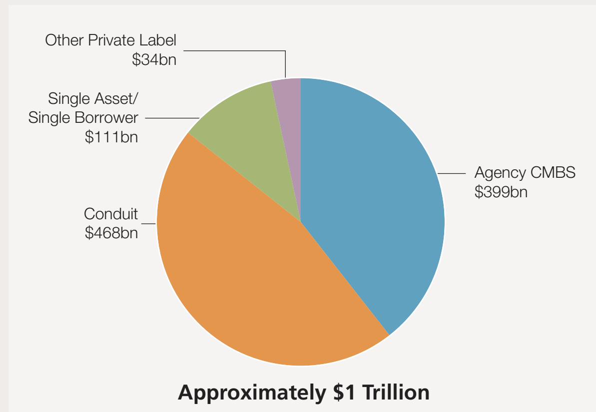
U.S. CMBS ANNUAL ISSUANCE



Source: Credit Suisse

2015 YTD issuance has outpaced 2014 issuance and should exceed $100 billion for the full year.

US CMBS OUTSTANDING

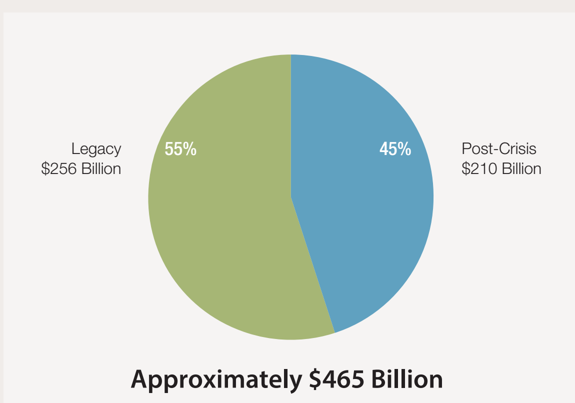


As of September 2015

Source: BofA Merrill Lynch

The CMBS market remains a sizable market with many large asset classes within it.

OUTSTANDING BALANCE OF PRIVATE LABEL CMBS

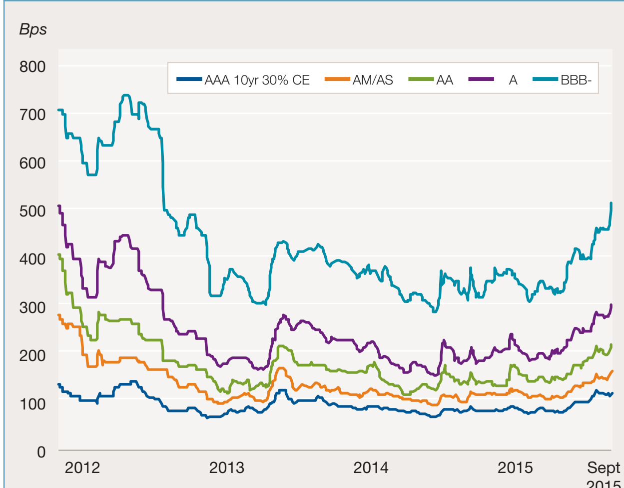


As of September 2015

Source: Trepp

The composition of the CMBS market is continuing to shift as post-crisis issuance is a growing portion of the market.

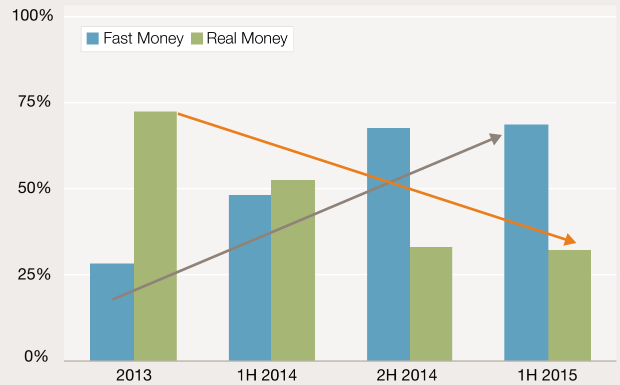
NEW ISSUE CMBS SPREADS



Source: Credit Suisse

CMBS spreads widened during the quarter amid market uncertainty and volatility.

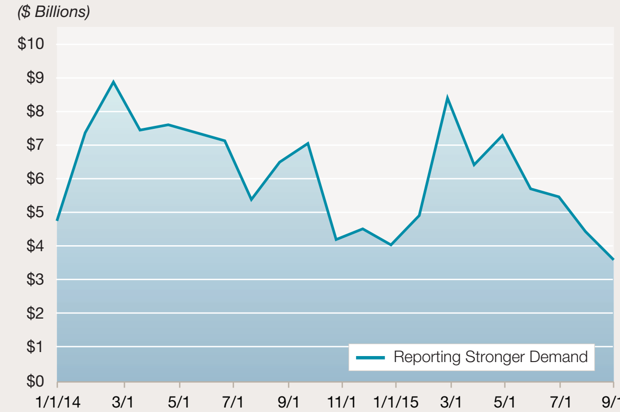
THE BBB- BUYER BASE HAS SHIFTED AWAY FROM BUY AND HOLD INVESTORS TO FAST MONEY INVESTORS



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.

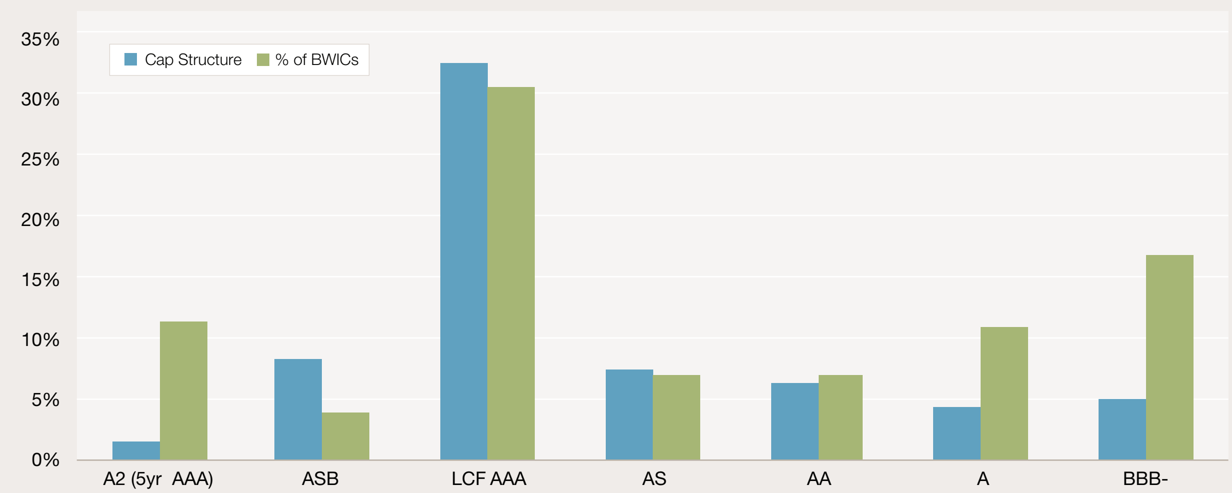
MONTHLY BWIC VOLUME



Note: Includes all private label and agency transactions except for IO.
BWIC: Bids wanted in competition
Source: Deutsche Bank

BWIC volumes declined during the quarter.

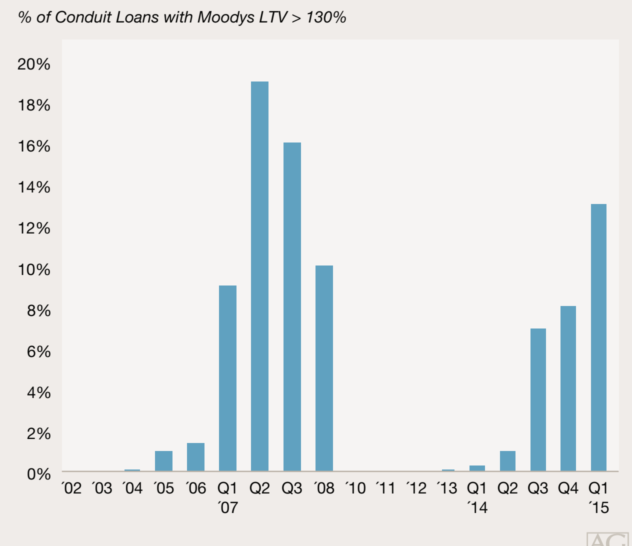
SIZE OF BONDS IN CAPITAL STRUCTURE VS SHARE OF TRADING ACTIVITY



Note: contains activity from private label only since Jan 2014
Source: Deutsche Bank

AA, single A and BBB represent a higher percentage of trading volume relative to the size of their classes in a typical deal.

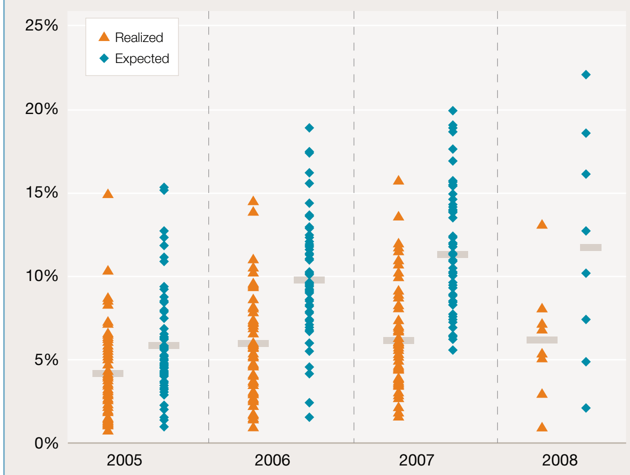
PERCENTAGE OF CONDUIT LOANS WITH MOODY'S STRESSED LTV > 130%



Source: Moody's

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

LOSS DISPERSION WILL REMAIN A THEME

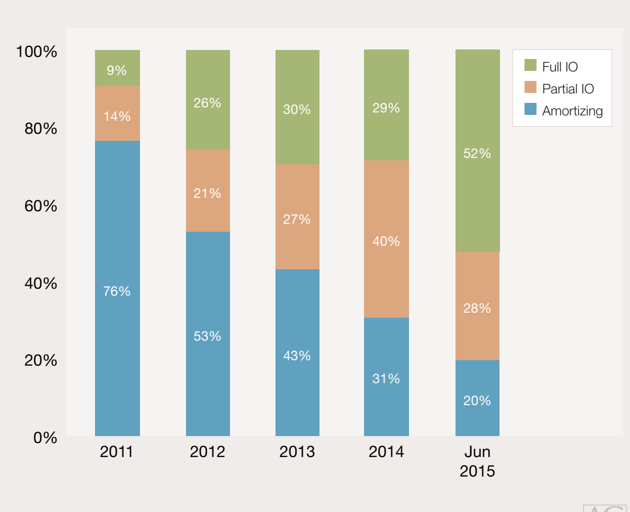


As of August 2015

Source: Credit Suisse, Trepp

Intensive credit work and diligence are required to distinguish among loan and deal quality even within the same vintage.

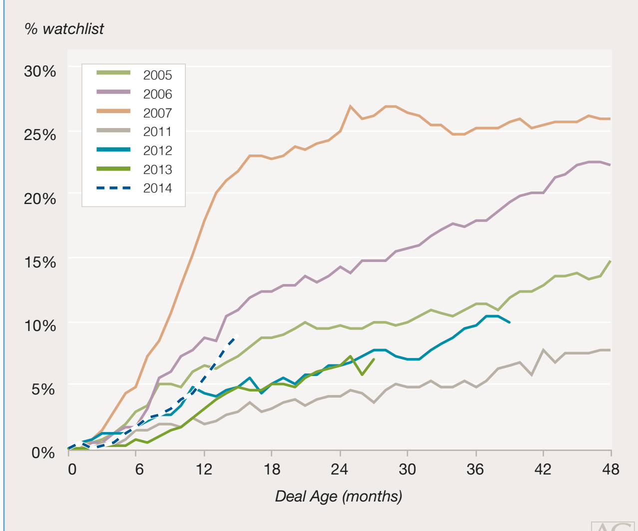
SHARP INCREASE IN FULL-TERM IO LOANS IN 2015



Source: Trepp and Citi Research

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

2014 VINTAGE WATCHLIST RISING

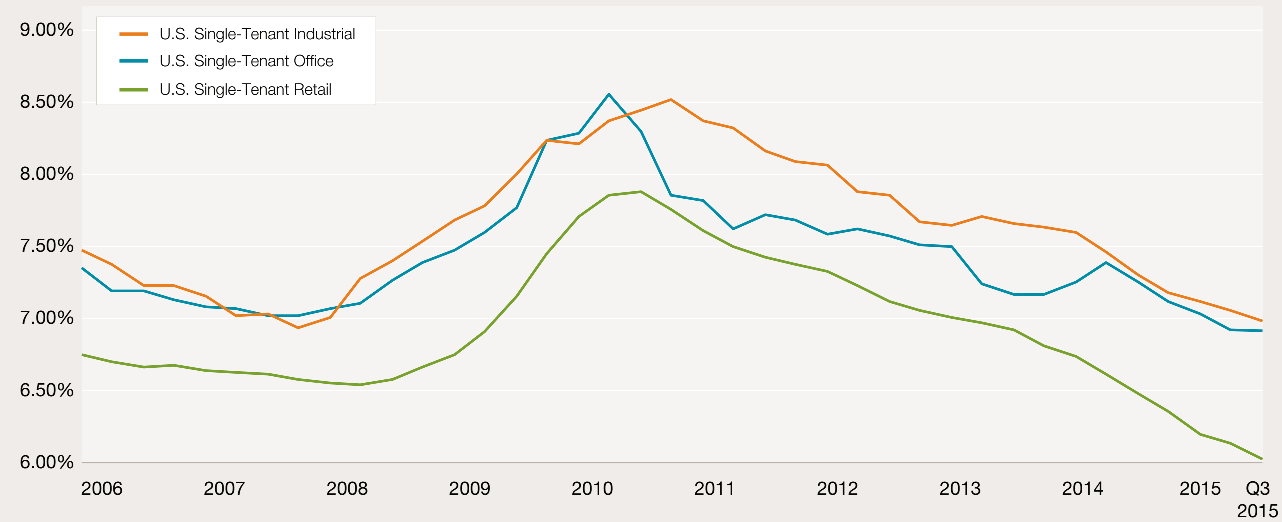


Source: Barclays

An increasing number of 2014 vintage loans have been watchlisted, likely a reflection of weaker underwriting.

NET LEASE REAL ESTATE

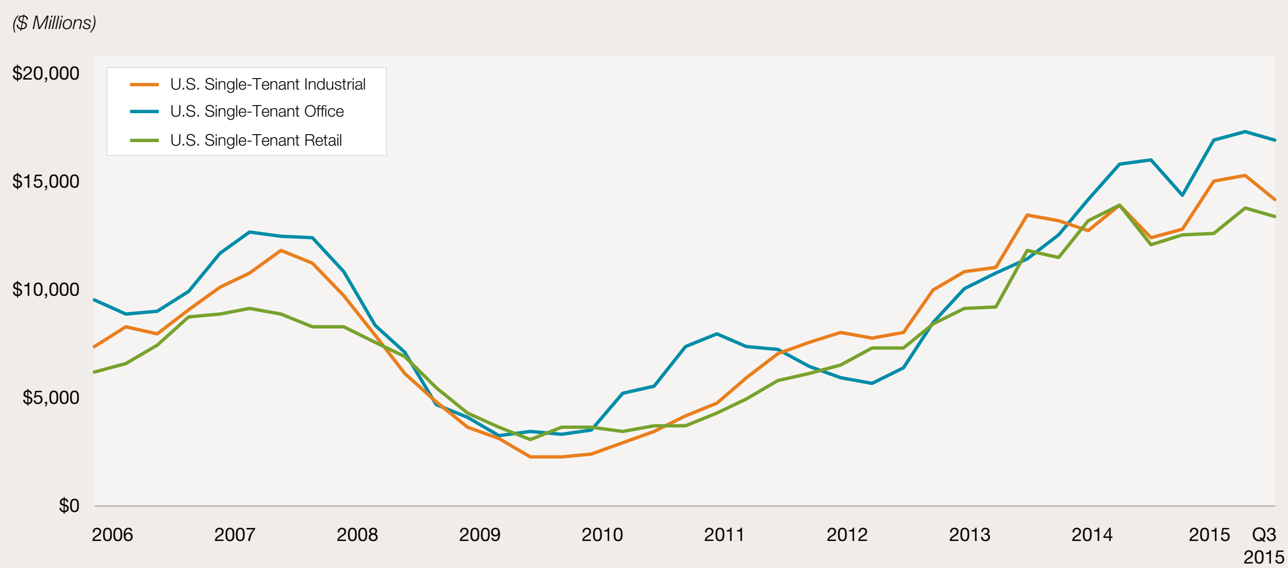
AVERAGE SINGLE-TENANT CAP RATES



Source: Real Capital Analytics

Pricing continues to strengthen, particularly in retail.

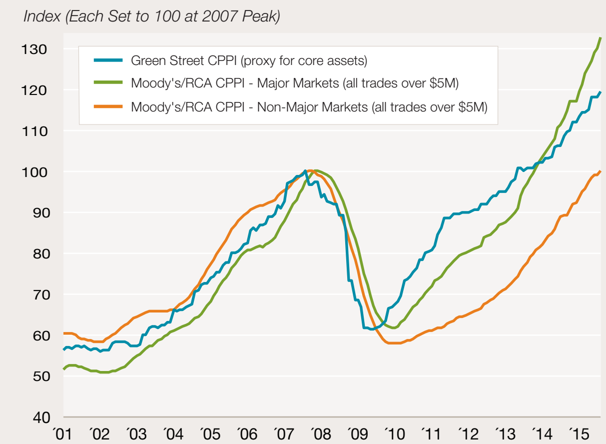
12-MONTH ROLLING SINGLE- TENANT DEAL VOLUME



Source: Real Capital Analytics

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

COMMERCIAL REAL ESTATE PRICE INDICES



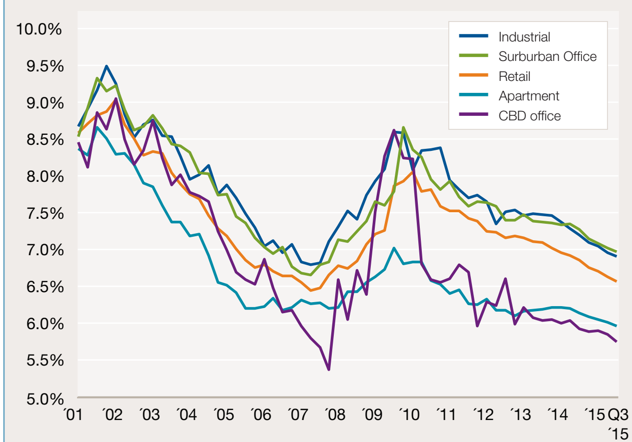
Moody's CPPI = Moody's/RCA All Property Types

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, up 10% year over year driven by....

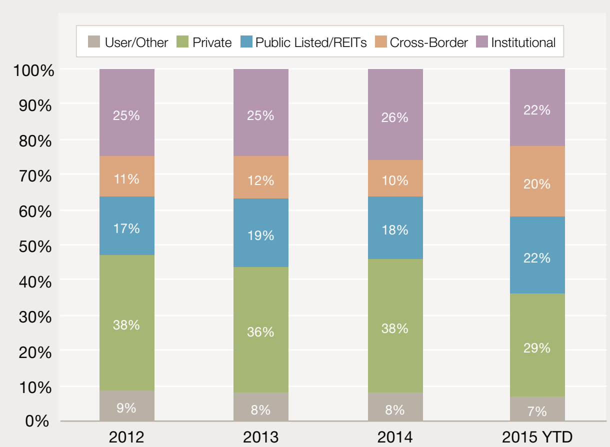
AVERAGE CAP RATES BY REAL ESTATE SECTOR



Source: Real Capital Analytics

...cap rates continuing to tighten on the margin...

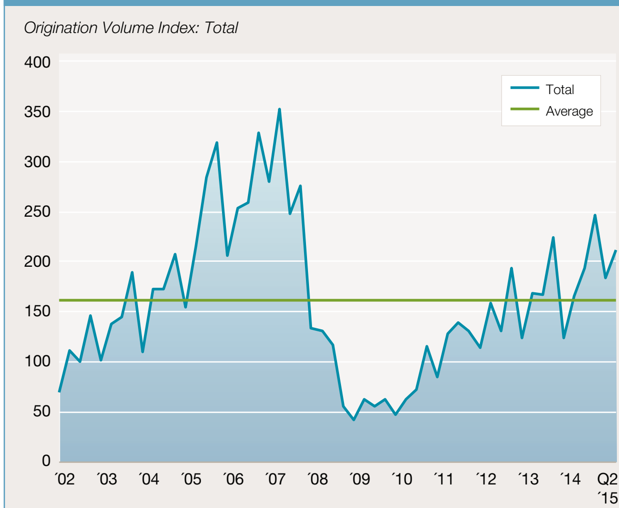
BUYER SHARE OF U.S. CORE COMMERCIAL REAL ESTATE



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.

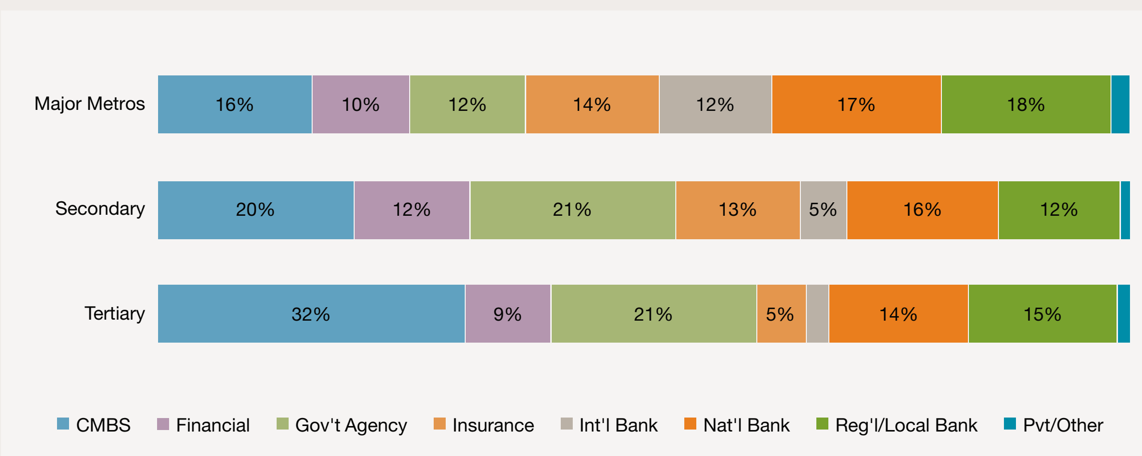
CMBS UNDERWRITING STANDARDS

	Pre-Crisis			Post-Crisis				
	2005	2006	2007	2011	2012	2013	2014	2015
Loan-to-Value	71.2%	68.3%	73.6%	62.0%	63.2%	63.0%	65.5%	65.0%
NCF Debt Service Coverage Ratio	1.67x	1.50x	1.31x	1.62x	1.68x	1.81x	1.73x	1.83x
Net Operating Income Debt Yield	11.2%	10.0%	8.5%	11.8%	11.5%	11.3%	10.8%	10.6%
% Interest Only Loans	79.3%	86.5%	80.3%	24.7%	34.3%	50.2%	63.8%	68.0%
Most Recent/Unwritten NOI	-4.5%	-12.9%	-21.9%	-3.4%	-3.4%	-2.5%	-5.7%	-3.9%
AAA Credit Enhancement	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
AA- Credit Enhancement	9.6%	8.6%	10.1%	14.1%	14.7%	15.4%	17.4%	17.1%
A- Credit Enhancement	6.6%	6.1%	7.4%	9.3%	11.2%	11.4%	13.2%	12.6%
BBB- Credit Enhancement	3.5%	2.8%	3.8%	5.9%	6.8%	7.0%	7.6%	7.7%

Source: Deal documents, Trepp, Morgan Stanley Research

Despite the increased debt origination, CMBS 2.0 metrics are better than in 2005-2007...

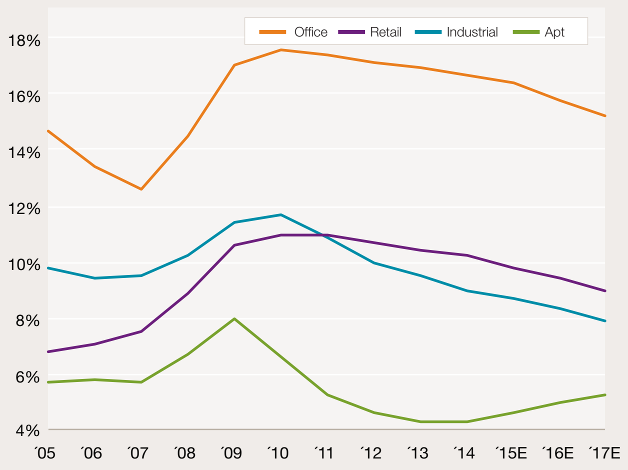
1H '15 CMBS MARKET SHARE BY METROPOLITAN STATISTICAL AREA



Sourec: RCA, Morgan Stanley Research

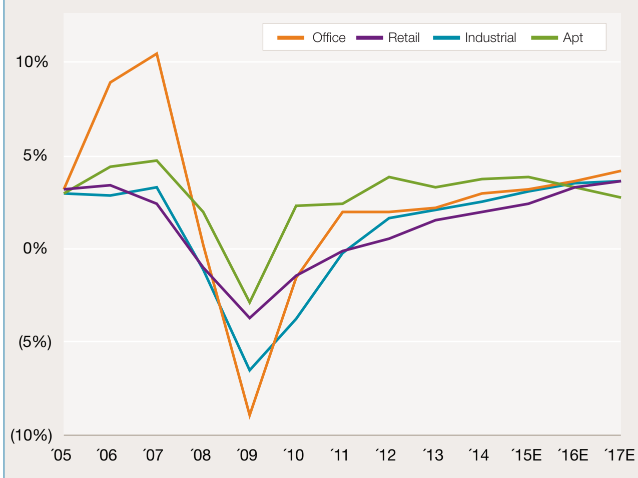
...however these metrics may be disguised by CMBS originations increasingly taking place in non-major markets.

VACANCY RATES ARE DOWN



Source: REIS, JP Morgan

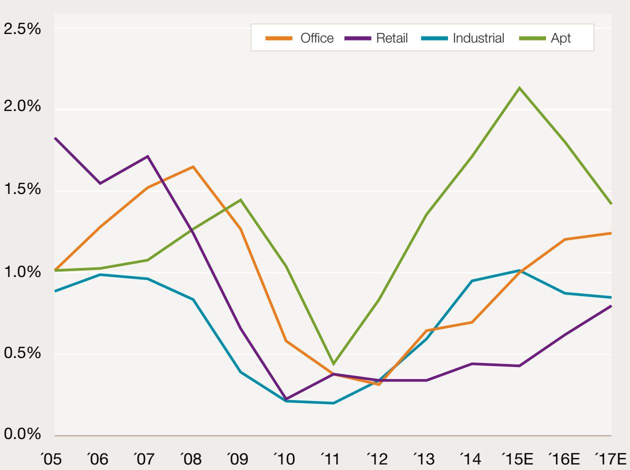
RENT GROWTH IS UP



Source: REIS, JP Morgan

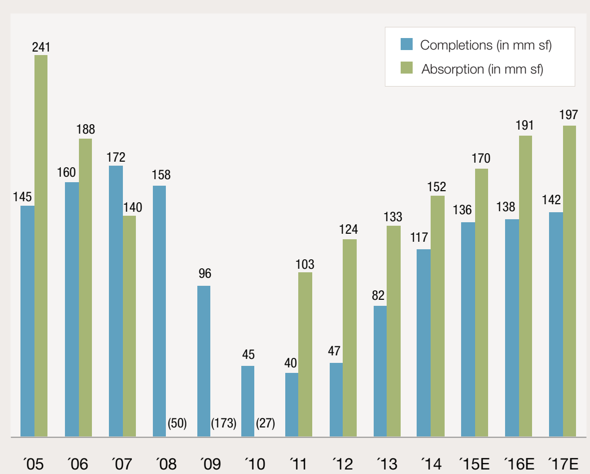
Property fundamentals continue to improve *(applies to all charts on page).*

DEVELOPMENT HAS PICKED UP...



Source: REIS, JP Morgan

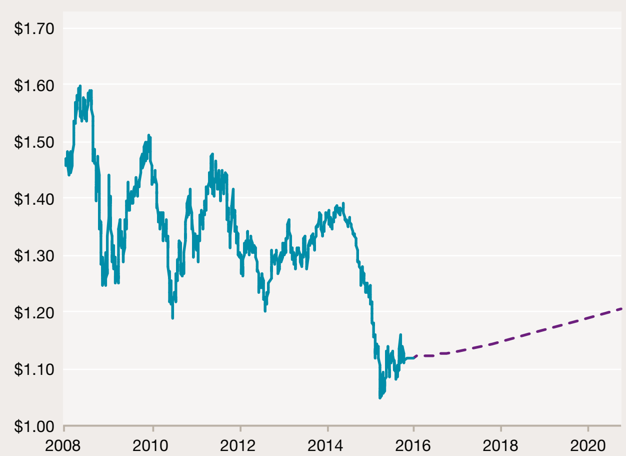
...BUT IT IS STILL BEING ABSORBED



Source: REIS, JP Morgan

EUROPE REAL ESTATE

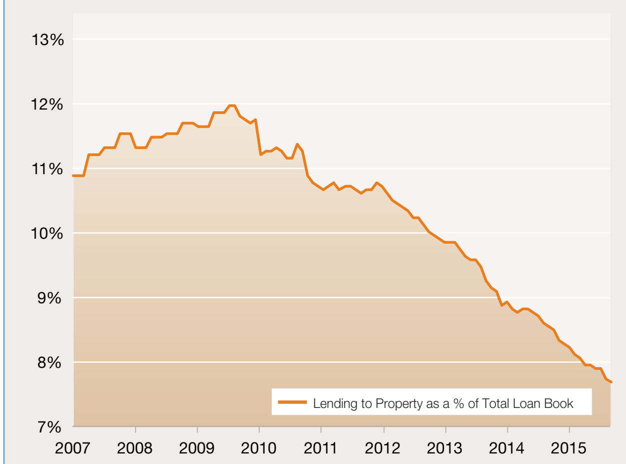
EURO/DOLLAR EXCHANGE RATE



Source: Bloomberg

The euro depreciation which began during the global financial crisis has accelerated in the past 12 months.

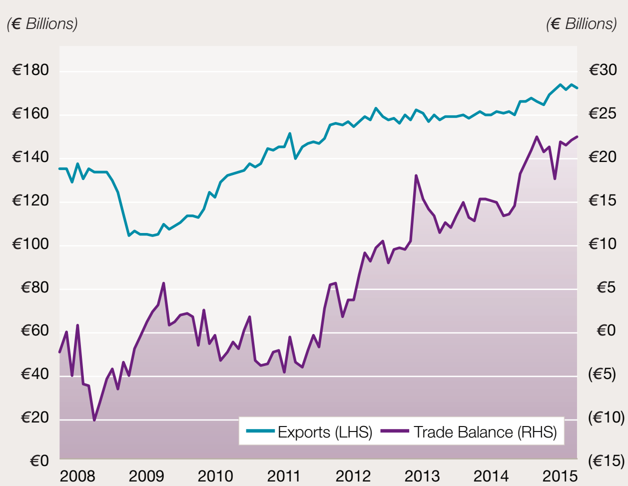
UK BANK LENDING TO COMMERCIAL PROPERTY



Source: Capital Economics

In addition to a weak, albeit stabilizing economy, property is suffering from diminishing appetite from senior lenders.

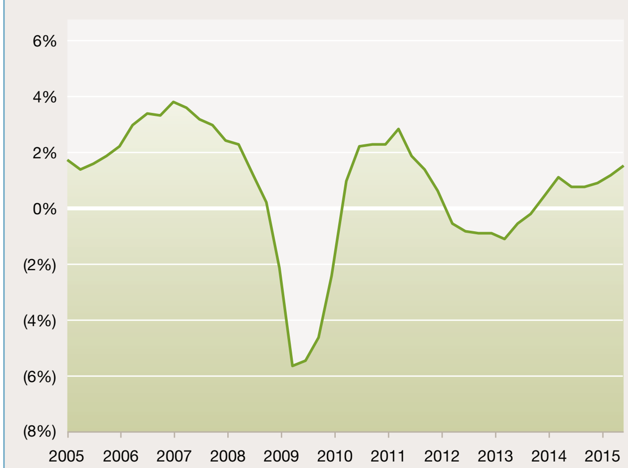
EURO-ZONE TRADE BALANCE & EXPORT VALUES



Source: Bloomberg

Depreciation is helping, thereby increasing the trade surplus…

EUROZONE GDP Y-O-Y

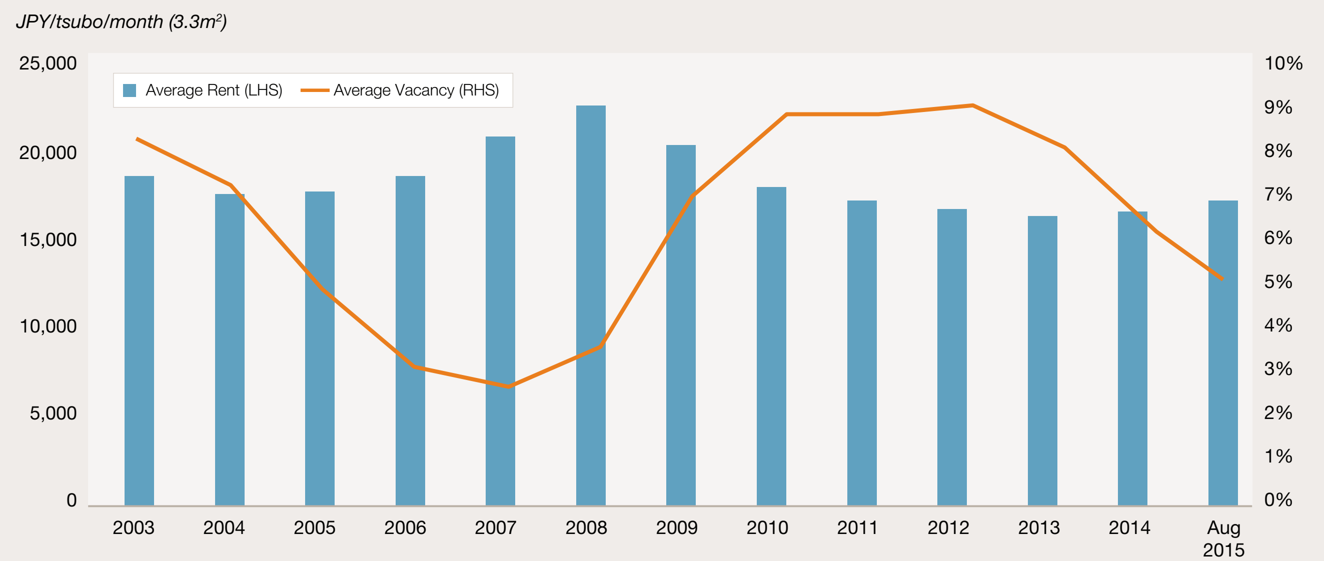


Source: Bloomberg

…however, GDP remains weak.

JAPAN

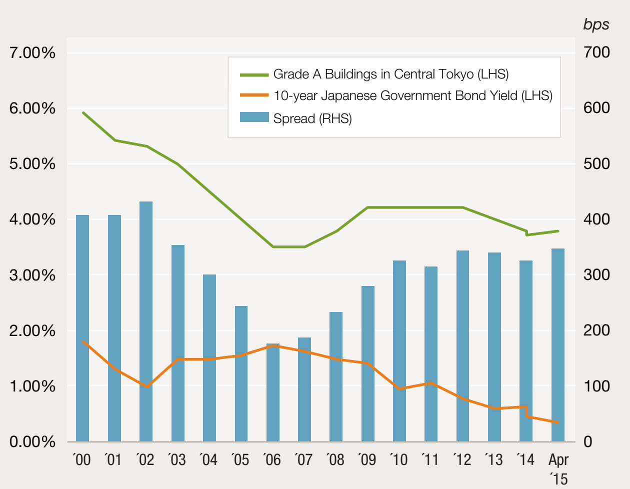
TOKYO'S 5 CENTRAL WARDS OFFICE RENT AND VACANCY RATE



Source: MIki Shoji

Vacancy in the Tokyo office market continued to improve, increasing rents by 4.1% in the first eight months of 2015.

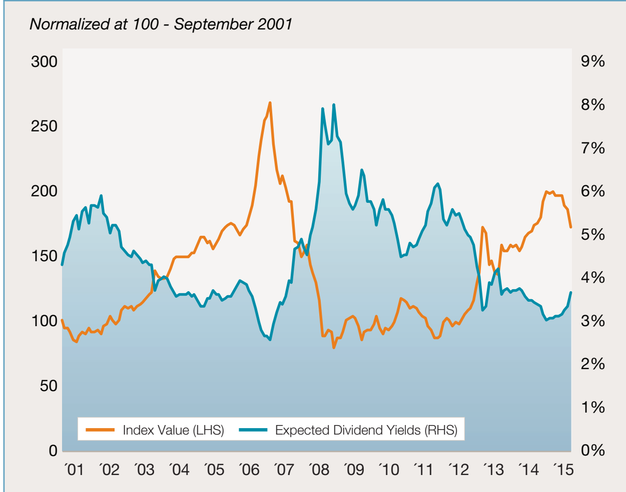
CAP RATES OF GRADE A OFFICE BUILDINGS VS. BORROWING COSTS



Source: Japan Real Estate Institute

Spreads further widened to nearly 400 bps as Japanese government bond yields continued to fall, making real estate attractive to investors.

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

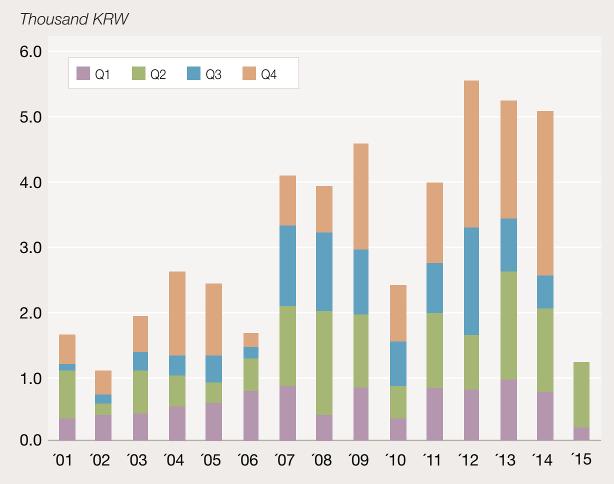


Source: Sumitomo Mitsui Trust Research Institute Co

The J-REIT index experienced a correction along with the rest of the Japanese stock market, driving yields up.

KOREA

TRANSACTION VOLUME OF PRIME/ SECONDARY OFFICE BUILDINGS IN SEOUL



Source: Savills Research

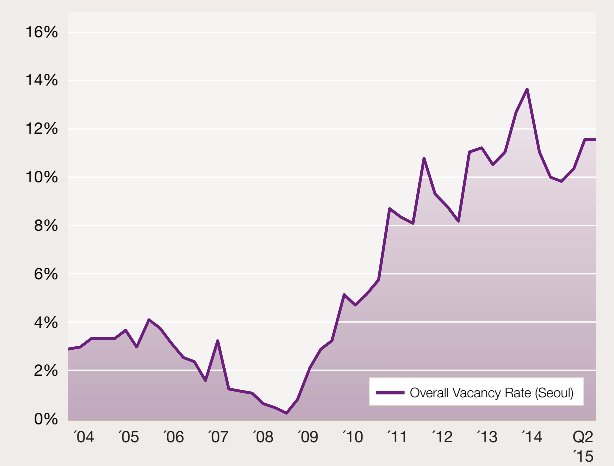
There was a slow start to the year for office transactions in Seoul.

KOREA GDP GROWTH

Source: Bank of Korea

GDP growth weakened to 2.2% in Q2 2015.

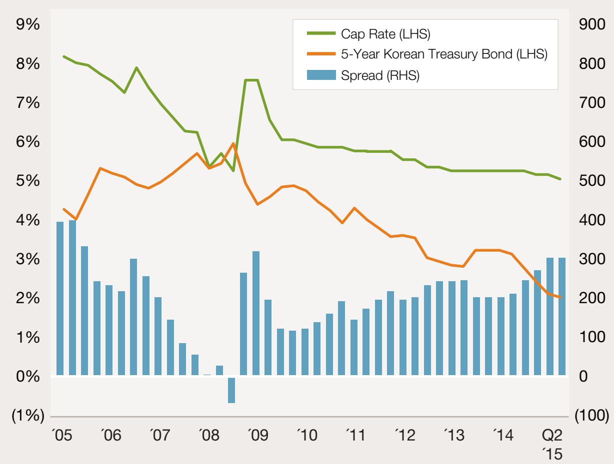
SEOUL OFFICE VACANCY RATE



Source: Jones Lang Lasalle Research

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

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

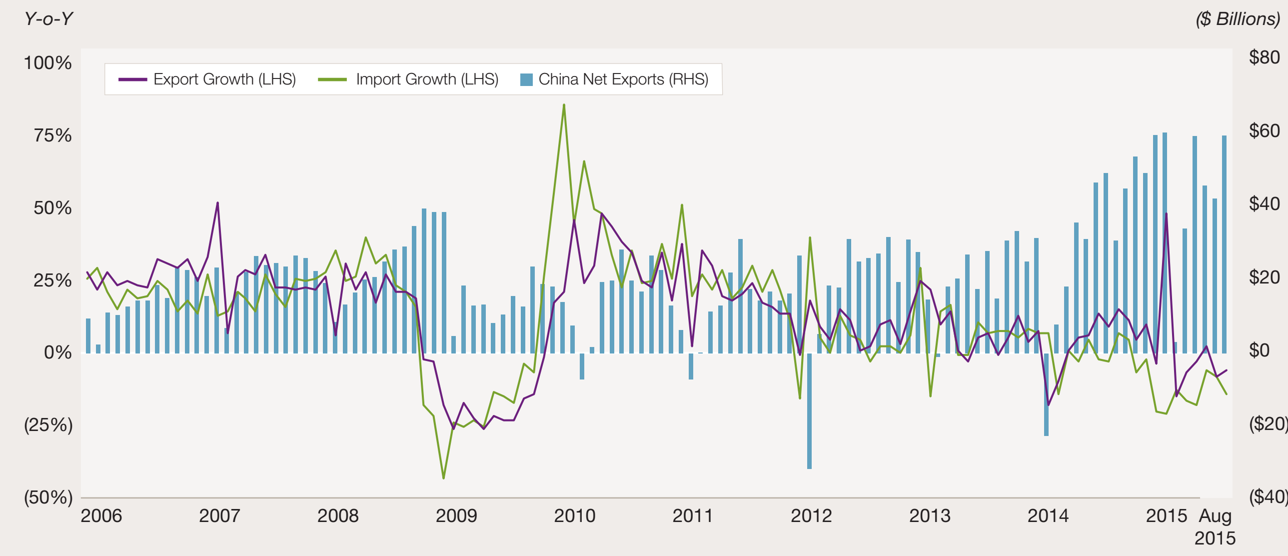


Source: Savills Research

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

CHINA

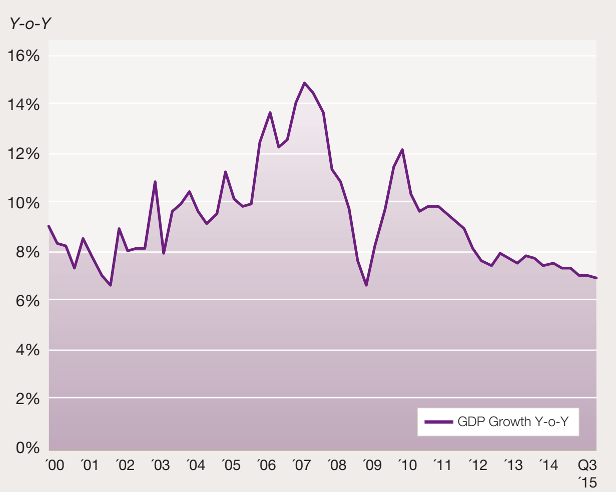
CHINA GROSS IMPORT/EXPORT GROWTH AND NET EXPORTS



Source: National Bureau of Statistics of China

The economy showed continued signs of slowing with both import and export growth declining in the third quarter.

CHINA GDP GROWTH RATE



Source: National Bureau of Statistics of China

GDP slightly declined to 6.9% for Q3 2015.

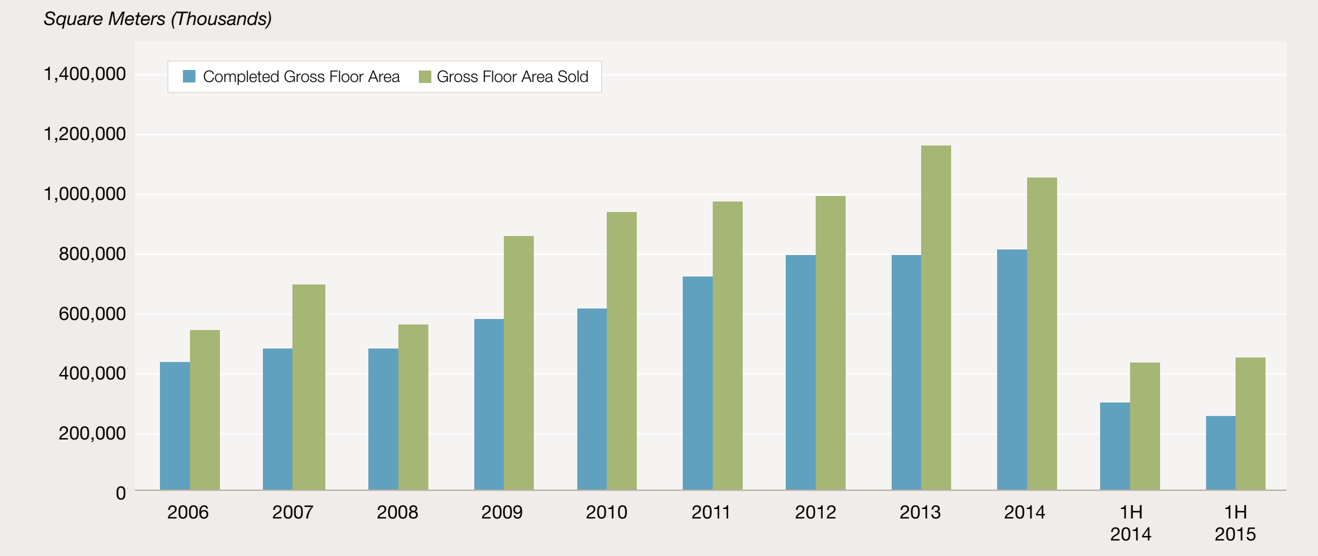
PMI FOR MANUFACTURING SECTOR

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 for the past two months.

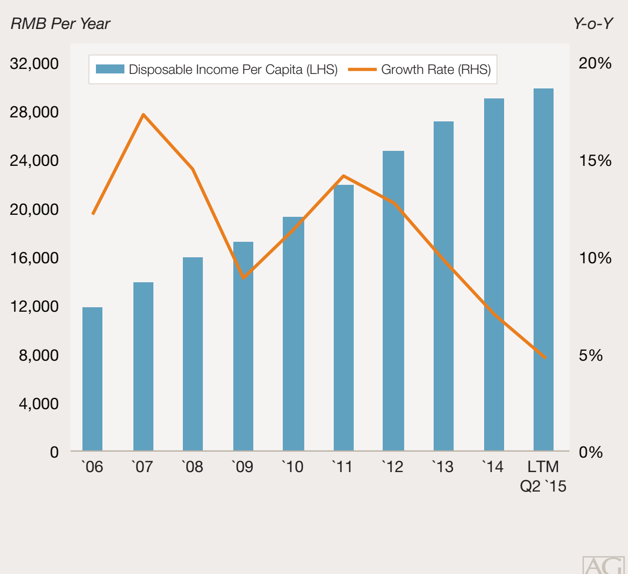
NATIONAL PRIMARY RESIDENTIAL SUPPLY AND SALES



Source: National Bureau of Statistics of China

Residential demand is keeping pace with supply, although supply in the first half of 2015 fell over 15% 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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