ANGELO, GORDON & CO.

CAPITAL MARKETS PERSPECTIVES

FIRST QUARTER 2016

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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 $26 billion. The firm's investment philosophy combines fundamental in-depth research and a conservative valuation approach with a diversification strategy designed to reduce downside risk and protect principal.

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

PORTFOLIO MANAGERS' CORNER

MAUREEN D'ALLEVA
Portfolio Manager
Non-Investment Grade Corporate Credit

The calendar flip offered no respite for investors in the first quarter, as the challenging market conditions that had plagued the leveraged loan market throughout the second half of 2015 remained stubbornly in place. Elevated macro uncertainty persisted, with investors struggling with a multitude of issues including the path of interest rate hikes from the Federal Reserve, the strength of both U.S. and global growth, and of course the direction of commodity prices. WTI, which has effectively functioned as a proxy for investor risk appetite, continued on its downward trajectory throughout January and early February. This in turn weighed on performance in the loan market, with the CS leveraged loan index returning -0.73% and -0.56% in January and February. Fund flows remained negative, with investors pulling approximately $2.5 billion from loan funds in January alone; at the same time, CLO issuance ground to a virtual halt with less than $1 billion of U.S. CLOs pricing in January. Investors also had to contend with dealers working through a large pipeline of hung deals from 2015. This confluence of factors resulted in a bifurcated and illiquid market. Higher quality deals continued to garner investor attention and were priced at relatively tight levels, while riskier credits often suffered price declines of multiple points on little fundamental news and extremely light trading volumes.

After WTI hit a low of roughly $26 in early February and the Federal Reserve adopted a more dovish tone, market sentiment showed signs of reversing course. Investors began to actively deploy their cash hoards and risk appetite returned to the market. The technical landscape also gradually improved as new issue supply remained muted while fund outflows abated and CLO formation slowly picked up. As March came to a close, the market tone was healthier than it had been in close to a year; March leveraged loan total returns of 2.64% brought the Q1 return for the CS leveraged loan index to 1.33%. The risk-on sentiment fueled an even stronger rally in the high yield market, with the CS High Yield index returning 4.52% in March alone, resulting in an overall return of 3.11% for the quarter. The sharp rebound in high yield is one of the strongest recoveries that the asset class has enjoyed since the 90s. Although we are cognizant of the fragility of the market recovery, we are optimistic that the worst of the dislocation may be behind us and that the current market offers disciplined investors the opportunity to deploy cash at attractive levels.

TREVOR CLARK

CHRIS WILLIAMS
Portfolio Managers
Middle Market Direct Lending

The relative calm that prevailed in middle market leveraged loans amidst the broader market turbulence in the fourth quarter of last year remained in place to start 2016. January and early February proved to be treacherous for many investors as WTI reached new lows and investor sentiment turned markedly more bearish. In response, liquidity in the public credit markets all but evaporated and many broadly syndicated loans suffered steep price declines. During the second half of the quarter the credit markets were lifted by recovering oil prices and the re-emergence of risk appetite. Despite the rebound in the large corporate loan market in the second half of the quarter, the middle market outperformed the large corporate market by approximately 200bps in the last twelve months.

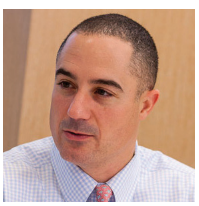
While not experiencing the same pricing volatility of the broad market, the middle market did experience a steep decline in new issuance during the first quarter. The $22.6 billion of new deal volume for the quarter represented the lowest quarterly issuance volume since the first quarter of 2010 and a drop of nearly 45% versus the fourth quarter of last year. The drop-off was more pronounced for refinancing versus new money transactions, with volumes in each off 56% and 26% respectively compared to the fourth quarter of 2015. Lenders foresee an improvement in volumes during the second quarter. With respect to pricing and leverage, we expect to continue to see levels dependent on the size and credit worthiness of the borrower. We also believe that many of the factors contributing to volatility in the broad credit markets have not yet been fully resolved (including oil, global growth, Fed policy, the credit cycle, etc.) and that the middle markets will continue to offer investors protection against the volatility that this heightened uncertainty may continue to bring.

TODD DITTMANN
Portfolio Manager
Energy Direct Lending

It was a volatile start to the year for the energy market, as WTI continued its precipitous decline for the first half of the quarter. At today's 12-month strip prices for WTI and Henry Hub, we estimate that 78 public oil and gas companies have suffered a 24% decline in per barrel operating cash flow since the third quarter of last year. This decline is significant, particularly on the heels of the oil collapse that had already occurred by the fall of 2015. Nonetheless, the secondary markets in energy debt and equities were happy with the climb from $26.21/barrel in February to $38.34/barrel oil at quarter's end. Yields on E&P high yield have tightened by approximately 800 basis points since February 11th, and E&P equities have gained 37% over the same period.

However, with respect to new issuances, the debt and equity markets have diverged. The first quarter was a tale of two markets. On the debt side, lenders were cautious, guided by the significant dip in borrower cash flows and fresh memories of steep losses on 2015's broadly syndicated second liens. Very few new debt financing transactions were done. This scarcity of energy debt capital has created a number of interesting investment opportunities for the replacement of bank debt. We expect the demand for bank debt replacement, whether through borrower-level refinancings or through purchases of existing reserve-based loans, will grow as the April 2016 borrowing base redetermination progresses. Most analysts are calling for 20-30% cuts in bank availability in April, as compared to an average 7% cut in the fall of 2015. Additionally, in March, federal regulators issued a new set of bank lending guidelines which look all but certain to cause further and longer-term bank retrenchment from the oil and gas space.

On the other hand, in the first quarter equity investors bought new issues with gusto, even after losing billions of dollars on their 2015 bets. Eager to reap the benefits of a possible oil price recovery, investors purchased more than $10 billion of new equity from oil and gas companies, at an average dilution to existing shareholders of 14%. Healthier companies are equitizing balance sheets through new and dilutive issuances for cash, a process that must occur in order to address and retire all the debt that was issued at substantially higher oil prices. Finally, for companies burdened by unmanageable levels of debt, bankruptcy remains the most efficient and complete solution. The industry has now reached a total of 58 bankruptcies for E&P companies since the beginning of 2015. Given the number of companies that have recently elected not to pay interest on outstanding bonds, more filings are all but certain.



GAVIN BAIERA
Portfolio Manager
Distressed Debt

The beginning of the first quarter of 2016 picked up where 2015 ended, as the flight to perceived quality dominated credit market trading and a broad sell-off leaked into equities. Through mid-February, risk asset prices generally suffered across the board, along with depressed prices in both WTI crude and high yield. However, in the second week of the month, a combination of rebounding oil prices and solid U.S. economic data catalyzed a V-shaped first quarter return for stressed assets. Though actual U.S. trailing default rates continue to be dominated by commodity-linked businesses, over-leveraged corporate issuers are increasingly seeking additional runway from creditors. In Europe, continued quantitative easing and limited commodity exposure contributed to relative outperformance. However, weakness may return as market participants consider relative value and note that continued stimulus has not reflated assets. Overall, recent record years of global corporate issuance, combined with paralyzing market technicals, have pushed the credit cycle into its later stages. Going forward, we expect to continue to opportunistically monetize mature assets and deftly deploy capital into discreet, complex and event-driven situations.

ARTHUR PEPONIS
Portfolio Manager
Private Equity

The volatility and uncertainty seen broadly in the financial markets, not surprisingly, had a dampening effect on private equity in the first quarter of 2016. Global and North American deal volume for the first three months of 2016 was off the pace of activity in 2015. Global deal volume in calendar 2015 was $304 billion (excluding the $107 billion of value ascribed to the EMC and Kraft deals), while deal activity in the first quarter of this year was only $47 billion. Similarly, for North American transactions, in calendar 2015, total deal volume was $148 billion (excluding the EMC and Kraft deals) while in the first quarter of 2016 it was $31 billion. Reflecting weak deal flow but a stable fundraising environment, "dry powder" increased from $460 billion at year-end 2015 to a record $494 billion at March 31, 2016. Average leverage for buyouts decreased relative to 2014 and 2015 levels. For the first quarter of 2016, leverage as a multiple of EBITDA was 5.5x, lower than the 5.8x multiple for both 2014 and 2015, as the "risk off" posture taken by banks and institutional investors continued into the first quarter of this year. While banks have been able to de-risk their balance sheets by selling off much of their inventory of commitments made in 2015, there still is reticence on the part of banks to develop an aggressive posture in making new commitments to highly leveraged credits. Additionally, the Leveraged Lending Guidelines continue to have an effect on lowering leverage multiples from historical highs. Despite the difficult financing markets, multiples achieved by sellers continue their upward trajectory. The average multiple paid by private equity firms in the first quarter of 2016 was 10.5x EBITDA which exceeded the 10.3x multiple paid in calendar 2015, a record year. Reflecting the competition for assets and the high level of dry powder in the marketplace, private equity firms were willing to increase the level of equity contribution to secure assets. Finally, the volatility in the markets had a negative effect on the number of exits. Overall, exits were down approximately 5% in the first quarter of 2016 from the first quarter in 2015, driven by a very weak IPO environment.

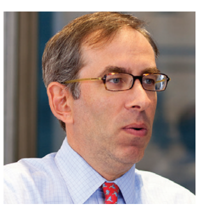
DAVID KAMIN
Portfolio Manager
Merger Arbitrage

After a record-breaking year, merger activity in 2016 started off slowly as both equity and credit markets experienced another bout of volatility. This made it difficult for prospective acquirers to obtain deal financing, and it also affected announced mergers as deal closings were delayed. Merger arbitrage spreads began the year at an average of 13.5% but quickly widened to 17%+ during January due to these financing fears. The recent M&A bull cycle has been driven by large and mega-cap deals; however, only one such deal over $10 billion was announced in January, making it the lightest month since October 2014. This slump was quick to reverse course as February saw several high profile deals close – Avago Technologies acquisition of Broadcom, Berkshire Hathaway's purchase of Precision Castparts, and Shell plc purchase of BG Group – which spurred investor confidence and tightened spreads significantly. While mega-deals returned to the market, highlighted by the largest Chinese acquisition of a foreign company when ChemChina agreed to acquire Syngenta AG, merger volumes were unable to keep pace with deal closures. This caused arbitrageurs to re-invest and grow current positions, tightening spreads. Non-traditional arbitrage investors took note of the strength and stability of merger arbitrage deals and were attracted to the space, viewing it as a safe-haven in a volatile market. Global interest rates remain low; however, banks and investors were not as quick to extend credit which dampened merger volumes this quarter. Central banks and companies alike continued to seek out ways to spark revenue growth. For companies, M&A appears to remain the surest path to growth. While merger spreads ended the quarter tighter than their widest levels seen in early February, deal complexities, in addition to the continued heightened activity of both federal and state regulators, keep arbitrageurs on guard.

GARY WOLF
Portfolio Manager
Convertible Arbitrage

The first quarter exhibited significant volatility. The S&P 500 was down over 10% through February 11th, then rallied back by 13% from its lows to close the quarter up over 1%. The often-quoted VIX ended the quarter lower than where it started, showing why it is not a particularly good proxy for understanding how volatile the markets have been. For the first quarter, global convertibles returned just 37 basis points, underperforming high grade and high yield bonds. In the U.S., outright converts lost 1.4% in the quarter and the HFRX convertible arb index lost 1.1%. The drivers for the underperformance included significant weakness in the industrials, energy and consumer non-cyclical sectors, somewhat offset by the strong performance of utilities.

Issuance was lower globally at $15.7 billion, compared to $25.3 billion at this time last year. U.S. issuance was particularly weak with only $3.2 billion, down from over $15 billion in the first quarter of 2015. The reasons for this lower issuance included the weak leveraged finance markets in most of the first quarter, particularly weak healthcare equity performance, and some tax regulation uncertainty, which is gaining some clarity in the near-term. European issuance was actually up year-over-year with $8.3 billion coming to market versus only $4.0 billion a year ago. Much of this European issuance came from investment grade companies taking advantage of the demand from outright investors. Thus, most of this issuance was priced at somewhat unattractive levels. More recently, these types of deals have been priced at more reasonable levels.



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

The first quarter was characterized by heightened volatility and extremes, with January and February feeling more akin to 2009, whereas March felt like the "risk-on" post-QE2 rally of 2011. Despite these extremes, quarter-over-quarter indices exhibited only small price and spread changes. Many risk assets exhibited strong correlations with the price of oil, liquidity constraints and shrinking broker-dealer balance sheets, continuing trends from the second half of 2015. Over the last three quarters, mortgage and consumer credit spreads continued to outperform the spread widening of other credit and risky asset classes. Still, mortgage and asset backed securities experienced their most severe re-pricing since 2011. The sell-off was most pronounced in the bottom of the capital structure securities, and in long duration low-yielding assets like subprime mezzanine and student loan bonds. The type of investor and the breadth of sponsorship for the sector was also a material factor in determining which asset classes experienced the most pronounced impact of credit curve steepening. Investor demand for securities was concentrated toward higher quality assets, high in the capital structure and with shorter duration, leaving spreads to languish for assets that were down-in-credit or have longer profiles. Primary issuance of RMBS and ABS was weak in the first quarter, leading several broker-dealers to downsize issuance expectations for the year. Dealer holdings of non-agency assets hit the lowest point since at least April 2013 before somewhat rebounding in the third week of February. Mortgage collateral performance, however, continues to remain very strong, and home prices advanced to higher levels. Broad measures of U.S. home prices pegged year-over-year increases of approximately 5.5% in January. Regulatory changes and tight inventories of homes have supported ongoing home price growth.

ANDREW SOLOMON
Portfolio Manager
Real Estate Debt (CMBS)

The CMBS market in the first quarter of 2016 was considerably challenging. CMBS typically starts the calendar year with an optimistic tone. Participants start fresh, new allocations are made to the space and there is some sense of urgency to put this money to work into what is normally a rallying market. That was not the case in 2016. This was the year that investors instead chose to focus on the difficulties facing the CMBS market and to ignore anything that would create a sense of optimism.

Some of the most concerning issues for the CMBS market included liquidity, the limited size of dealer inventories, loan quality, supply, the impact of recent and upcoming regulations as well as the wall of legacy loans scheduled to mature over the next two years. When these challenges coincided with a poor macroeconomic backdrop (e.g. U.S. stocks down by more than 5%, continued declines in oil prices triggering fears of a spike in defaults by energy companies) the resulting price moves were violent. New issue 10-year AAA bonds widened by approximately 20 basis points during the month while BBB- bonds priced a whopping 200 basis points wider than deals done at the end of 2015. To put a move of that magnitude in context, it equates to a price drop from approximately 85 cents on the dollar to approximately 74 cents on the dollar. There was not very much transparency on where legacy credit was trading during this period, but we did see instances of certain bonds trading down multiple points in just a few days for technical rather than fundamental reasons. This most recent bout of spread widening was on top of the already substantial price decline that had occurred over the last 8 months of 2015.

As WTI bounced off its mid-February lows and central bank remarks took a more accommodative tone, the CMBS market stabilized and then rebounded in March. These price moves correlated strongly with equities which reacted favorably to the improved market tone. Spreads in new issue 10-year AAA bonds retraced all of their inter-period widening and actually closed the quarter slightly tighter than where they began. New issue BBB- spreads also tightened during the month of March, but still ended the quarter approximately 100 basis points wider than where they ended 2015.

GORDON J. WHITING
Portfolio Manager
Net Lease Real Estate

As of the first quarter of 2016, trailing 12-month U.S. single-tenant transaction volume totaled $55 billion, according to Real Capital Analytics. While this volume is robust, the amount represents a decline from late 2015 volumes. During the quarter, single-tenant cap rates remained at low levels and were below those seen in 2007, however similar to volume levels, cap rate compression has slowed. The declining volume and flattening of cap rates during the period were driven by volatility in the credit markets, including a widening of CMBS spreads. Although CMBS loans became more expensive, borrowers continued to have access to CMBS financing and other sources of financing, such as life insurance companies and banks. Well-capitalized buyers that can offer the certainty of execution can separate themselves from competitors in this market. Looking to 2016, the spread between cap rates and borrowing costs continues to remain attractive and is sufficient to make net lease investments appealing relative to shorter-term fixed income securities that are more volatile. During periods of volatile credit markets, sale-leaseback financing may be viewed as an alternative source of financing for corporations, which could help bolster near-term transaction volume, particularly with sub-investment grade companies.

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

U.S. commercial real estate volume fell 27% in the first quarter from a year earlier, led by a decline in portfolio/entity level deals which were down 36% year-over-year, while single property sales fell 21% year-over-year. Part of this may be due to the market taking a breather coming off of the strongest 60-day period of activity ever recorded, while some of it is likely due to a re-pricing of debt financing, most notably in the CMBS market, which is typically the most utilized for portfolio/entity deals. CMBS rates on conduit whole loans increased over 100 bps from 2015, and that was if a loan quote was even available. March saw a slight improvement in CMBS bond pricing, lending terms and a smaller decline in total property sales volumes– leading to total first quarter sales which were approximately 30% down year-over-year.

There are speed bumps in the current market, including the first property price declines seen in six years. In January average prices saw a 0.3% decline in the Moody's/RCA CPPI™, a further 0.2% decline in February, and a downward revision into negative territory for the December 2015 figures. Still, there has not been a significant move in cap rates, and public REIT share prices returned to an upswing in March after a turbulent first quarter, with volatility in the RMZ resulting in a 17% swing from mid-February lows to current highs. The potential for future volatility in the public REIT markets warrants monitoring as potential discounts to private market NAVS could either present an opportunity, or be a barometer of future price declines in the private market.

While the turmoil in the corporate bond market certainly affected the CMBS market, we are witnessing the looming risk retention regulations playing a role as well. There are other sources of debt in the market to finance borrowers dependent on the CMBS market, but at more conservative terms and higher prices. CMBS originations in 2015 came in at a 16% share of the total market versus 27% in 2014 and 54% in 2007. In the first three months of 2016, CMBS' share has dropped further. Banks gained market share, increasing to 41% by year-end 2015. While the players in the debt space are rotating their seats, total volume continued to be strong as were equity flows into the space, with nearly $107 billion of equity capital raised in 2015. Despite challenges to foreign capital sources, global equity seems to continue to desire the safe yield offered by U.S. commercial real estate. Sovereign wealth funds including Abu Dhabi's ADIA, China's CIC and Norway's GPFG have recently announced increased allocations to real estate.

Europe was affected by the volatility in global markets in addition to growing concern over a possible BREXIT and further quantitative easing on the Continent. Market volatility contributed to lending spreads widening with average BBB CMBS issuance 100bps wider than at year-end. In the UK, the ramifications of an 'out' vote would likely have a material impact on short-term economic output, while the long-term impact is unclear. The ECB introduction of negative interest rates has compressed property yields which now stand at nearly historic lows. In the UK, where much of European Core capital is targeted, yields are merely 36 bps above the pre-crisis peak and approximately 150bps below the long-term average. The limited new supply on the Continent and moderate vacancy rates are driving rents upward. In the UK, rents in London are already above pre-crisis levels and, on an overall basis, the UK has seen rents recover most of the losses suffered since the crisis. Rents have clearly helped drive property values, but on the other hand, leverage has not been a major contributor to these increases, with property loans as a percentage of overall loan books at a 14-year low. The divergence in continental economies continues to be wide, with German unemployment below pre-crisis levels at 4.3%, France stable at 10.2%, and Italy increasing last quarter to just under 12%. Looking forward, economic prospects on the Continent may be challenged by consumer consumption which has thus far driven the recovery. Political uncertainty in both the UK and the Continent continues to be a likely reason for such decline.

WILSON LEUNG
Portfolio Manager
Asia Real Estate

As a result of the Bank of Japan initiating negative interest rates similar to a number of the European Union countries, we saw strong performance in the Japanese REIT (J-REIT) index – rising 7% during the first two months of the year. J-REITs have been the direct beneficiaries of this low interest rate environment, allowing them to borrow at exceptionally low rates and buy assets at ever lower cap rates while still being accretive to the REIT. Although we are in a low cap rate environment, the spread to borrowing costs is wide at over 350 bps, and asset values on price-per-square-foot basis are still 20%-25% below the prior peak values of 2008. As Japanese real estate fundamentals continued to improve with office vacancy in Tokyo falling to 4% and annual rents growing 4.5% in the first quarter of 2016, we are still in the midst of a recovery and have yet to reach new highs – a positive sign for investors in this market.

Demand from Korean institutions to purchase core, stabilized assets remained strong; however, fewer large assets were brought to market in 2015, thereby reducing overall transaction volume in Korea for the year. The Seoul office sector continued to be in distress as office vacancy remained stubbornly high at 11%. The distress has been favorable for opportunistic investors seeking to buy assets at deep discounts to prior market highs. Core office cap rates remained stable although borrowing costs continued to decline, thereby improving overall investment spreads.

China's economy continued to slow as evidenced by a first quarter GDP growth of 6.7%. China's currency and equity markets have stabilized in the near-term and property markets have continued to remain strong. Property owners have taken advantage of the continued demand for prime real estate in China's primary cities by disposing of assets into this seller's market to achieve very favorable outcomes. In terms of opportunistic investing in China, astute investors continue to be selective and are focused on turnaround deals or special situations in these main cities.

ANGELO, GORDON & CO.

ECONOMIC DASHBOARD

MARKET INDICES

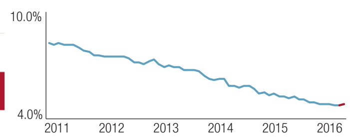
FIrst Quarter 2016

JOB MARKET

Macro Economics		Five-Year Trend

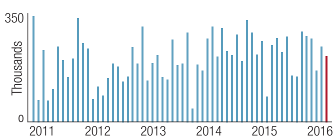
US – Unemployment Rate
As of 3/31/2016

Latest Level	5.0
Change from Prior Month	0.1
Latest Direction	Deteriorating
Frequency	Monthly



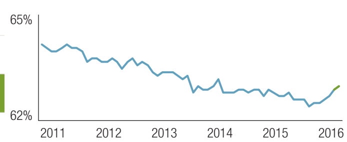
US – Non-Farm Payroll
As of 3/31/2016

Latest Level	215.0
Change from Prior Month	(30.0)
Latest Direction	Deteriorating
Frequency	Monthly



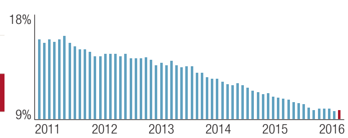
US – Labor Participation Rate
As of 3/31/2016

Latest Level	63.0
Change from Prior Month	0.1
Latest Direction	Improving
Frequency	Monthly



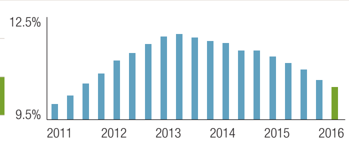
US – U-6 Unemployed & Margin & Part-Time as % of Labor Force & Margin
As of 3/31/2016

Latest Level	9.8
Change from Prior Month	0.1
Latest Direction	Deteriorating
Frequency	Monthly



Eurozone Unemployment Rate
As of 12/31/2015

Latest Level	10.5
Change from Prior Quarter	(0.2)
Latest Direction	Improving
Frequency	Quarterly

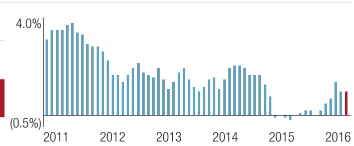


INFLATION

Macro Economics		Five-Year Trend

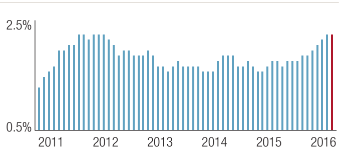
US Consumer Price Index (CPI) Y-o-Y %
As of 3/31/2016

Latest Level	0.9
Change from Prior Month	(0.1)
Latest Direction	Decreasing
Frequency	Monthly



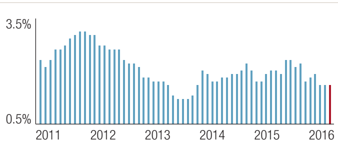
US CPI Goods Less Food and Energy Y-o-Y %
As of 3/31/2016

Latest Level	2.2
Change from Prior Month	(0.1)
Latest Direction	Decreasing
Frequency	Monthly



US Producer Price Index (PPI) Y-o-Y %
As of 3/31/2016

Latest Level	1.5
Change from Prior Month	(0.1)
Latest Direction	Decreasing
Frequency	Monthly

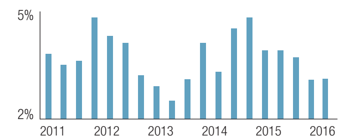


GDP GROWTH

Macro Economics		Five-Year Trend

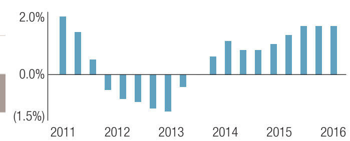
US – GDP Y-o-Y %
As of 12/31/2015

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



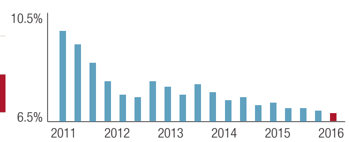
Eurozone – GDP Y-o-Y %
As of 12/31/2015

Latest Level	1.6
Change from Prior Quarter	0.0
Latest Direction	No Change
Frequency	Quarterly



China – GDP Y-o-Y %
As of 3/31/2016

Latest Level	6.7
Change from Prior Quarter	(0.1)
Latest Direction	Deteriorating
Frequency	Quarterly

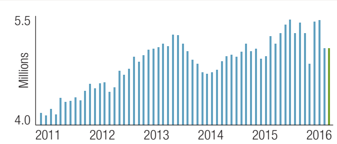


HOUSING

Macro Economics		Five-Year Trend

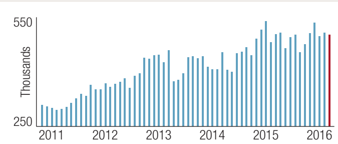
Existing Home Sales
As of 3/31/2016

Latest Level	5.3
Change from Prior Month	0.2
Latest Direction	Improving
Frequency	Monthly



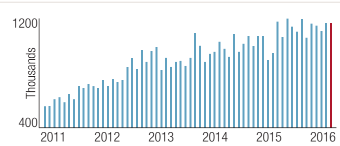
New Home Sales
As of 3/31/2016

Latest Level	511.0
Change from Prior Month	(8.0)
Latest Direction	Deteriorating
Frequency	Monthly



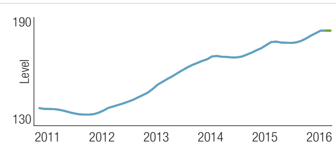
Housing Starts
As of 3/31/2016

Latest Level	1,089.0
Change from Prior Month	(105.0)
Latest Direction	Deteriorating
Frequency	Monthly



Case-Shiller Index of Home Value in 20 Cities
As of 1/31/2016

Latest Level	185.5
Change from Prior Month	1.5
Latest Direction	Improving
Frequency	Monthly

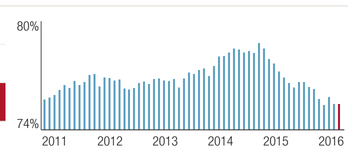


ECONOMIC & MARKET CONFIDENCE

Macro Economics		Five-Year Trend

Capacity Utilization as a % of Capacity
As of 3/31/2016

Latest Level	74.8
Change from Prior Month	(0.5)
Latest Direction	Deteriorating
Frequency	Monthly



Source: Bloomberg (All)

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

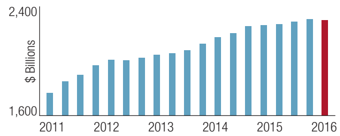
ECONOMIC DASHBOARD *(continued)*

ECONOMIC & MARKET CONFIDENCE *(continued)*

Macro Economics | Five-Year Trend

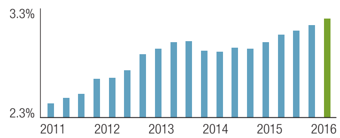
Private Fixed Investment Nonresidential SAAR
As of 12/31/2015

Latest Level	2,309.5
Change from Prior Quarter	(9.9)
Latest Direction	Deteriorating
Frequency	Quarterly



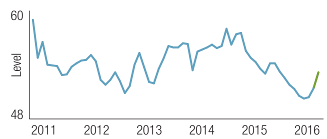
Residential Fixed Investment as a % of GDP
As of 12/31/2015

Latest Level	3.3
Change from Prior Quarter	0.1
Latest Direction	Increasing
Frequency	Quarterly



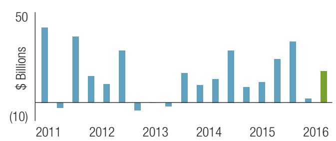
ISM Manufacturing Index
As of 3/31/2016

Latest Level	51.8
Change from Prior Month	2.3
Latest Direction	Improving
Frequency	Monthly



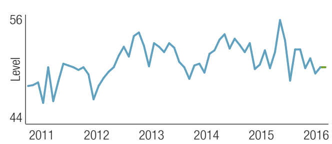
Manufacturing Inventory Change Q-o-Q $
As of 12/31/2015

Latest Level	17.6
Change from Prior Quarter	15.4
Latest Direction	Increasing
Frequency	Quarterly



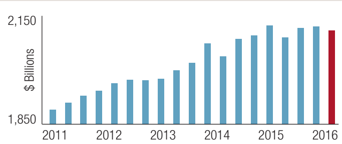
Architecture Firms Billings Index
As of 3/31/2016

Latest Level	51.9
Change from Prior Month	1.6
Latest Direction	Improving
Frequency	Monthly



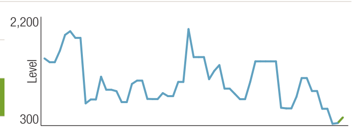
Exports of Goods/Services
As of 12/31/2015

Latest Level	2,110
Change from Prior Quarter	(11)
Latest Direction	Deteriorating
Frequency	Quarterly



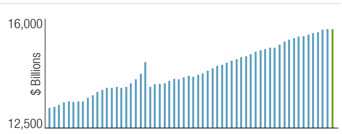
Shipping Rates
As of 3/31/2016

Latest Level	429
Change from Prior Quarter	100
Latest Direction	Improving
Frequency	Quarterly



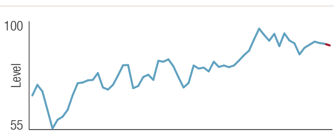
Personal Income Level
As of 2/29/2016

Latest Level	15,698
Change from Prior Month	24
Latest Direction	Improving
Frequency	Monthly



Michigan Consumer Confidence Sentiment
As of 3/31/2016

Latest Level	91.0
Change from Prior Month	(0.7)
Latest Direction	Deteriorating
Frequency	Monthly

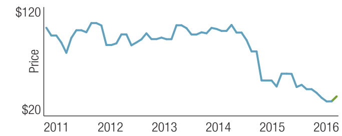


COMMODITIES

Macro Economics | Five-Year Trend

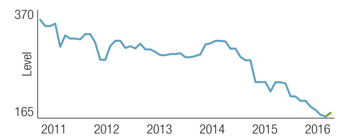
WTI Crude Oil Price
As of 3/31/2016

Latest Level	38.3
Change from Prior Month	4.6
Latest Direction	Increasing
Frequency	Monthly



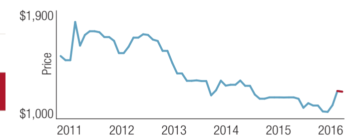
Reuters/Jefferies Commodity Index
As of 3/31/2016

Latest Level	170.5
Change from Prior Month	7.3
Latest Direction	Increasing
Frequency	Monthly



Gold
As of 3/31/2016

Latest Level	1,232.8
Change from Prior Month	(5.9)
Latest Direction	Decreasing
Frequency	Monthly

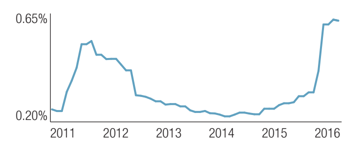


RATES

Macro Economics | Five-Year Trend

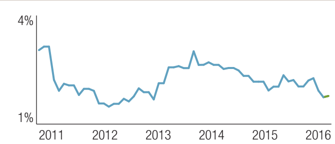
LIBOR 3M
As of 3/31/2016

Latest Level	0.63
Change from Prior Month	0.00
Latest Direction	No Change
Frequency	Monthly



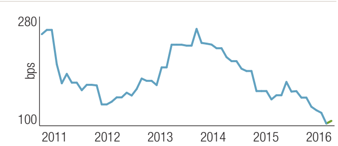
Treasury 10 Yr Yield
As of 3/31/2016

Latest Level	1.77
Change from Prior Month	0.03
Latest Direction	Increasing
Frequency	Monthly

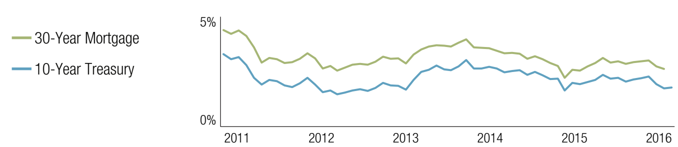


Swaps 2Y vs 10Y
As of 3/31/2016

Latest Level	79.70
Change from Prior Month	5.23
Latest Direction	Steepening
Frequency	Monthly



30 Yr Mortgage and 10 Yr Treasury

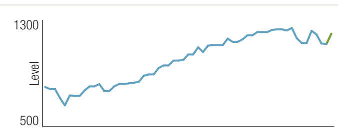


EQUITY

Macro Economics | Five-Year Trend

US Equity Markets – Russell 3000
As of 3/31/2016

Latest Level	1,211.2
Change from Prior Month	77.6
Latest Direction	Rally
Frequency	Monthly



Source: Bloomberg (All)

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

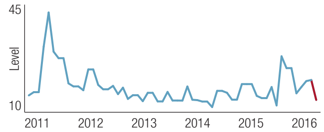
ECONOMIC DASHBOARD *(continued)*

EQUITY *(continued)*

Macro Economics — Five-Year Trend

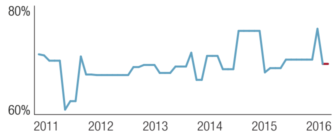
US Equity – VIX
As of 3/31/2016

Latest Level	14.0
Change from Prior Month	(6.6)
Latest Direction	Decreasing
Frequency	Monthly

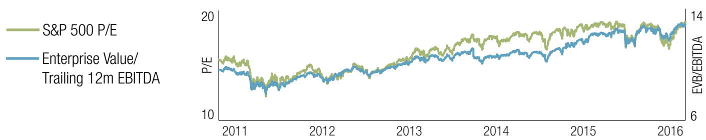


S&P 500 Percentage Exceeding Earning Estimates
As of 3/24/2016

Latest Level	69.4
Change from Prior Month	(0.1)
Latest Direction	Decreasing
Frequency	Monthly

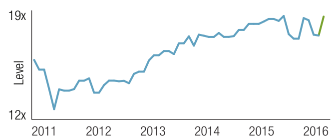


S&P 500 Historical Valuation Levels



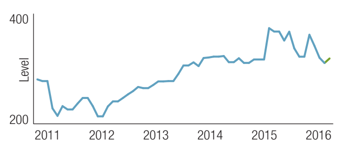
Trailing P/E on S&P 500
As of 3/31/2016

Latest Level	18.9
Change from Prior Month	1.4
Latest Direction	Increasing
Frequency	Monthly



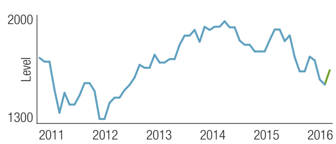
Equity Markets – Euro Stoxx
As of 3/31/2016

Latest Level	321.5
Change from Prior Month	8.5
Latest Direction	Increasing
Frequency	Monthly



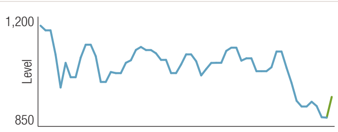
Equity Markets – MSCI EAFE
As of 3/31/2016

Latest Level	1,652.0
Change from Prior Month	93.9
Latest Direction	Increasing
Frequency	Monthly

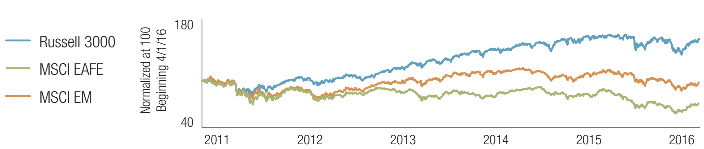


Equity Markets – MSCI EM
As of 3/31/2016

Latest Level	836.8
Change from Prior Month	96.5
Latest Direction	Increasing
Frequency	Monthly



Russel 3000 - MSCI EAFE - MSCI EM

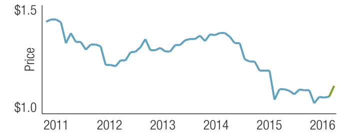


FOREIGN EXCHANGE RATE

Macro Economics — Five-Year Trend

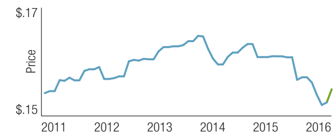
Euro Spot Rate vs 1 USD
As of 3/31/2016

Latest Level	1.14
Change from Prior Month	0.05
Latest Direction	Improving
Frequency	Monthly



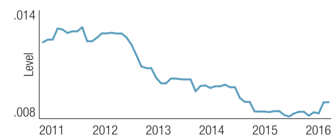
Yuan Spot Rate vs 1 USD
As of 3/31/2016

Latest Level	0.1551
Change from Prior Month End	0.0025
Latest Direction	Improving
Frequency	Monthly



Yen Spot Rate vs 1 USD
As of 3/31/2016

Latest Level	0.0089
Change from Prior Month	0.0000
Latest Direction	No Change
Frequency	Monthly

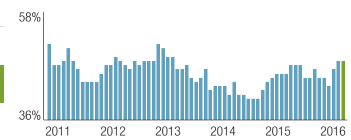


POLITICS

Macro Economics — Five-Year Trend

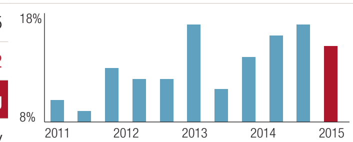
NBC NEWS/WSJ Poll Obama Approval Rating(1)
As of 3/31/2016

Latest Level	49
Change from Prior Month	6
Latest Direction	Increasing
Frequency	Monthly

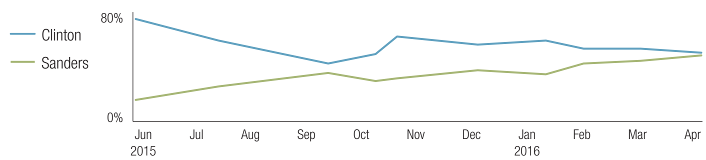


CBS News/NY Times Congressional Approval Rating(2)
As of 12/31/2015

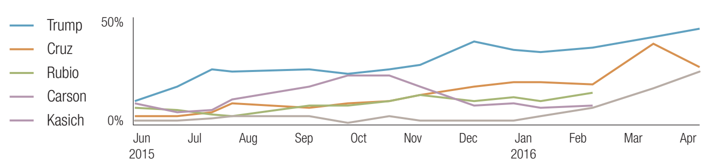
Latest Level	15
Change from Prior Level	2
Latest Direction	Decreasing
Frequency	Semi-Annually



2016 Democratic Presidential Nomination(1)

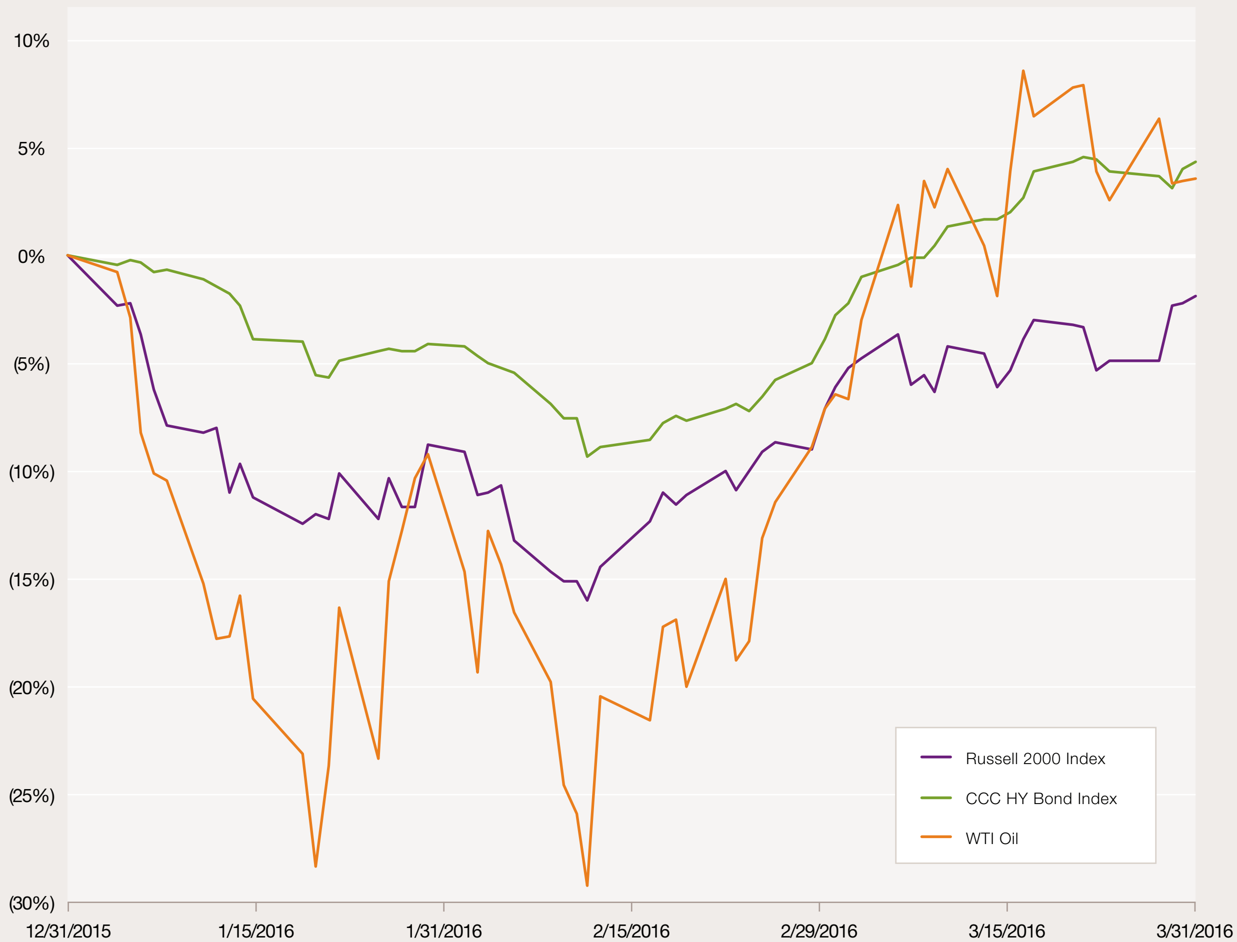


2016 Republican Presidential Nomination(3)



Source: Bloomberg (Except where noted)
(1) NBC News/Wall Street Journal Survey
(2) CBS News/NY Times
(3) Fox News Poll
"Latest Direction" is from the last "Frequency" measurement

FIRST QUARTER 2016

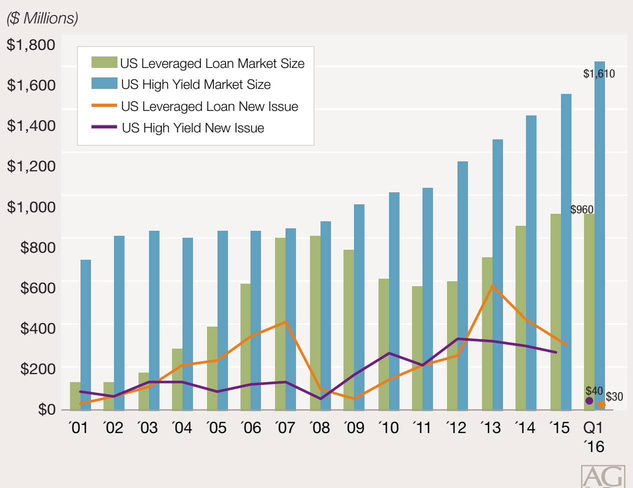


Source: Bloomberg

The first quarter began with a pronounced sell-off across asset classes. Midway through the quarter, as WTI started to recover, market sentiment shifted and risk assets experienced a broad-based rally. The correlation between High Yield and WTI remained intact as CCC bonds experienced a strong quarter. Although the Russell 2000 lagged and was unable to end the quarter in positive territory, it also bounced off its mid-February lows.

NON-INVESTMENT GRADE CORPORATE CREDIT

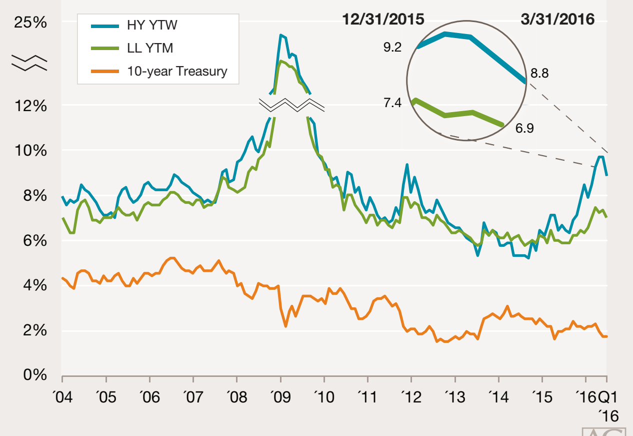
LEVERAGED LOAN AND HIGH YIELD BOND MARKET SIZE AND NEW ISSUE VOLUME



Source: Credit Suisse

Leveraged loan and high yield new issuance declined sharply in the quarter as the credit markets remained dislocated at the start of the year.

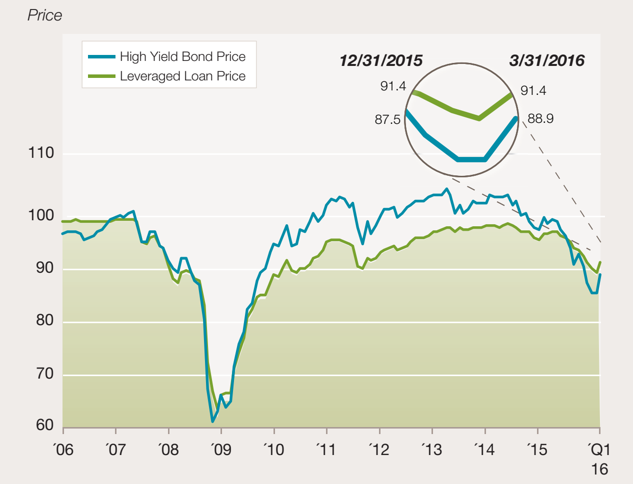
LEVERAGED LOAN VS. HIGH YIELD BOND VS. 10-YEAR TREASURY YIELDS



Source: Credit Suisse, Bloomberg

Loan and bond yields declined during the quarter as the markets rallied in late February.

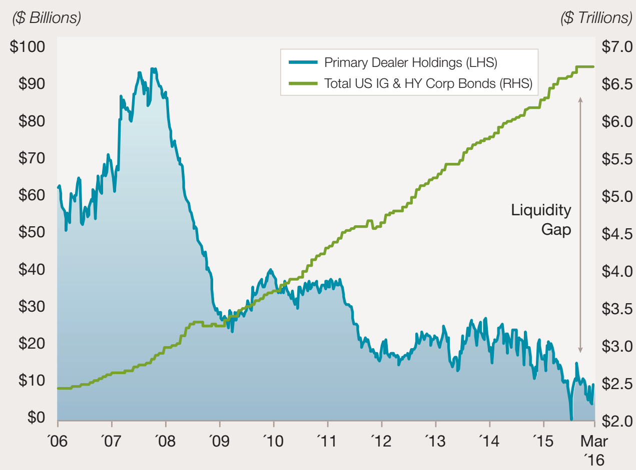
LEVERAGED LOAN AND HIGH YIELD BOND AVERAGE PRICE



Source: Credit Suisse

The recovery in the high yield market outpaced that in the loan market, with high yield bond prices rising several points while loan prices ended the quarter in line with their year-end levels.

PRIMARY DEALER POSITIONS – HY AND IG CORPORATE SECURITIES

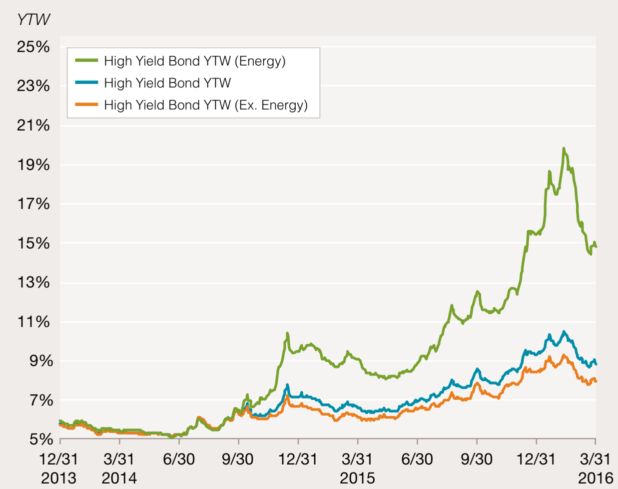


Note: In the above chart, Primary Dealer positions pre-March 2013 are adjusted to track IG and HY bonds, notes and debentures. Post-April 2013 figures track IG and HY bonds, notes and debentures. As of March 2013, there was a reporting change in the series. Pre-March 2013 reported figures track IG and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

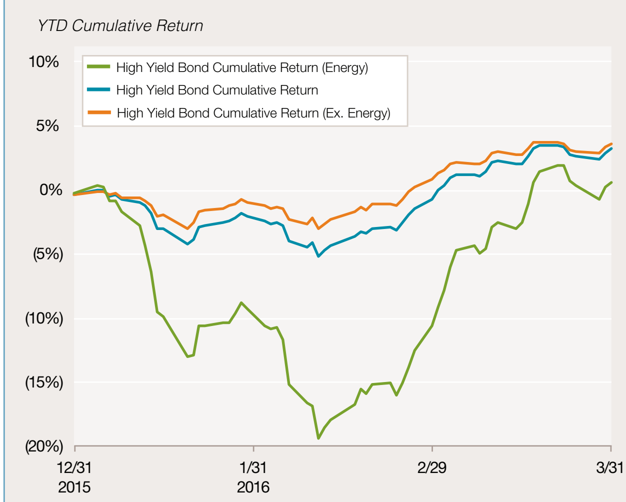
Dealer positions declined during the quarter and are near their lowest levels of the last decade.

HIGH YIELD BOND YIELDS WITH AND WITHOUT ENERGY



Source: JPMorgan Domestic High Yield Index

2016 HIGH YIELD BOND RETURNS WITH AND WITHOUT ENERGY

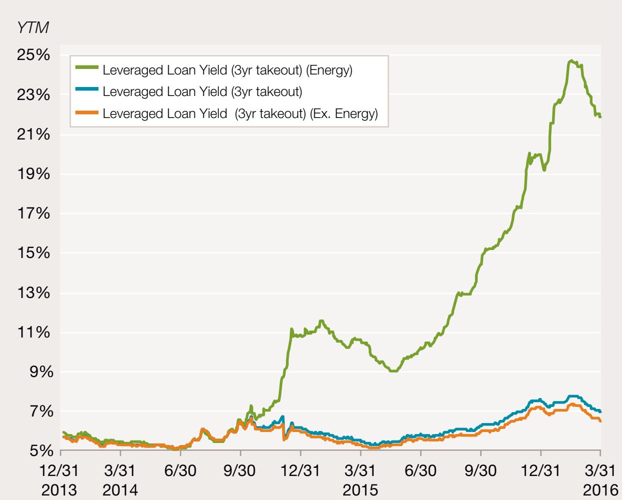


Source: JPMorgan Domestic High Yield Index

As WTI bounced off its February lows, sentiment improved in the credit markets and both high yield and leveraged loan yields declined. The decline in energy yields outpaced those in the broader markets *(applies to charts above and below).*

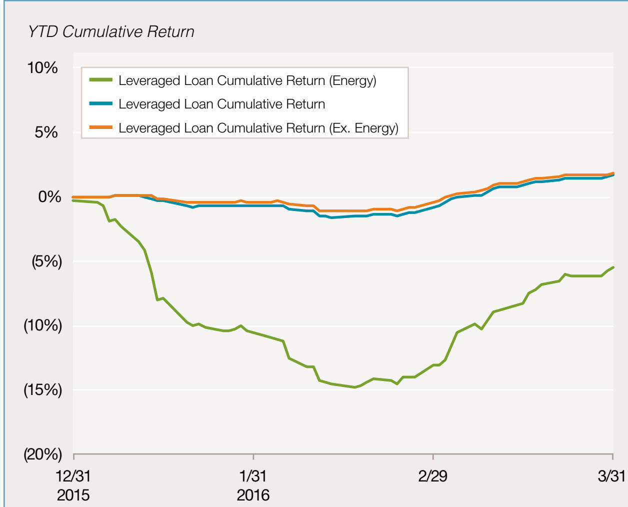
High yield energy enjoyed positive returns in the first quarter, while the energy sector in the leveraged loan market continued to detract from overall loan performance *(applies to charts above and below).*

LEVERAGED LOAN YIELDS WITH AND WITHOUT ENERGY



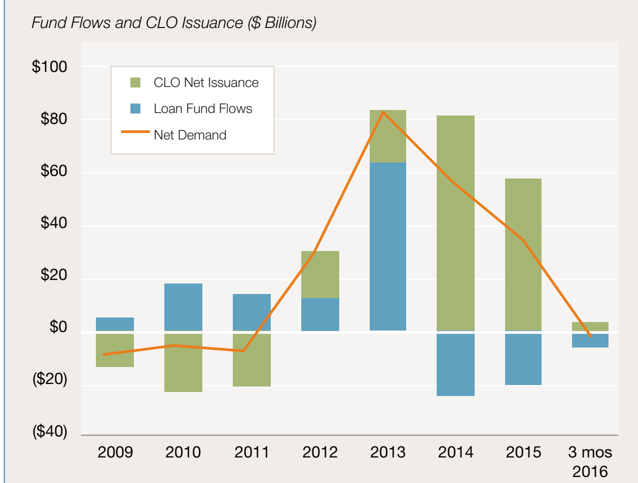
Source: JPMorgan Leveraged Loan Index

2016 LEVERAGED LOAN RETURNS WITH AND WITHOUT ENERGY



Source: JPMorgan Leveraged Loan Index

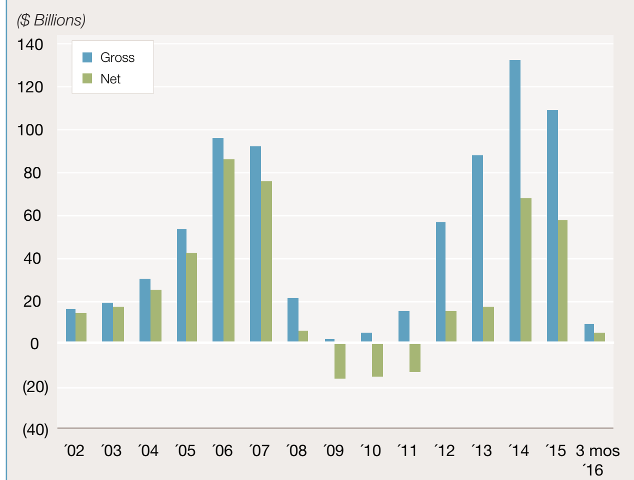
LOAN MUTUAL FUND FLOWS AND CLO ISSUANCE



Source: JP Morgan, Wells Fargo

Although after 32 consecutive weeks of outflows the loan market finally enjoyed some modest inflows, overall flows on the quarter remained negative.

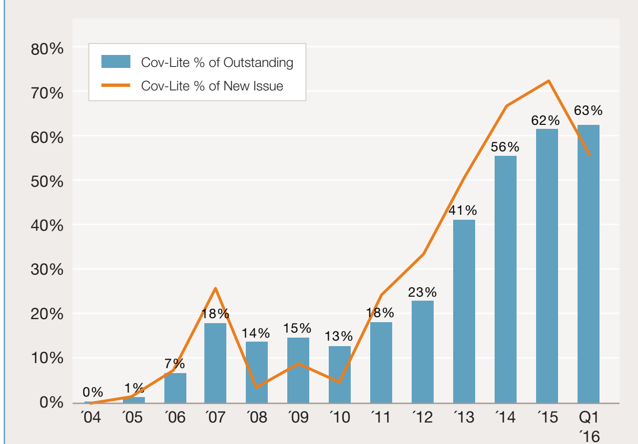
ANNUAL CLO ISSUANCE



Source: JPMorgan

CLO issuance plummeted to less than $10 billion during the quarter. Over $440 billion of CLOs are currently outstanding, and they have historically been one of the major buyers of leveraged loans.

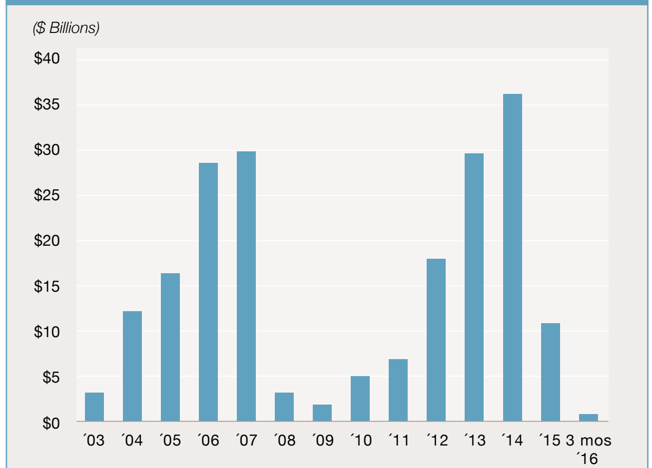
COV-LITE PERCENTAGE OF NEW ISSUE LOANS AND PERCENTAGE OF OUTSTANDING LOANS



Source: JPMorgan, Credit Suisse

Cov-lite loans as a percentage of outstanding loans remained elevated at 63%.

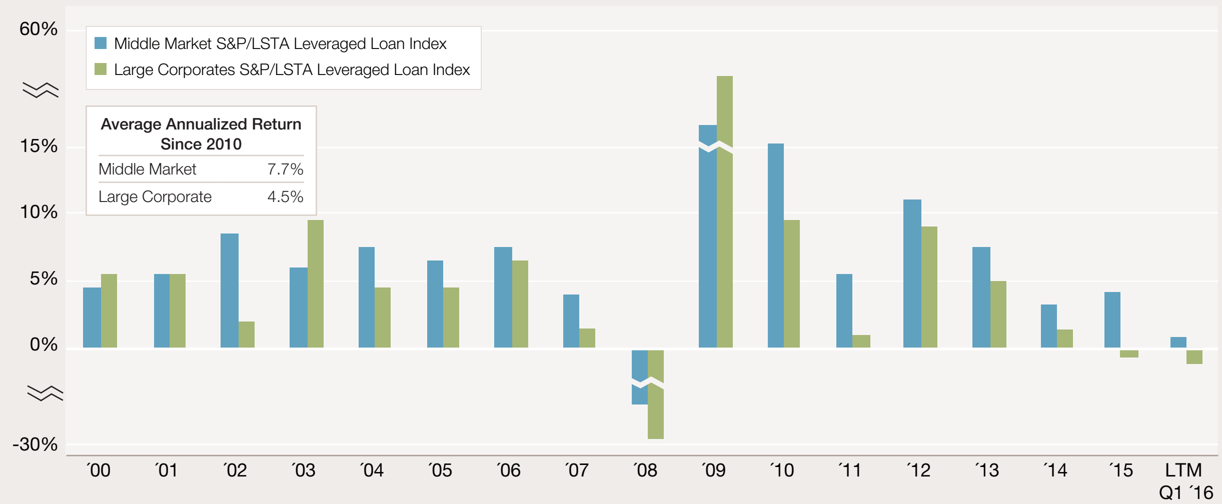
SECOND LIEN LOAN NEW ISSUANCE



Source: S&P CapitalIQ LCD

Second lien issuance during the quarter was the lowest since Q3 2010, as overall loan issuance tumbled and risk aversion was elevated for the first half of the quarter.

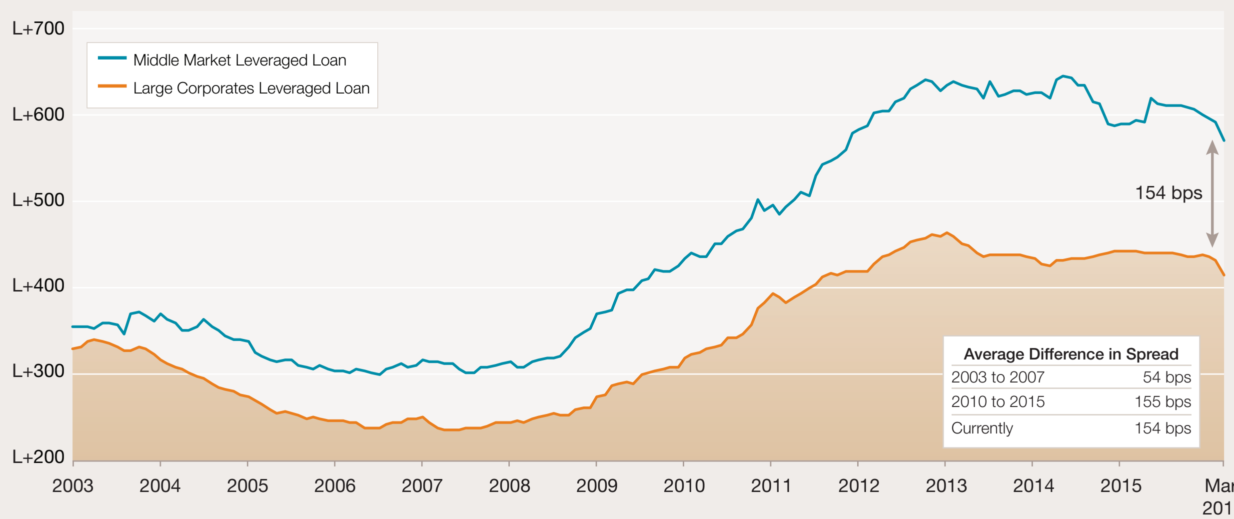
ANNUAL RETURNS: MIDDLE MARKET VS. LARGE CORPORATES



Middle market leveraged loan includes issuers with less then $50m EBITDA
Source: S&P CapitalIQ LCD, S&P/LSTA Leveraged Loan Index

Middle market loans have delivered positive annual returns every year with the exception of 2008. Out-performance versus the large corporate market has increased over the last 15 months as the middle market is generally more insulated from broader market volatility.

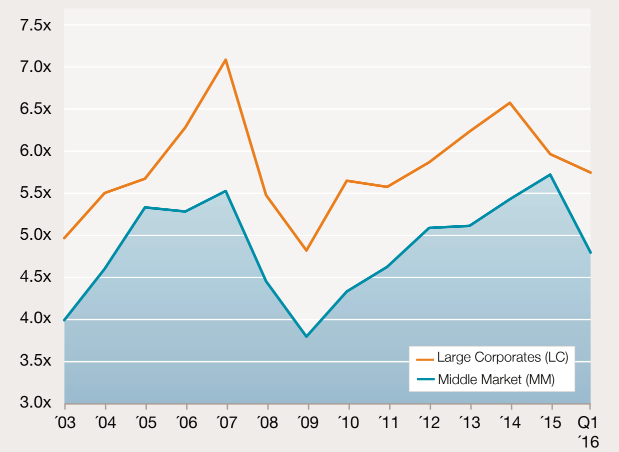
AVERAGE LOAN SPREAD: MIDDLE MARKET VS. LARGE CORPORATES



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, with the gap between the two tripling in the post-financial crisis era. The spread differential at the end of 1Q16 was in line with the average of the last five years.

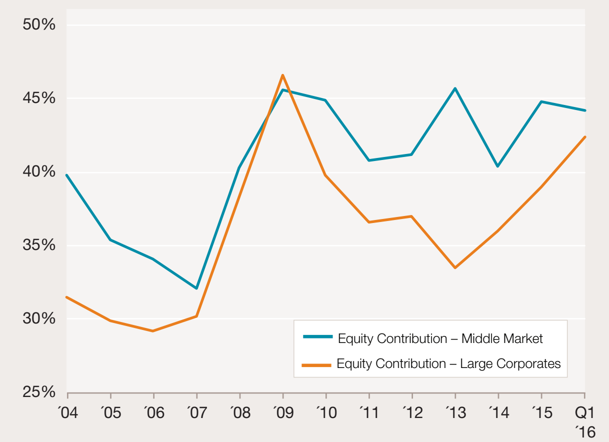
LBO DEBT TO EBITDA: MIDDLE MARKET VS. LARGE CORPORATES



Source: Thompson Reuters

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

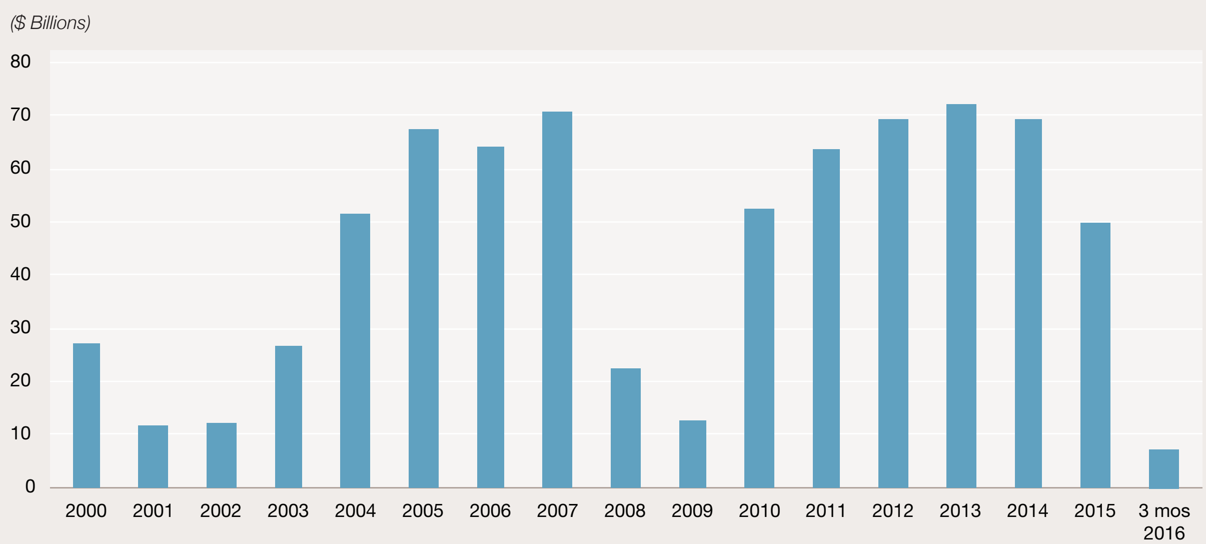
AVERAGE EQUITY CONTRIBUTION FOR LBO'S: MIDDLE MARKET VS. LARGE CORPORATES



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 as a percentage of the capital structure.

MIDDLE MARKET SPONSORED ISSUANCE

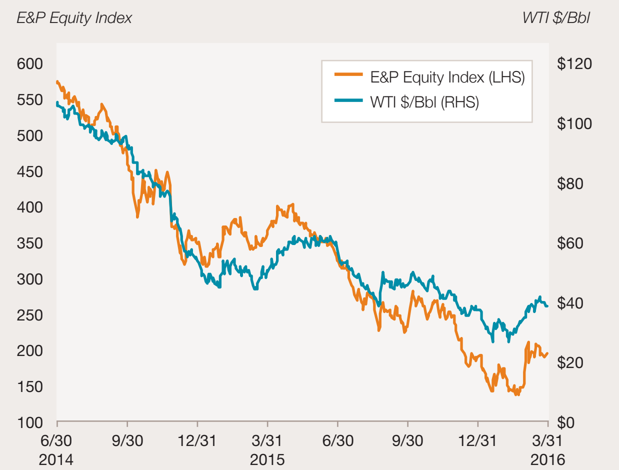


Source: Thompson Reuters

Despite a decline in sponsored issuance over the last 15 months, the U.S. middle market provides a consistent opportunity set.

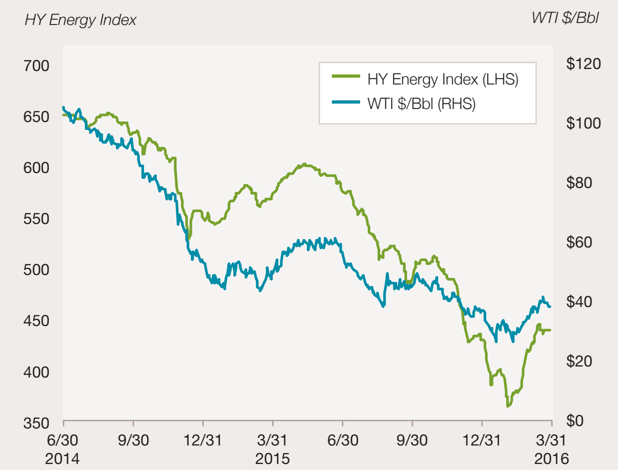
ENERGY DIRECT LENDING

WTI VS. E&P EQUITY



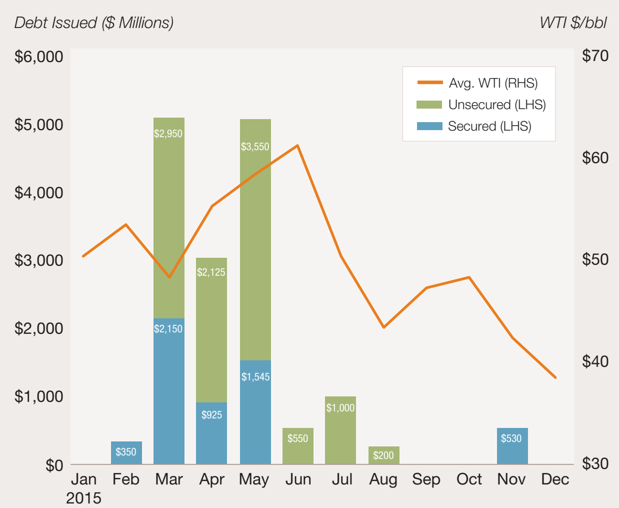
Source: Capital IQ, JP Morgan

WTI VS. HIGH YIELD ENERGY



Source: Capital IQ, JP Morgan

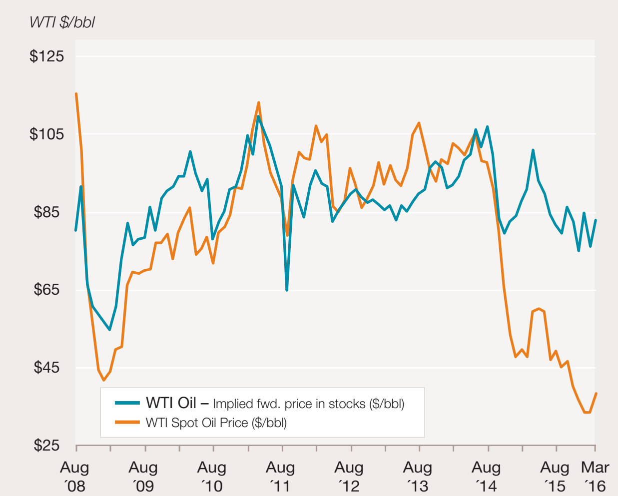
2015 E&P NEW DEBT ISSUED BY MONTH



Source: KeyBanc January 19, 2016

As crude prices fell throughout 2015, losses on transactions completed in the first half of the year mounted and syndicated debt availability dried up.

E&P EQUITY VALUES DECOUPLED FROM CRUDE FORWARD STRIP

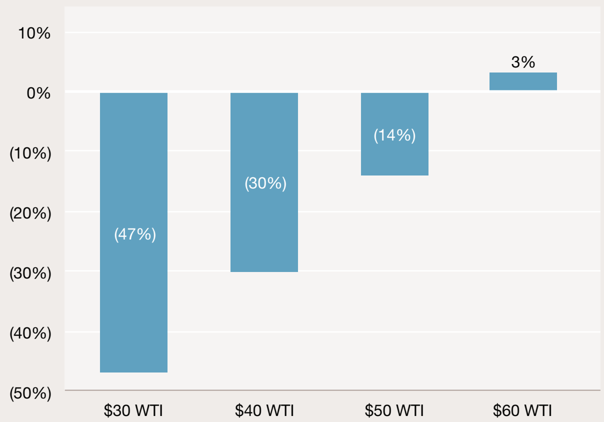


Source: Barclays

Barclays estimates the shares embed a mid-cycle price forecast in the $85-90/bbl range assuming a 6.0x historic multiple.

ENERGY DIRECT LENDING *(continued)*

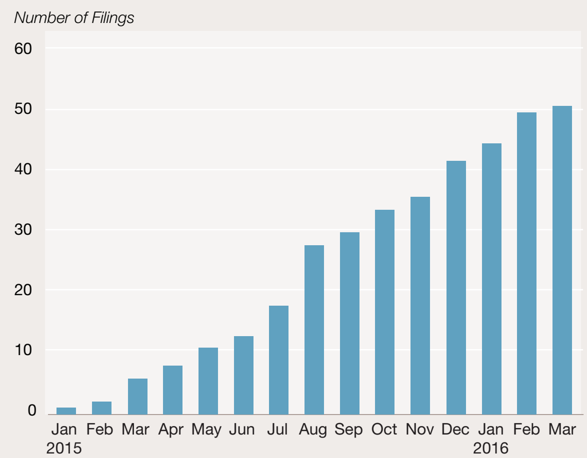
ESTIMATED BORROWING BASE CUTS AT VARIOUS OIL PRICES



Assumes $3.00/MMBTU Henry Hub
Source: Goldman Sachs January 19, 2016

As prices stay lower for longer and regulatory pressure increases, banks are reducing available funding …

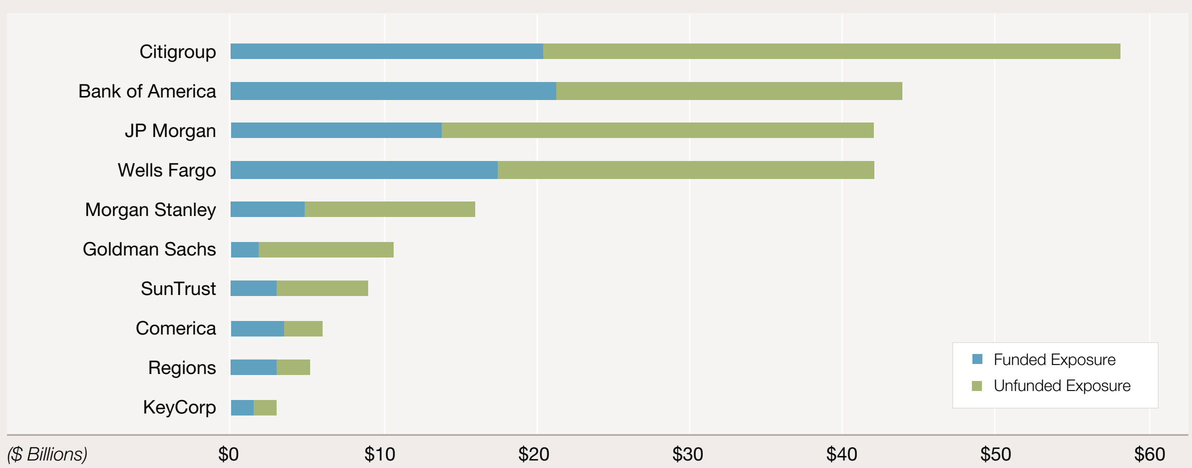
2015-16 CUMULATIVE NORTH AMERICAN E&P BANKRUPTCIES



Source: Haynes and Boone, LLP, as of March 7, 2016

…resulting in an ever-increasing number of bankruptcies.

BANKS HAVE A LARGE EXPOSURE OF LOANS TO ENERGY COMPANIES

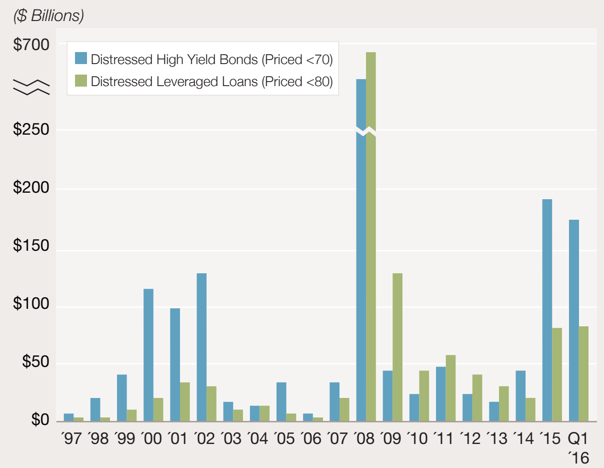


Source: Barclays

Given the sheer size of banks' exposure to the energy space, this retraction of capital will continue to stretch E&P companies if commodity prices do not recover rapidly.

DISTRESSED DEBT – U.S.

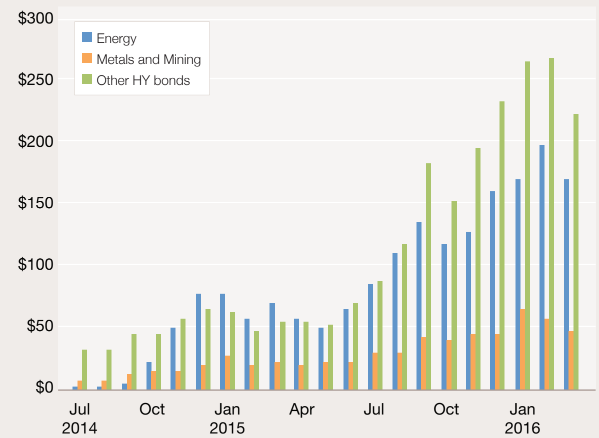
SIZE OF DISTRESSED DEBT MARKET



Source: JPMorgan, Credit Suisse (leveraged loans 1995–2009)

Persistently low energy prices and a commodity sell-off continue to spread pain to other sectors, increasing a distressed backlog.

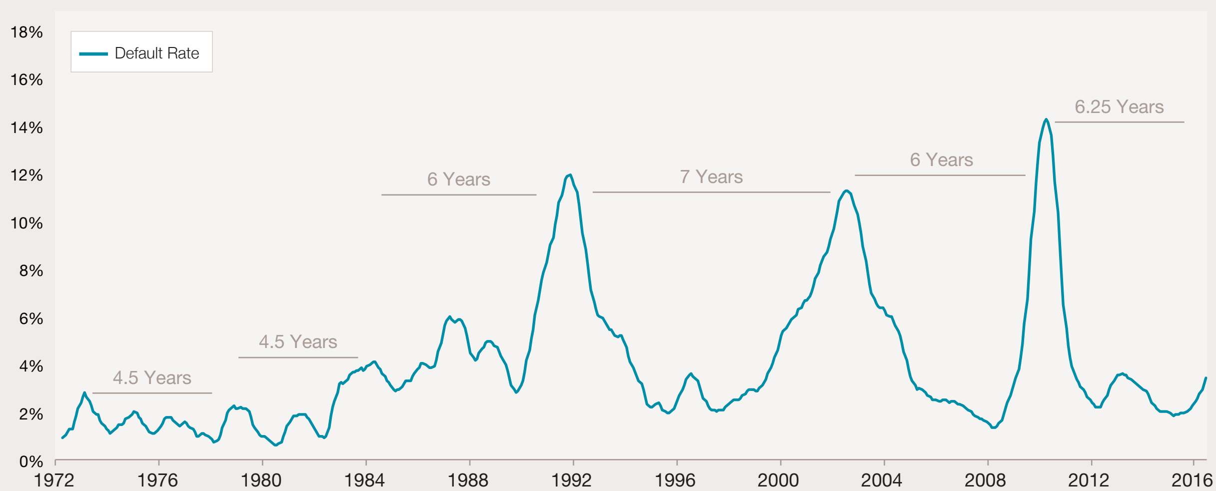
ENERGY & METALS/MINING REPRESENT LARGE PORTION OF SUB $90 HIGH YIELD BONDS



Source: JPMorgan

Since early 2015, the number of non-energy, non-commodity HY names trading at distressed levels has ballooned.

THE AVERAGE CREDIT CYCLE IS 6 YEARS

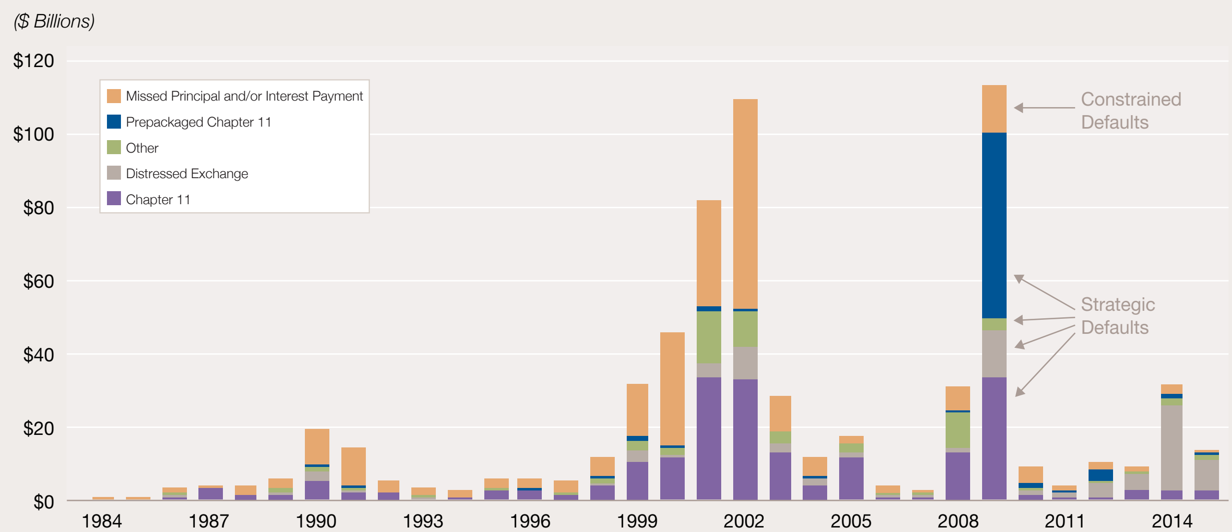


Default Rate: U.S. speculative grade 12-month trailing default rate (6-month average)

Source: Moodys, BofA Merrill Lynch

The U.S. credit cycle appears to be entering its later stages, based on historical trends.

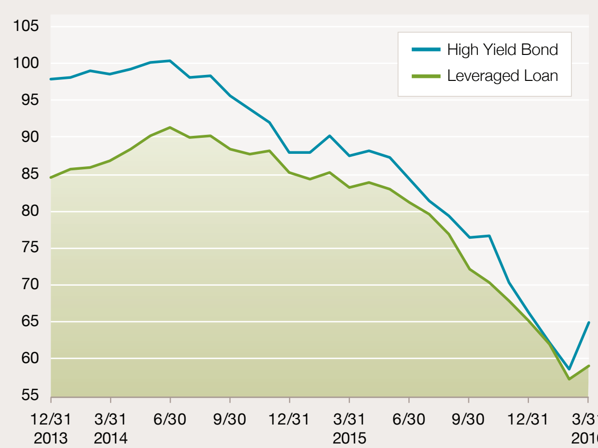
THE INABILITY TO REFINANCE DEBT IS NOT THE ONLY DRIVER OF DEFAULTS



Source: Goldman Sachs, Moodys

We continue to witness varying forms of default activity, with energy-dominant distressed exchanges leading the most recent wave.

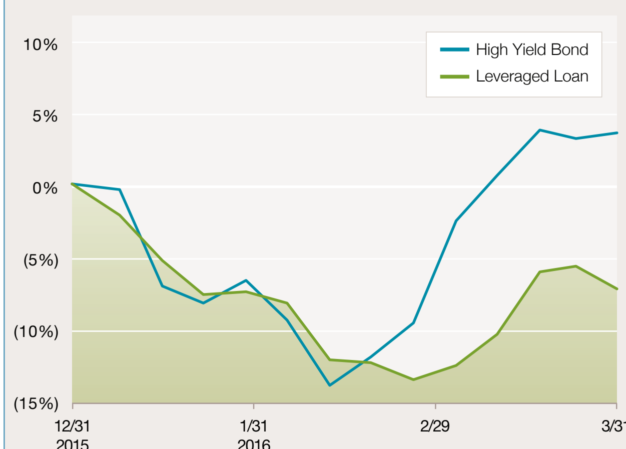
AVERAGE PRICE: LOWER TIER LEVERAGED LOAN AND HIGH YIELD BOND



Lower tier leveraged loan: Rated CCC/Split, CCC and D
Lower tier high yield bond: Rated CCC1 and lower
Source: Credit Suisse, BofA Merrill Lynch

The first quarter of 2016 picked up where 2015 left off, but quickly found a floor in mid-February.

2016 DISTRESSED LEVERAGED LOAN AND HIGH YIELD RETURN

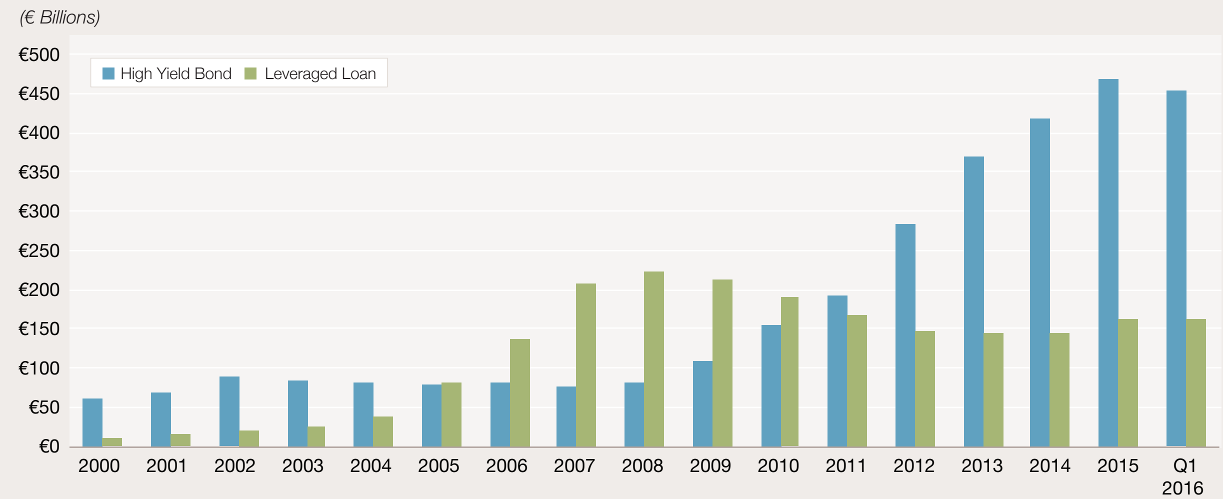


BofA Merrill Lynch U.S. Distressed High Yield Index, CS Leveraged Loan Distressed Index
Source: Credit Suisse, BofA Merrill Lynch, Bloomberg

After a challenging 2015, HY rebounded during 1Q 2016 along with a bid on WTI and an overall return to risk appetite.

DISTRESSED DEBT – EUROPE

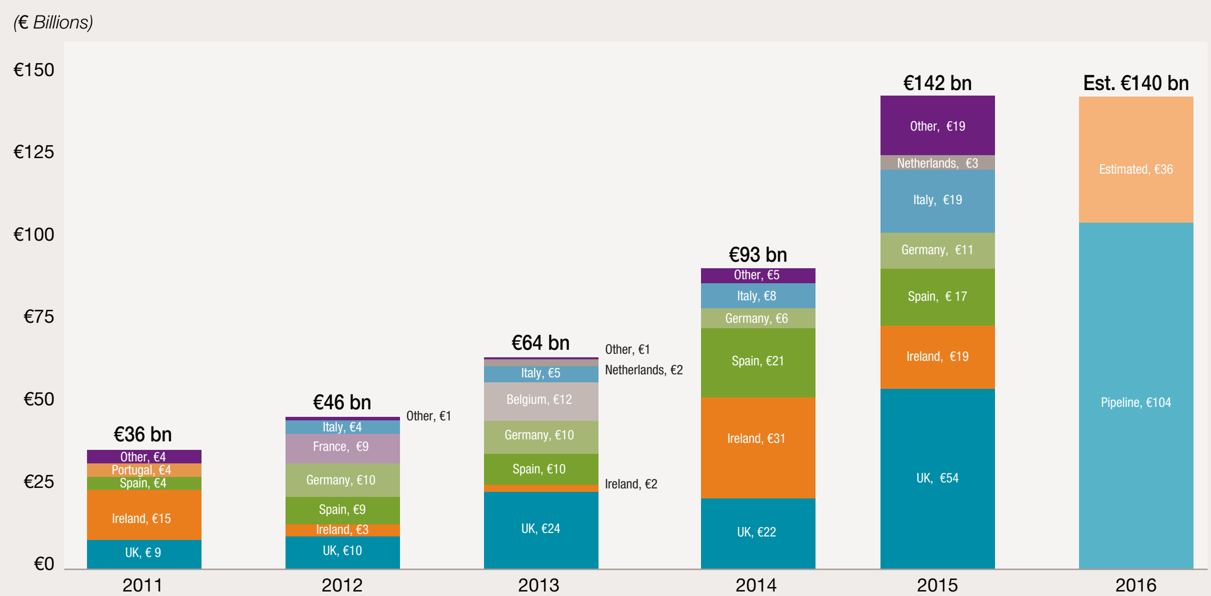
EUROPEAN HIGH YIELD BOND AND LEVERAGED LOAN MARKET



Source: Credit Suisse

2015 ended with a record amount of eurozone bond and loan product outstanding, illustrating a relative global appetite.

EUROPEAN BANKS ARE SELLING ASSETS

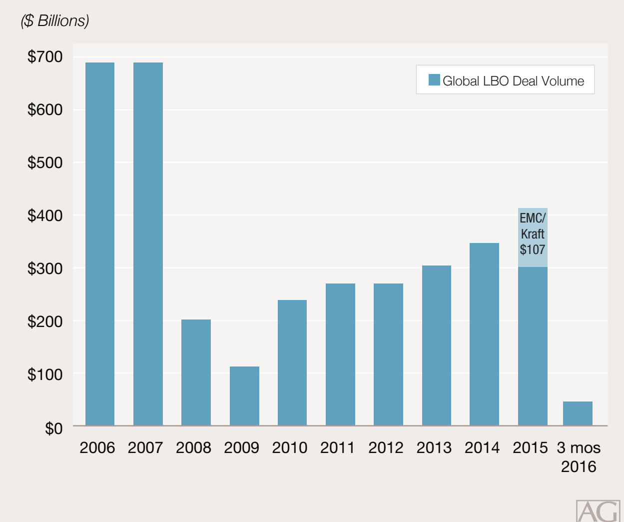


Note: Based on the location of the head office of the bank selling the assets

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

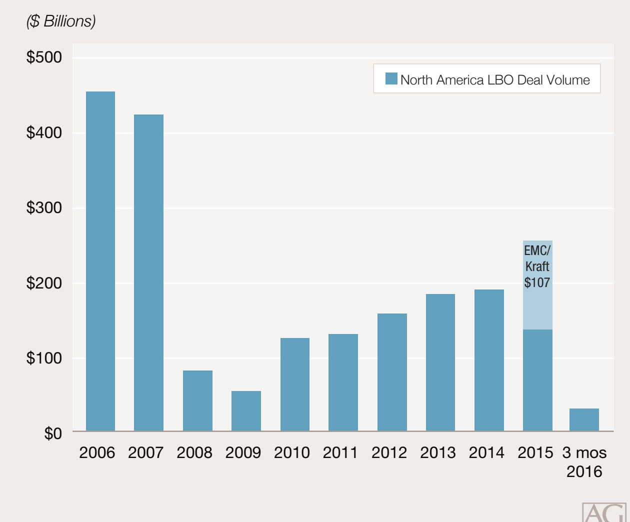
Trending forward, we expect eurozone banks to continue selling illiquid and/or non-performing risk over the coming years.

GLOBAL LBO DEAL VALUE



Source: Preqin

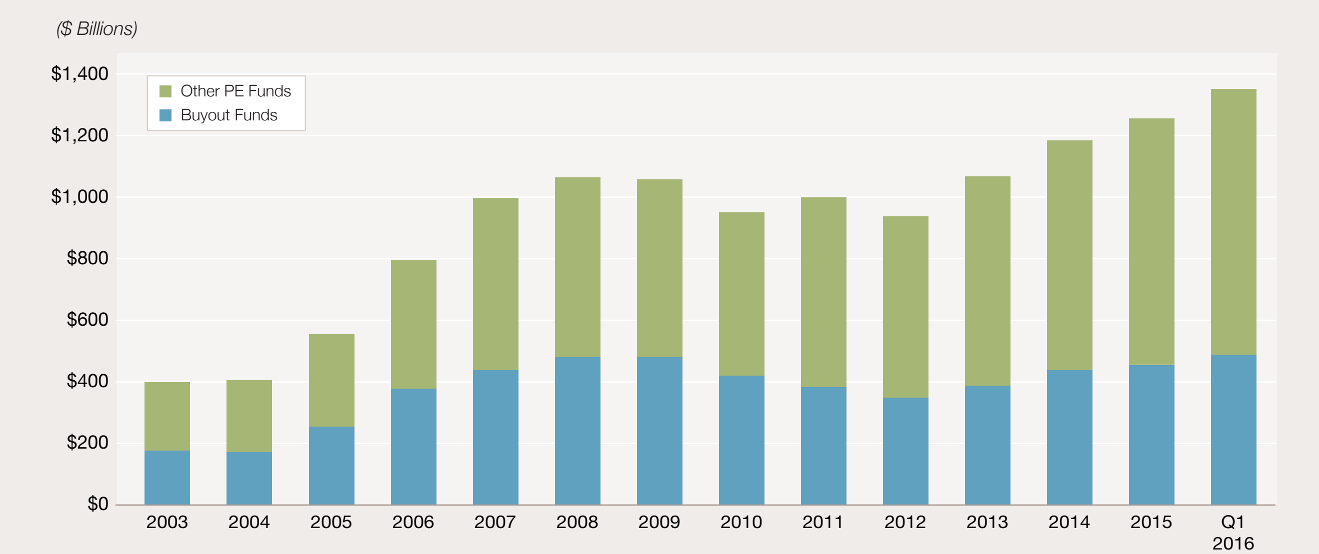
NORTH AMERICA LBO DEAL VALUE



Source: Preqin

Even after normalizing 2015 for the anomalous EMC and Kraft deals which represented $107 billion of transaction value, global and North American deal volumes in the first quarter of 2016 were behind the pace of 2015.

GLOBAL PRIVATE EQUITY DRY POWDER

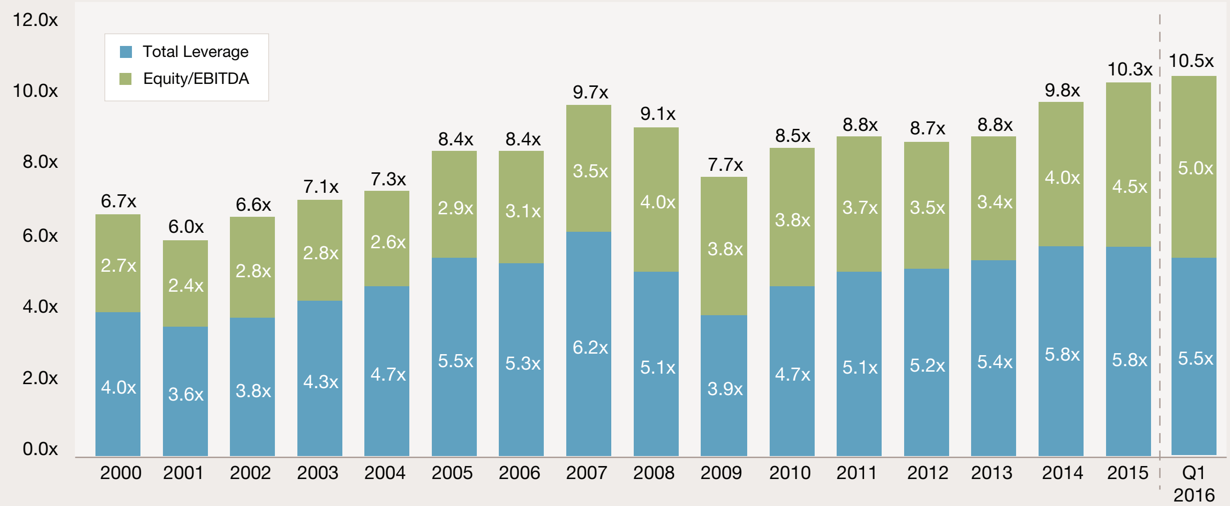


Other PE Funds: Real Estate, Venture, Infrastructure, Growth, Distressed, Mezzanine, Other

Source: Preqin

Buyout dry powder ended the first quarter of 2016 at $494 billion, an all-time record, eclipsing the $482 billion level set in 2008.

LBO CAPITALIZATION

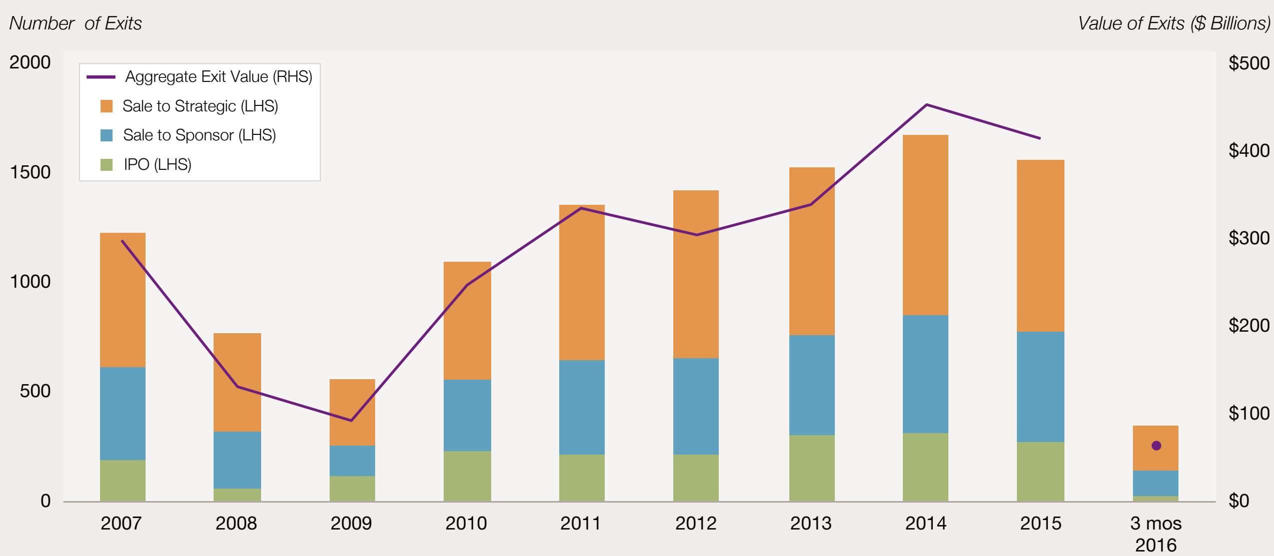


Equity Contribution	**40%**	**35%**	**37%**	**35%**	**33%**	**30%**	**31%**	**31%**	**39%**	**46%**	**41%**	**38%**	**38%**	**36%**	**37%**	**40%**	**43%**

Source: S&P CapitalIQ LCD

LBO multiples in the first quarter of 2016 were 10.5x EBITDA, which is an all-time high. Despite the lower levels of leverage provided by lenders, multiples increased as private equity firms were willing to contribute more equity as a percent of capitalization to their deals.

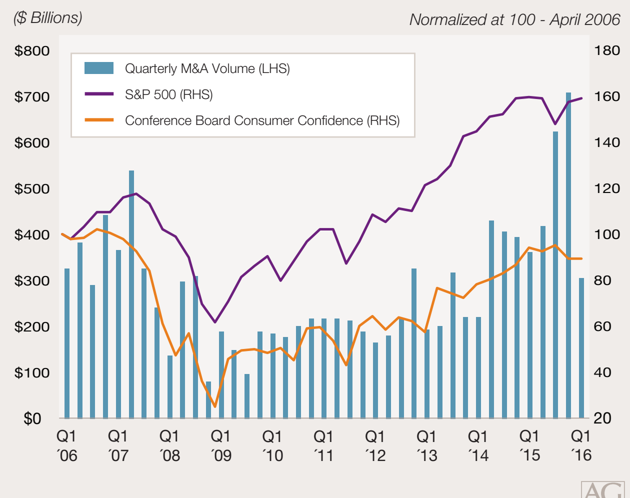
PRIVATE EQUITY EXITS



Source: Preqin

Exits in the first quarter of 2016 were roughly at the same pace as those achieved in 2015, despite a very weak IPO market.

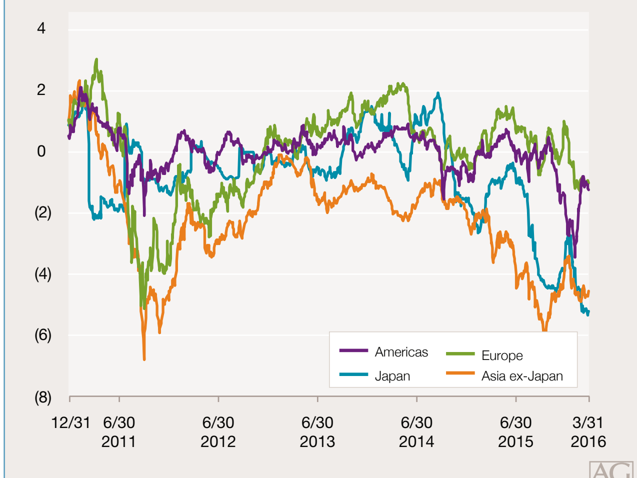
QUARTERLY NORTH AMERICAN M&A VOLUME VS. S&P 500 AND CONSUMER CONFIDENCE



Source: Bloomberg

Merger activity cooled in Q1 as equity and credit markets weathered a volatile quarter.

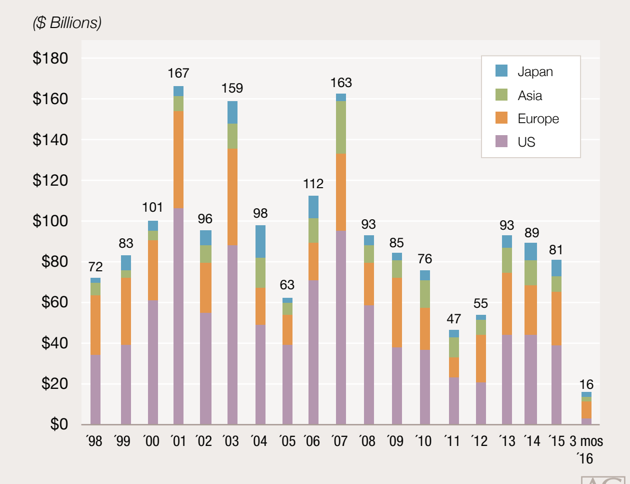
CONVERTIBLE BOND – RICH / (CHEAPNESS) TO FAIR VALUE (%)



Source: Nomura

Japan currently presents an opportunity as valuations have come under pressure, with local brokers reducing inventory into Japan's fiscal year-end. Long-only investors stayed on the sidelines while expecting the primary pipeline to build.

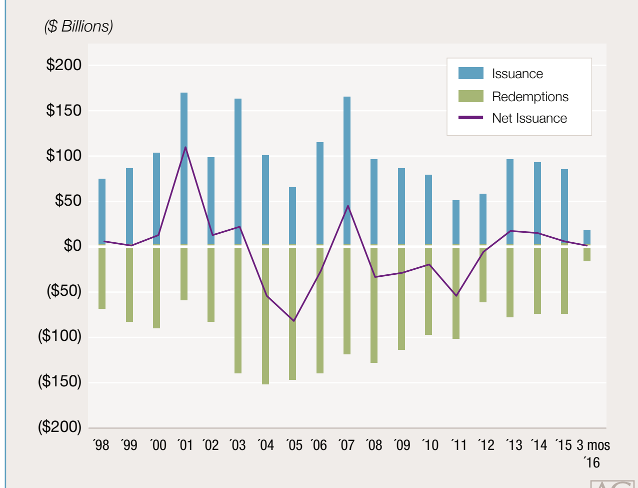
CONVERTIBLE BONDS ANNUAL GLOBAL ISSUANCE BY REGION



Source: BofA Merrill Lynch

Q1 issuance was weak.

CONVERTIBLE BONDS GLOBAL NET ISSUANCE

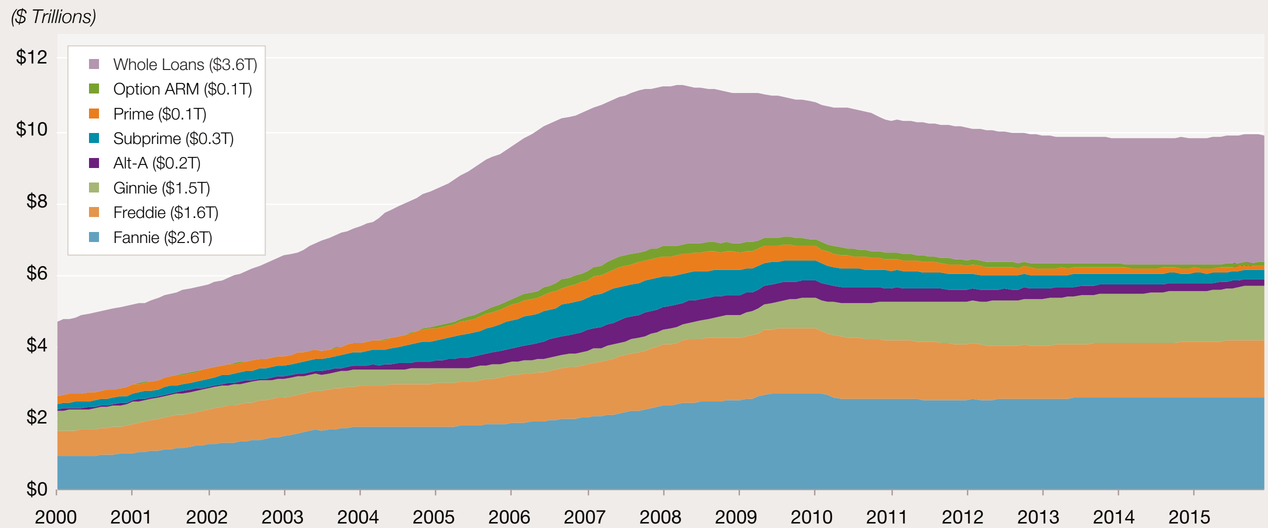


Source: BofA Merrill Lynch

The moderate pace of expansion supports valuations in the secondary market.

RESIDENTIAL AND CONSUMER DEBT (RMBS/ABS)

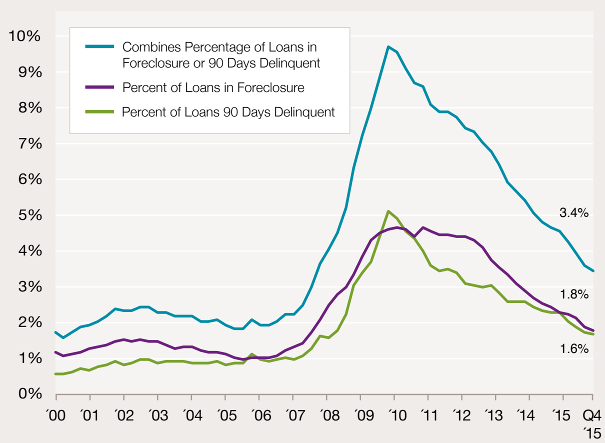
SIZE OF U.S. RESIDENTIAL MORTGAGE MARKET



Source: BofA Merrill Lynch

Although mortgage debt has decreased from 2007, the mortgage market remains vast and at $10 trillion, shows signs of stabilization.

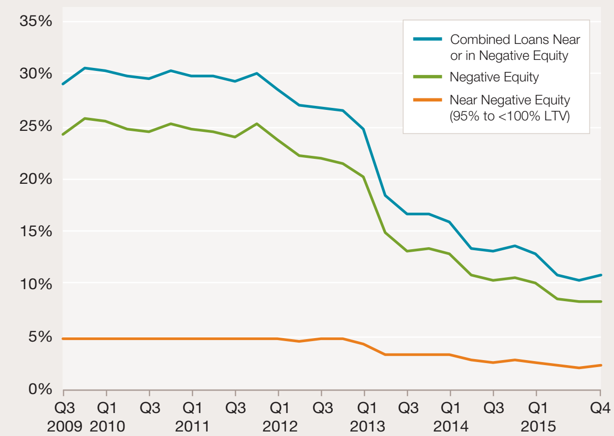
U.S. RESIDENTIAL MORTGAGES IN SERIOUS DELINQUENCY/FORECLOSURE



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 3.4% in Q4.

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 about 10% in Q4.

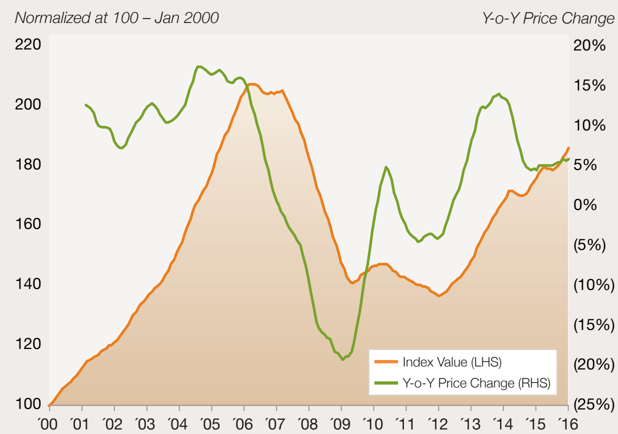
SUBPRIME INDEX

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

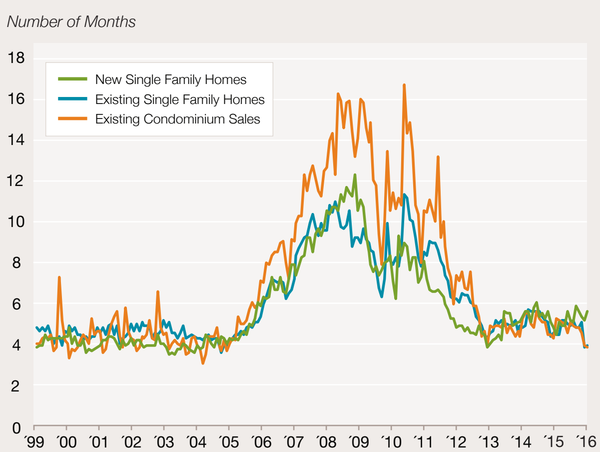


The S&P/Case-Shiller Composite of 20 Home Price Index is a value-weighted average of 20 metro area indices. These metro areas include: Boston, Chicago, Denver, Las Vegas, Los Angeles, Miami, New York City, San Diego, San Francisco, Washington, DC, Atlanta, Charlotte, Cleveland, Dallas, Detroit, Minneapolis,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

Source: Bloomberg

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

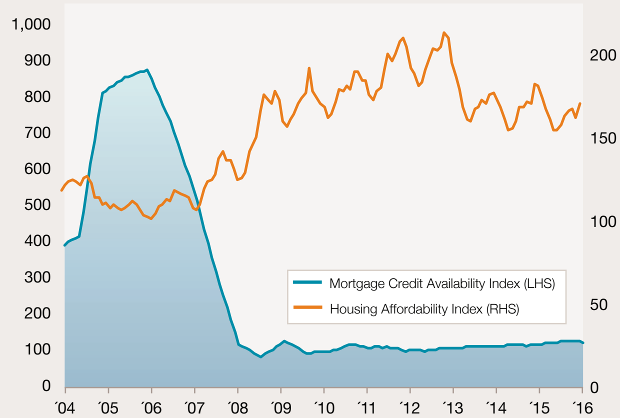
MONTHS SUPPLY OF HOUSING



Source: Bloomberg

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

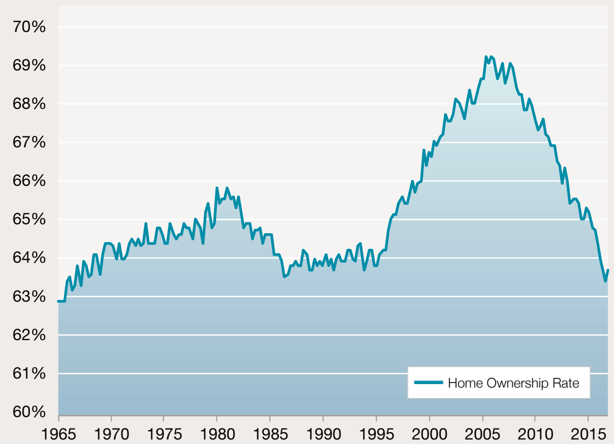
MORTGAGE CREDIT AVAILABILITY INDEX VS. HOUSING AFFORDABILITY



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: Bloomberg

Fallout from the crisis amid historically tighter credit conditions and continued home price appreciation have limited homeownership to approximately 63.8%.

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

At just under 4%, the 30-year mortgage rate remains near historic lows.

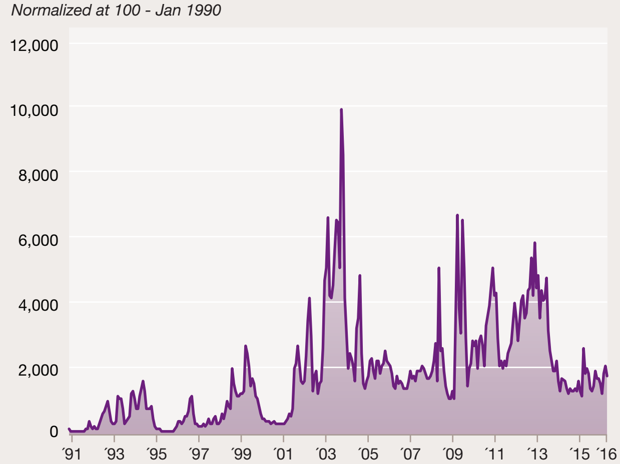
MORTGAGE APPLICATION INDEX

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

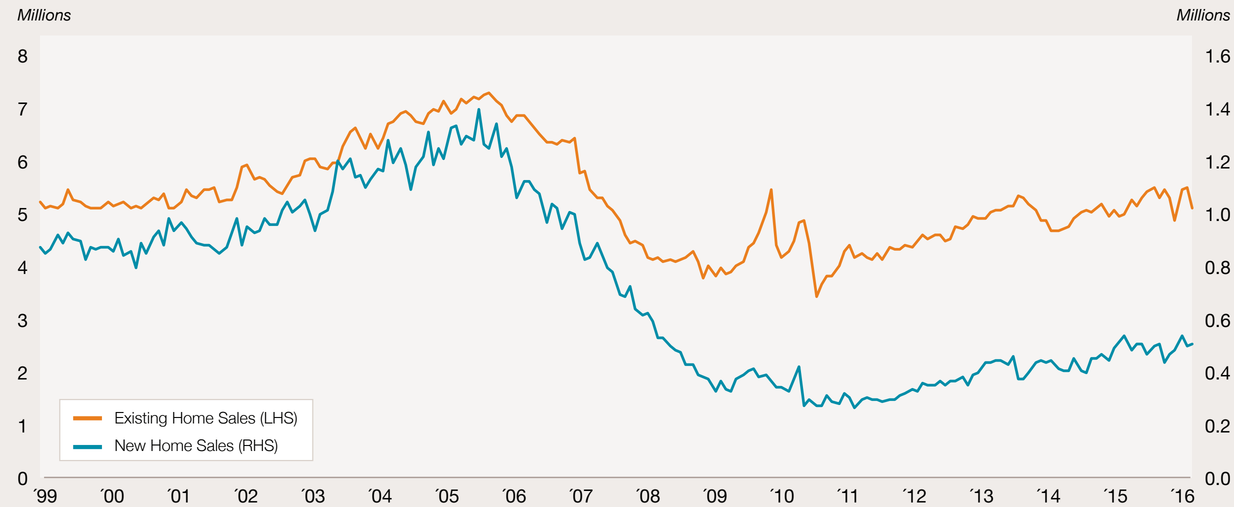


This concept tracks the volume of mortgage refinancing loan applications that have been submitted to lenders. Seasonally readjusted.

Source: Bloomberg

Though mortgage credit has slightly expanded, mortgage applications continue to be hampered by stringent underwriting standards but have been on the rise since the end of 2014.

NEW AND EXISTING HOME SALES



Source: Bloomberg

Sales of new and existing homes oscillated through 2015 and 2016 but have advanced since the crisis.

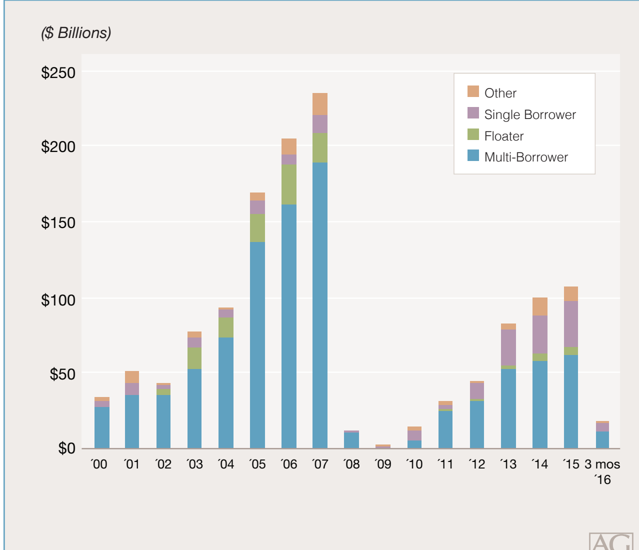
HOMEBUILDER INDEX

Source: Bloomberg

Standing at 58 in March, the Homebuilder Index has remained above 50 for 21 months. A reading above 50 indicates that a majority of builders see favorable market conditions.

COMMERCIAL REAL ESTATE DEBT (CMBS)

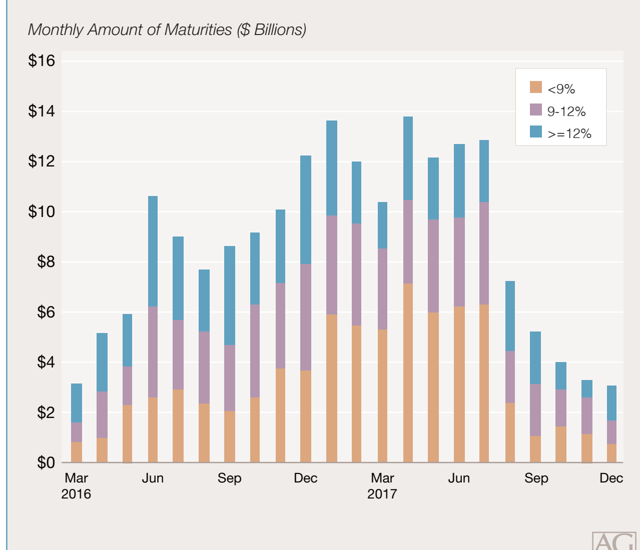
U.S. CMBS ANNUAL ISSUANCE



Source: Credit Suisse

After steadily increasing for the last several years, CMBS issuance declined in Q1 as spread widening and volatility took their toll on the market.

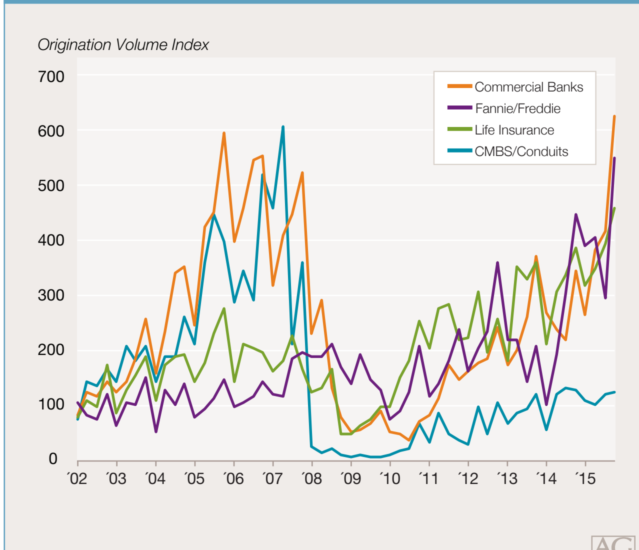
2016-17 MONTHLY MATURITIES



Source: BofA Merrill Lynch

Beginning in May 2016, over $2 billion of loans with debt yields below 9% are scheduled to mature each month this year.

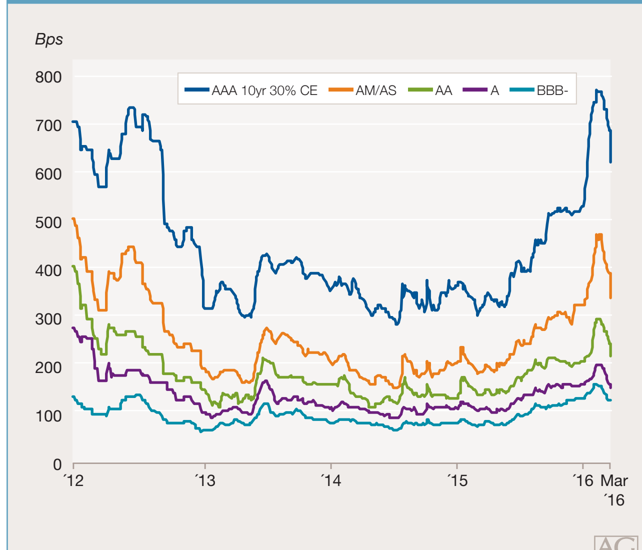
HISTORICAL ORIGINATION VOLUMES



Source: Credit Suisse

CMBS origination volumes have remained fairly steady while other commercial property lenders have increased volumes and captured market share.

NEW ISSUE CMBS SPREADS



Source: Credit Suisse

CMBS new issue spreads widened sharply in the first two months of 2016. Although spreads subsequently tightened in March, they did not fully retrace the widening across the credit curve.

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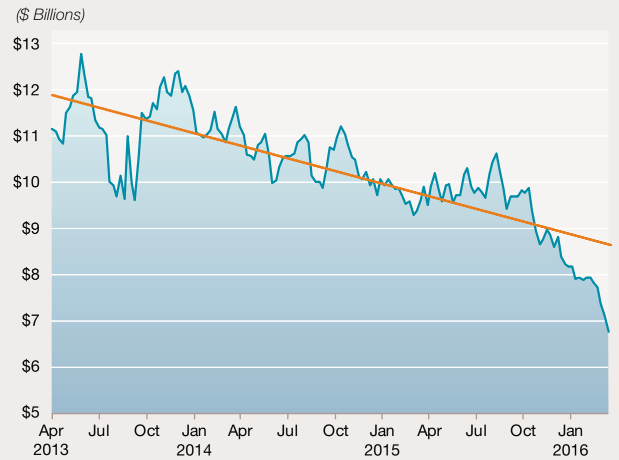
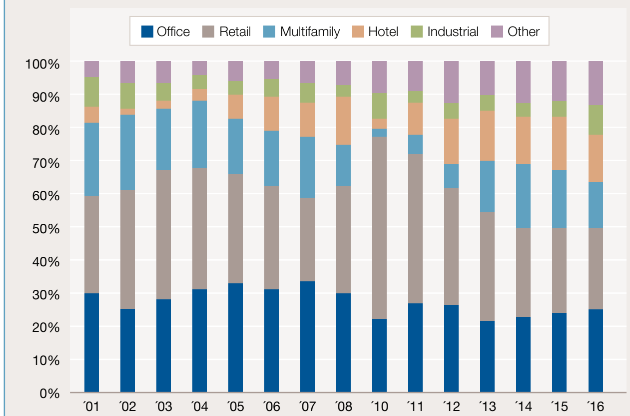
PRIMARY DEALER POSITIONS: PRIVATE LABEL CMBS



Source: Bloomberg, Federal Reserve Bank of New York

Dealer holdings of CMBS plummeted in Q1, reaching multi-year lows.

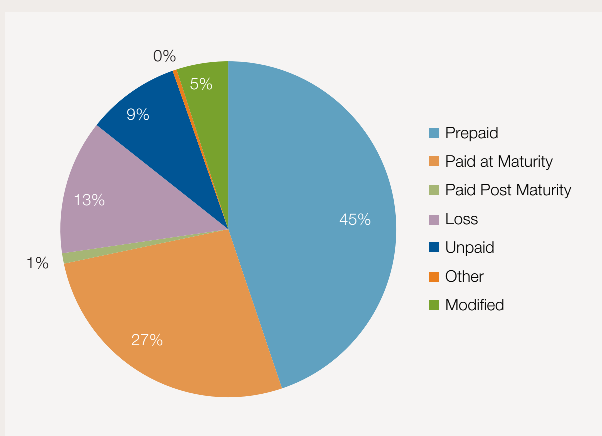
CONDUIT MARKET: PROPERTY TYPE BREAKDOWN



Source: BofA Merrill Lynch

CMBS conduit deals remain diversified across major property types, although hotels represent a larger portion of the collateral backing deals today than they did pre-crisis.

73% PAYOFF RATE IN Q1



Source: Citi Research

73% of the loans originally scheduled to mature during the first quarter paid off successfully; this represents a decline from the overall success rate of 78% in 2015.

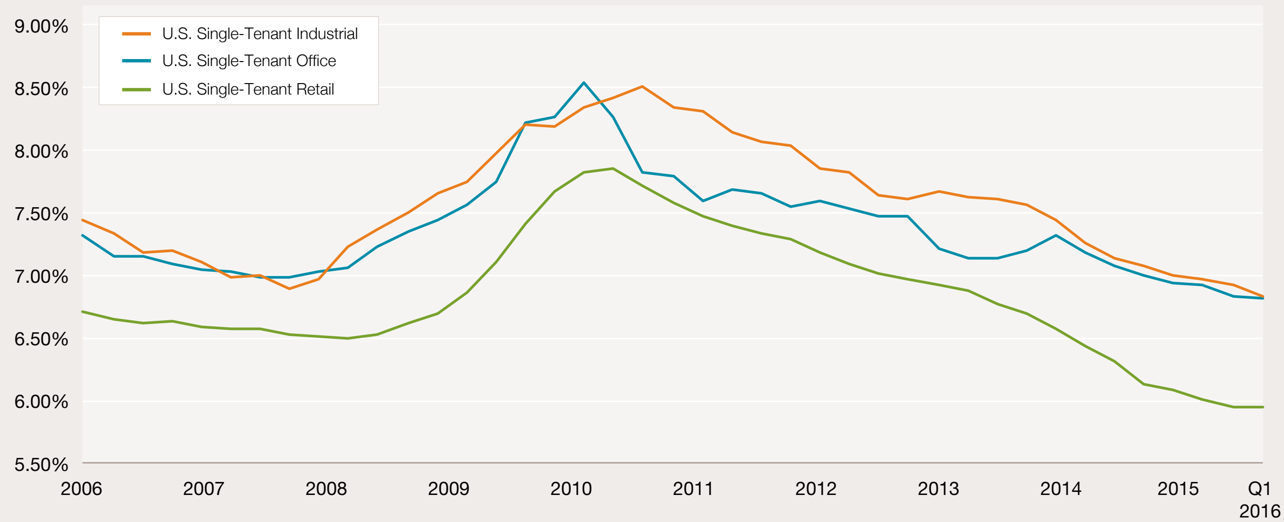
LOSS DISPERSION WILL REMAIN A THEME

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.

NET LEASE REAL ESTATE

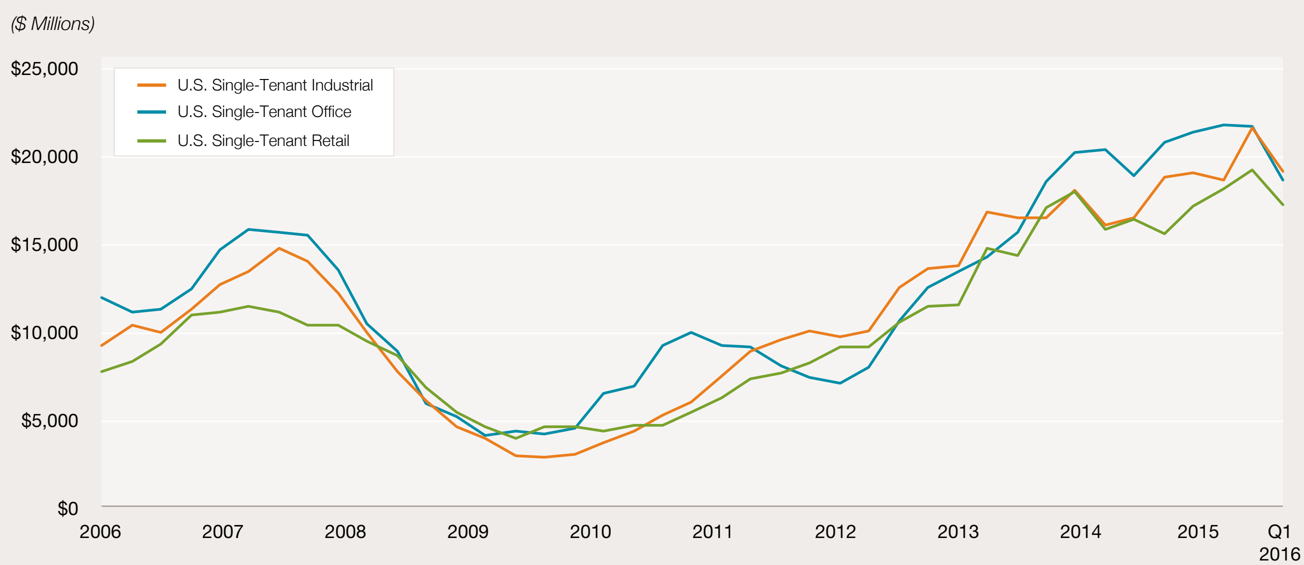
AVERAGE SINGLE-TENANT CAP RATES



Source: Real Capital Analytics

Prices have strengthened since 2010, however cap rate compression began to slow in late 2015 / early 2016.

12-MONTH ROLLING SINGLE- TENANT DEAL VOLUME

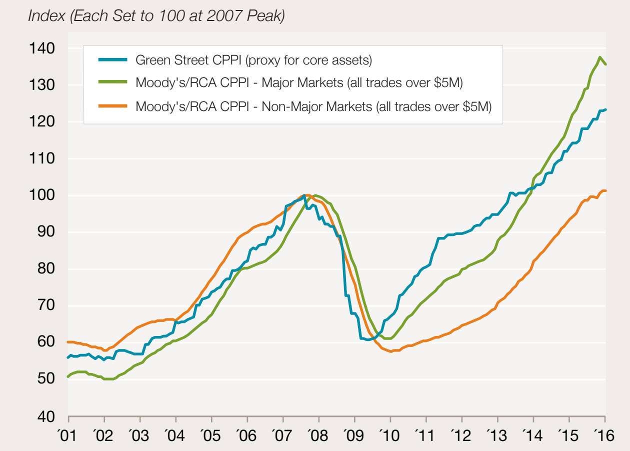


Source: Real Capital Analytics

Transaction volume remains high, but volumes declined in early 2016.

UNITED STATES REAL ESTATE

COMMERCIAL REAL ESTATE PRICE INDICES



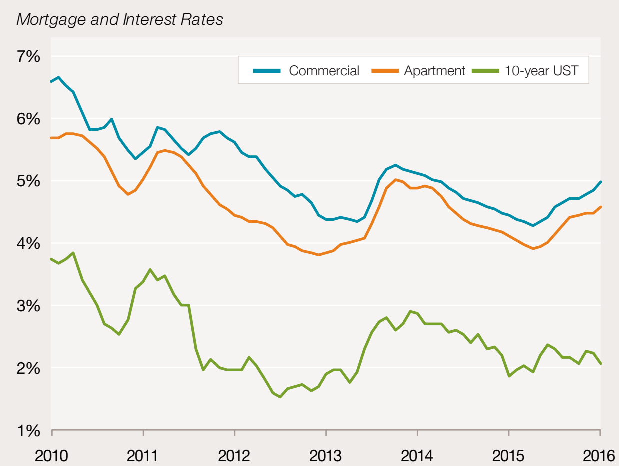
Moody's CPPI = Moody's/RCA All Property Types

Green Street CPPI = Major Sectors

Sources: Moody's/RCA - Commercial Property Price Index (Moody's CPPI) (data through Nov '15), Green Street Advisors - Commercial Property Price Index (Green St CPPI) (data through Dec '15). Note: For this chart, both indices were indexed to 100 at their 2007 peaks: Green St CPPI (Aug '07) and Moody's CPPI (Dec '07 - Major Markets and Sep '07 - Non-Major Markets). Note: Major markets include Boston, Chicago, Washington D.C. Metro, Los Angeles Metro, New York City Metro and San Francisco Metro.

For the first time in six years prices actually declined, albeit modestly...

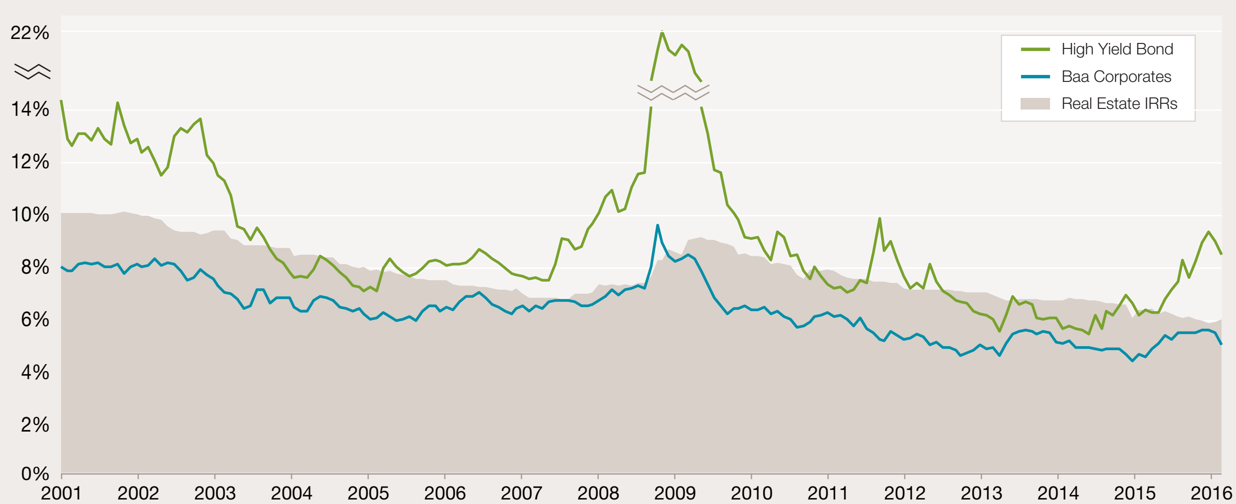
DEBT IS BECOMING PRICIER



Source: Real Capital Anaytics

...increasing debt costs were a likely contributor to the price declines...

UNLEVERED TOTAL RETURN EXPECTATIONS ON REAL ESTATE VS. CORPORATE BOND YIELDS



Real Estate IRR is an equal-weighted average of the asset-weighted averages for the five major property sectors (Apartment, Industrial, Mall, Office and Strip Center).
Source: Green Street Advisors (Mar '16), Moody's (Baa Corporates), BAML (High-Yield Bonds)

...as well as real estate's relatively overpriced appearance relative to alternative assets.

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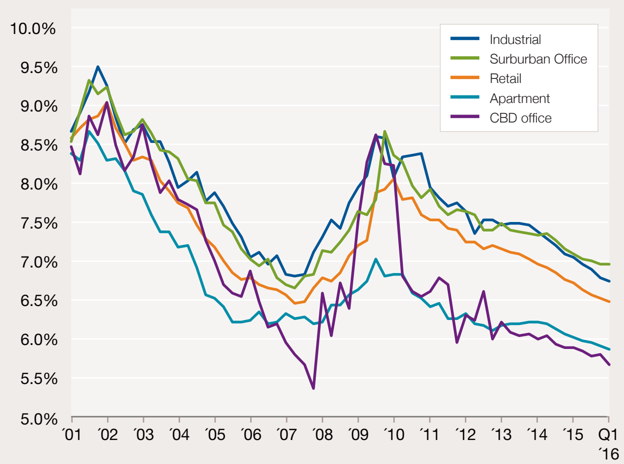
AVERAGE CAP RATES BY REAL ESTATE SECTOR

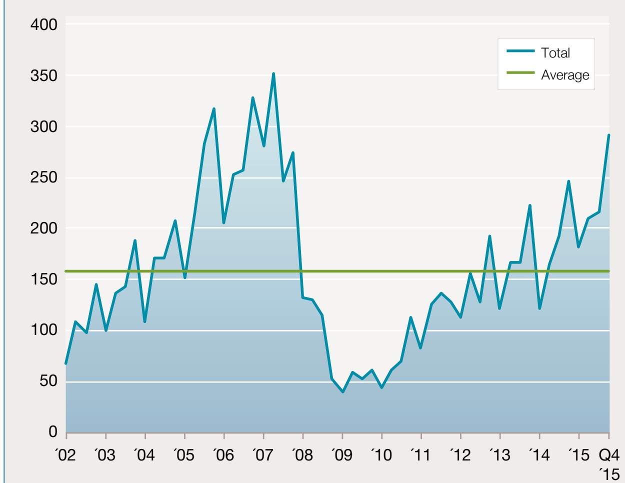


Source: *Real Capital Analytics*

In the meantime cap rates remain low…

ORIGINATIONS VOLUME VS. HISTORICAL AVERAGE

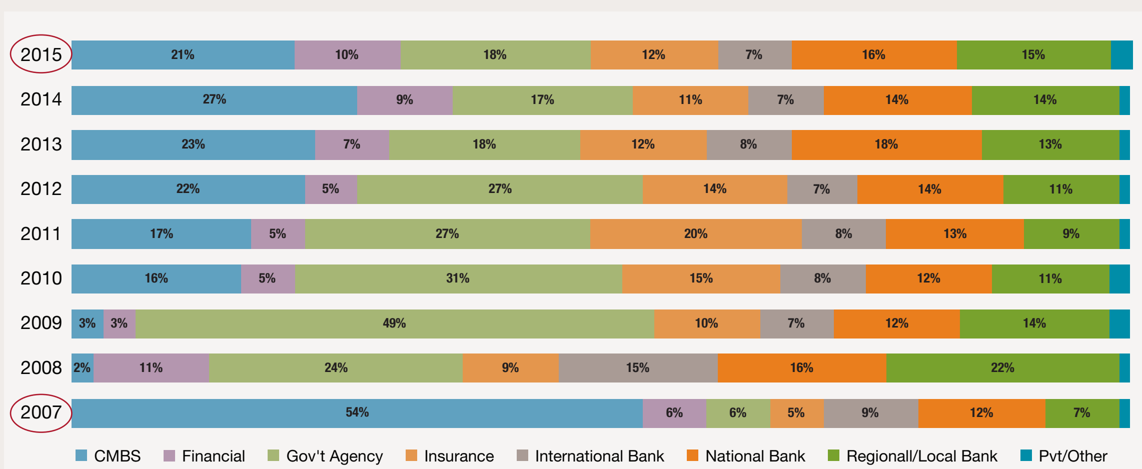
Origination Volume Index: Total



Source: *MBA, Morgan Stanley Research*

…and debt originations remain robust…

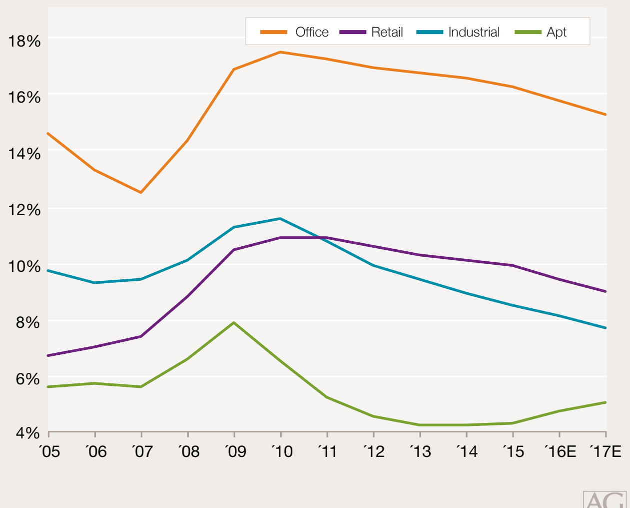
LENDER COMPOSITION



Source: *Real Capital Analytics*

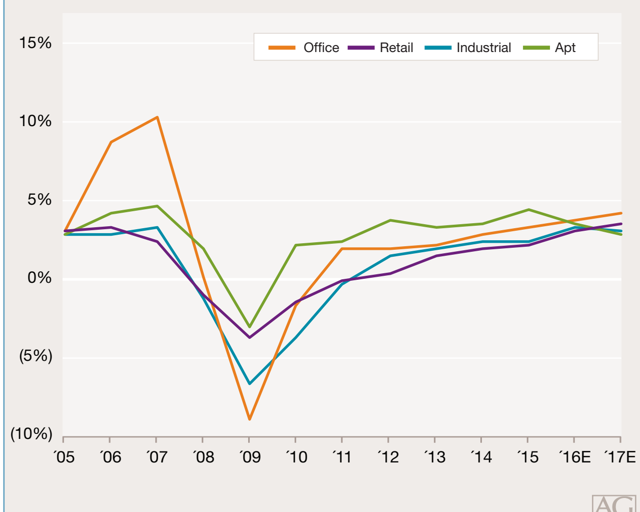
…with the CMBS shortfall being picked up by alternate providers.

VACANCY RATES ARE DOWN



Source: REIS, JP Morgan

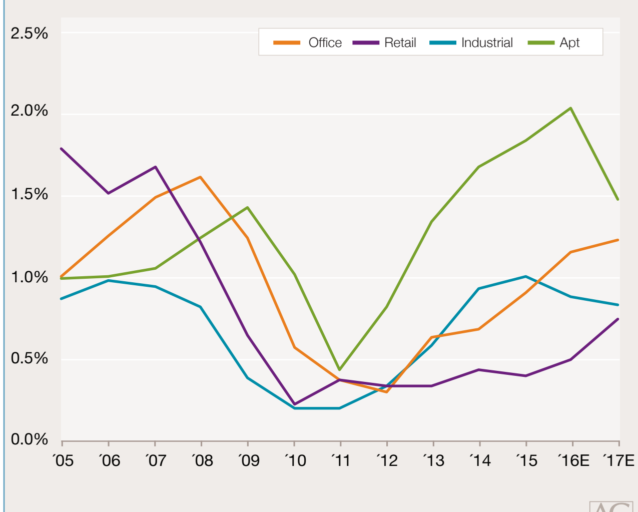
RENT GROWTH IS UP



Source: REIS, JP Morgan

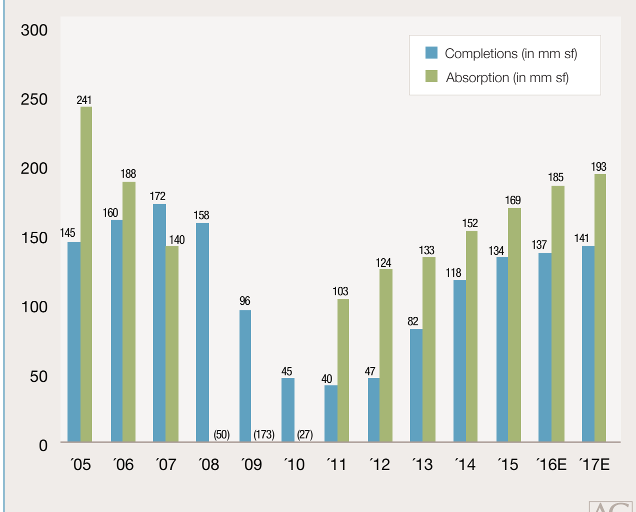
Property fundamentals continue to improve *(applies to all charts on page).*

DEVELOPMENT HAS PICKED UP...



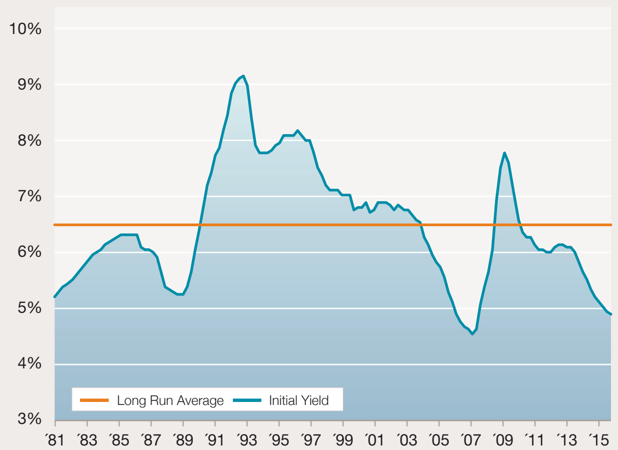
Source: REIS, JP Morgan

...BUT IT IS STILL BEING ABSORBED



Source: REIS, JP Morgan

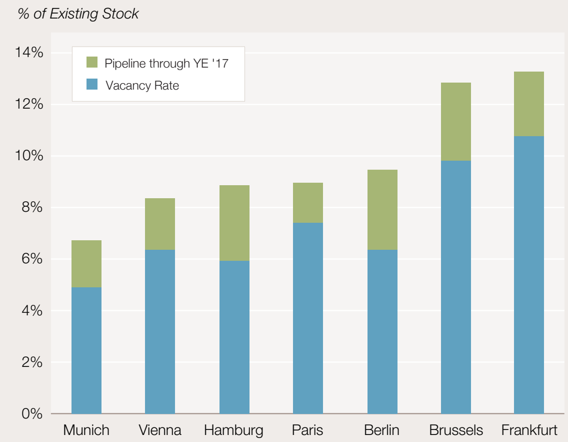
LONDON ALL-PROPERTY YIELDS



Source: Capital Economics

Property yields have recovered.

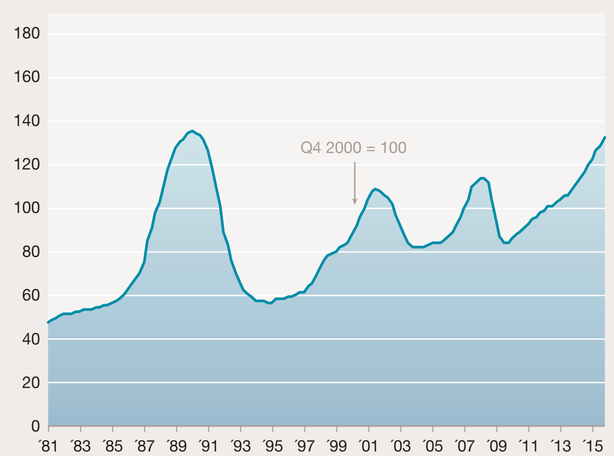
SUPPLY IN CORE NORTHERN EURO-ZONE OFFICE MARKETS



Paris: Under construction only.
Source: Capital Economics

Moderate vacancy and limited new supply.

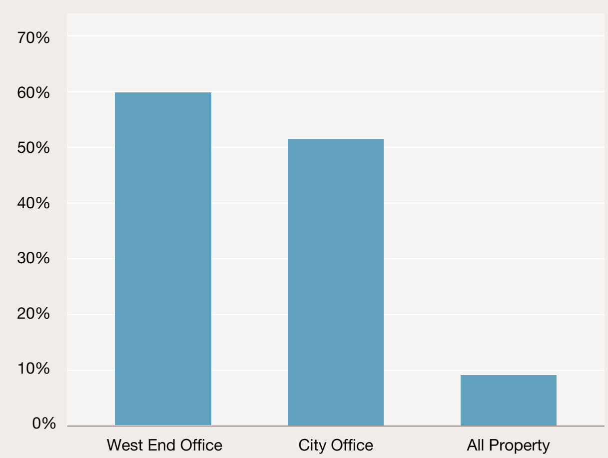
LONDON OFFICE RENT INDEX



Source: Capital Economics

Limited supply has pushed London rents above past peak.

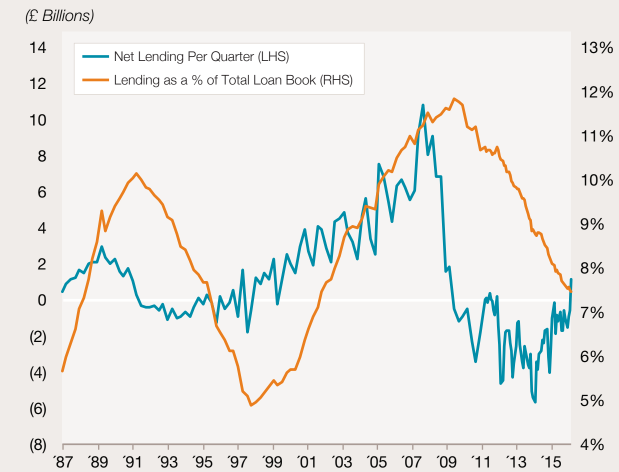
PERCENTAGE RECOVERY OF PEAK RENTS SINCE UK CREDIT-CRUNCH TROUGH



As of February 2016
Source: Capital Economics

UK average rents did not reach their last peak.

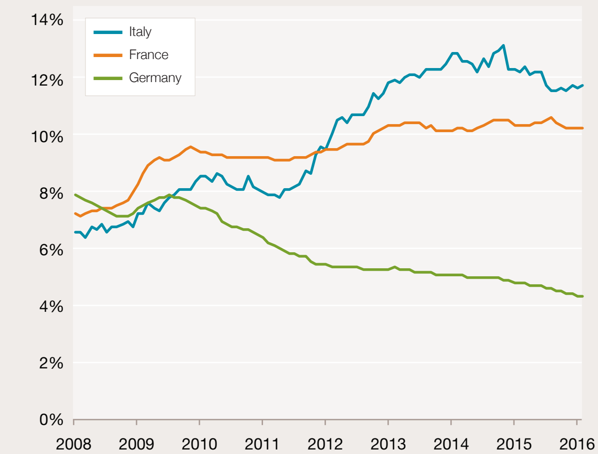
NET LENDING BY BANKS TO COMMERCIAL PROPERTY



Source: Capital Economics

Lenders continued to decrease exposure to commercial real estate.

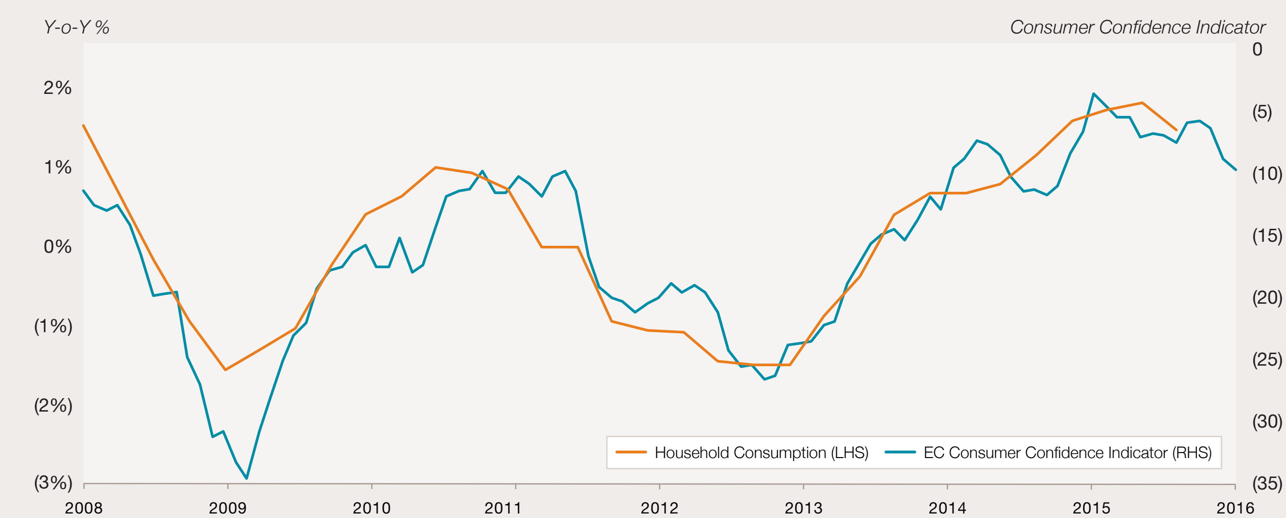
GERMAN, FRENCH & ITALIAN UNEMPLOYMENT RATES



Source: Capital Economics

Unemployment in the eurozone countries remained uneven, with Germany improving while France and Italy remained mired in 10%+ unemployment.

EURO-ZONE HOUSEHOLD CONSUMPTION & CONSUMER CONFIDENCE



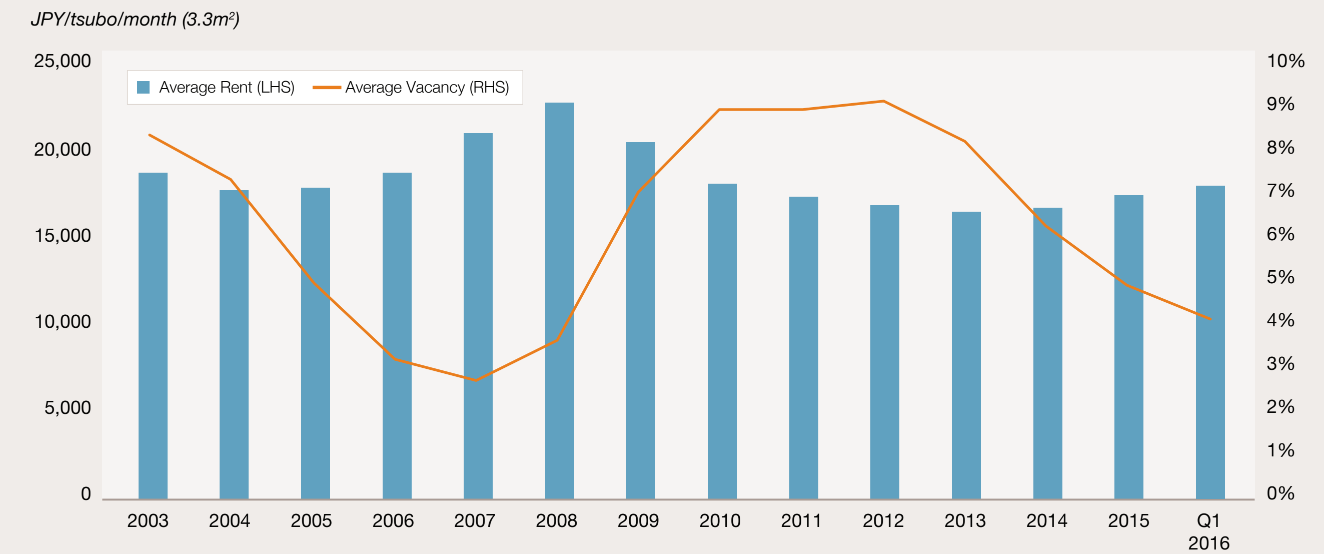
The Consumer Confidence Indicator measures consumer confidence on a scale of -100 to 100, where -100 indicates extreme lack of confidence, 0 neutrality and 100 extreme confidence.

Source: Capital Economics

Household consumption has been a major contributor to GDP growth; correlation to confidence is high, recent data provides cautious signal.

JAPAN

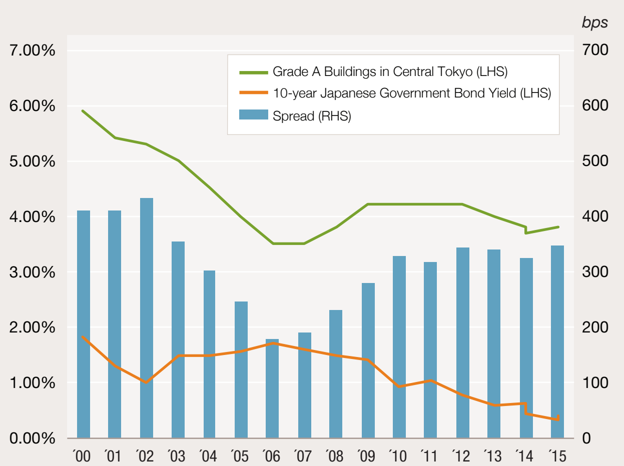
TOKYO'S 5 CENTRAL WARDS OFFICE RENT AND VACANCY RATE



Source: MIki Shoji

Vacancy in the Tokyo office market continued to improve, with rents increasing by 4.5% year-over-year.

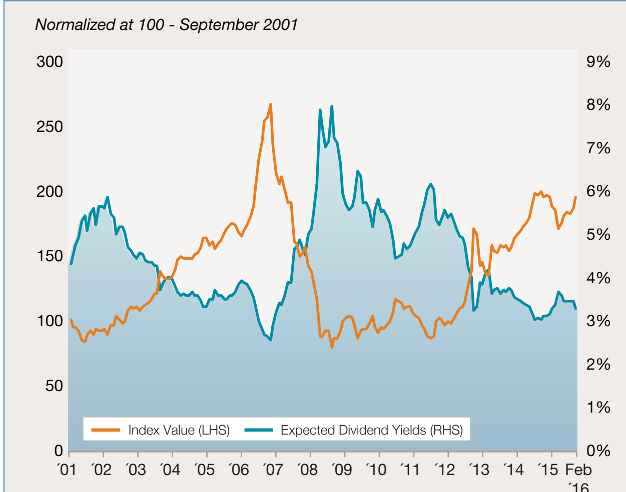
CAP RATES OF GRADE A OFFICE BUILDINGS VS. BORROWING COSTS



Source: Japan Real Estate Institute

Cap rate spreads were wide at approximately 340 bps as government bond yields continued to fall.

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

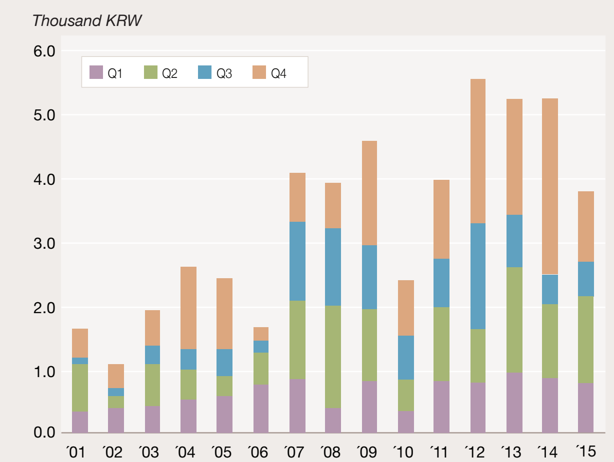


Source: Sumitomo Mitsui Trust Research Institute Co

J-REIT performance continued to improve, driven by Japan's negative interest rates and lower borrowing costs.

KOREA

TRANSACTION VOLUME OF PRIME/ SECONDARY OFFICE BUILDINGS IN SEOUL



Source: Savills Research

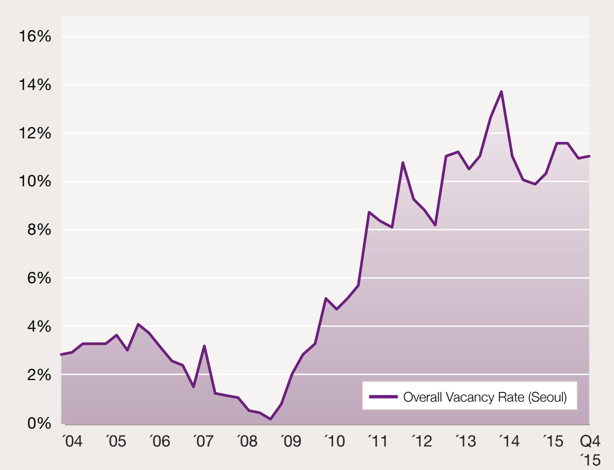
Transaction volume fell in 2015, driven by the limited supply of assets being offered for sale.

KOREA GDP GROWTH

Source: Bank of Korea

GDP growth improved to 3.1% in Q4 2015.

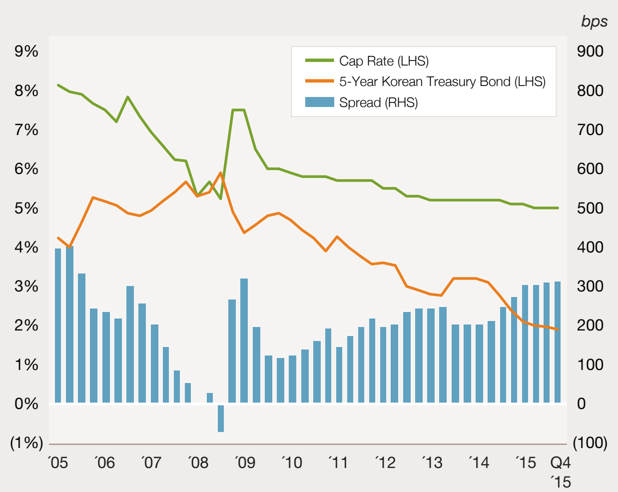
SEOUL OFFICE VACANCY RATE



Source: Jones Lang Lasalle Research

Seoul office vacancy remained high at 11%.

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

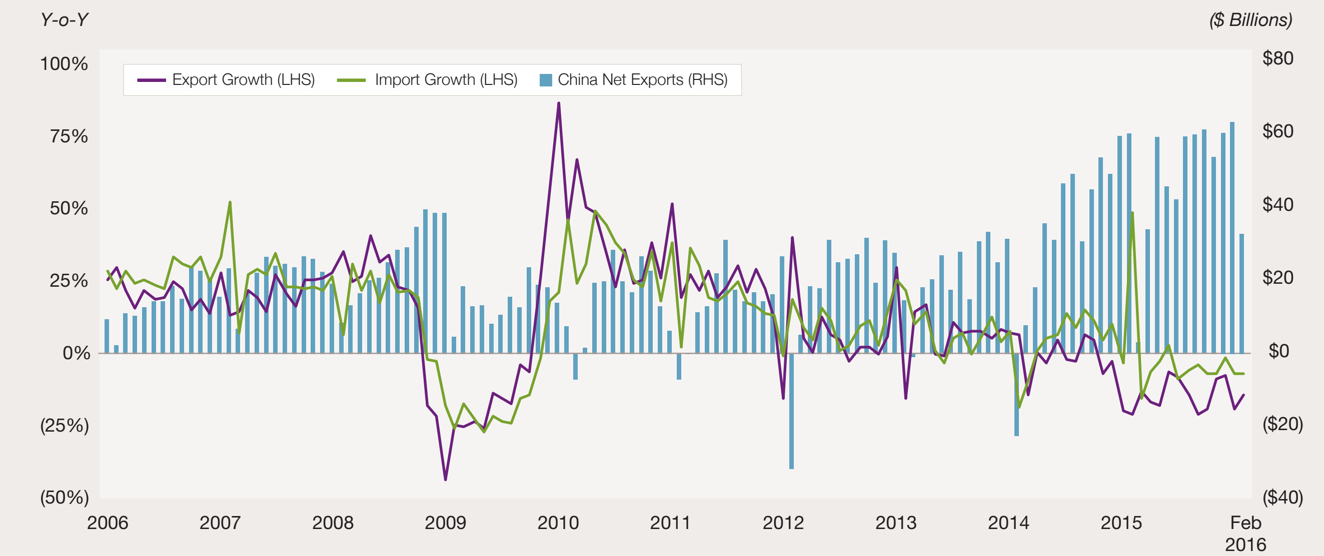


Source: Savills Research

Cap rate spreads widened as government bond yields declined.

CHINA

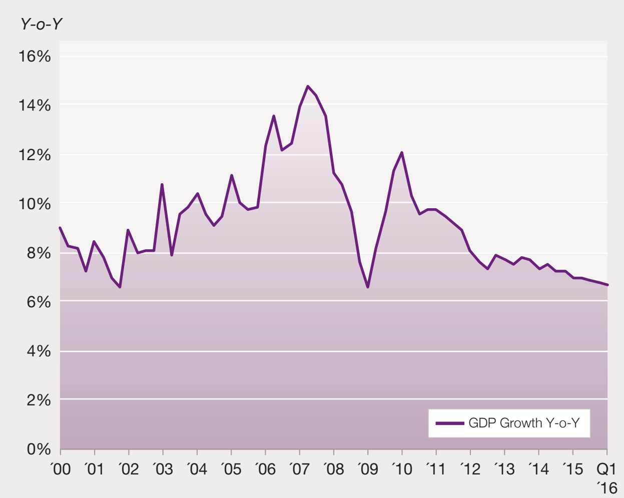
CHINA GROSS IMPORT/EXPORT GROWTH AND NET EXPORTS



Source: National Bureau of Statistics of China

The economy showed continued signs of slowing, with both import and export growth declining.

CHINA GDP GROWTH RATE



Source: National Bureau of Statistics of China

The GDP growth rate declined to 6.7% for Q1 2016.

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 have remained in negative territory since August of last year.

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