ANGELO GORDON

CELEBRATING 30 YEARS

CAPITAL MARKETS PERSPECTIVES

SECOND QUARTER 2019

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ANGELO GORDON is a privately-held registered investment advisor dedicated to alternative investing. The firm was founded in 1988 and currently manages approximately $33 billion. We seek to generate absolute returns with low volatility by exploiting inefficiencies in selected markets and capitalizing on situations that are not in the mainstream of investment opportunities. We creatively seek out new opportunities that allow us to remain a leader in alternative investments.

We have expertise in a broad range of absolute return strategies for both institutional and high net worth investors. Our dedicated team of employees seeks to deliver consistent, positive returns in all market environments. We have built our name on our breadth of talent, intensive research and risk averse approach to investing. Our long-term experience gives us the insight and patience to turn our vision into profitable, stable businesses.

Maureen D'Alleva
Portfolio Manager

PERFORMING CREDIT

Leveraged loans provided one of their largest gains in over a decade during the first quarter of 2019, with the J.P. Morgan index returning 3.89%. This performance is notable given the continued steady outflows from loan funds, a decline in CLO issuance, and falling interest rates. Outflows from loan funds now exceed $10 billion versus over $3.5 billion of inflows in the first quarter of 2018. Offsetting the technical pressure of outflows was an approximately 30% year-over-year decline in loan issuance, and refi/reset activity was off substantially – declining from over $150 billion in the first quarter of 2018 to less than $20 billion in the first quarter of 2019. Interestingly, second lien issuance increased to $10.7 billion during the quarter, a year-over-year increase of nearly $1.5 billion. As a niche market, we believe second liens can offer attractive relative value for investors with deep credit expertise and strong sponsor relationships. Fundamental performance of the asset class also remains positive, with the par-weighted default rate declining to a multi-year low of just over 1% in March 2019. Furthermore, a recent analysis by J.P. Morgan shows that, over the last five years, the return per unit of risk for leveraged loans is superior to numerous other asset classes, including the S&P 500, and both investment grade and high yield bonds.

While fund flows are closely monitored by loan investors, it is important to consider flows in the context of the size and composition of the loan market. The loan market has enjoyed substantial growth in recent years, more than doubling from approximately $575 billion at the end of 2012 to approximately $1.2 trillion today. The growth in the leveraged loan market was at the expense of the high yield bond market, which saw a corresponding decline in size. Over this same time period, retail loan mutual funds have also grown, fueled by rising interest rates attracting asset allocators. However, at approximately $125 billion, retail loan mutual funds remain – by a wide margin – the smallest portion of the loan investor base. Over $600 billion of CLOs are currently outstanding, making CLOs the largest holders of leveraged loans and a crucial source of demand for the loan market. Although CLO issuance started the year off rather slowly, it picked up as the first quarter progressed and 2019 issuance is expected to top $100 billion again. As we consider the overall loan buyer base, while retail fund outflows can cause selling pressure and negative sentiment in the market, we believe that CLOs – along with other sources of demand, such as SMAs – are more critical given their relative size. Additionally, they are generally longer-term holders of loans and unlikely to become forced sellers.

Trevor Clark
Portfolio Manager

MIDDLE MARKET DIRECT LENDING

After a robust 2018, syndicated middle market loan volume dropped to a multi-year low of $23 billion in the first quarter of 2019. Refinancing volume tumbled over 50% and new money issuance declined roughly 30% quarter-over-quarter. Furthermore, the decline in sponsored issuance was more pronounced in the large middle market. However, syndicated volume does not tell the whole story, as lenders with strong direct origination platforms may often have a capital base that allows them to speak for an entire transaction, thereby avoiding the need to syndicate out a portion of the deal. Looking ahead to the second quarter, according to a recent middle market lender survey, 60% of lenders characterized their pipeline as decent, with an even higher percentage (70%) of sponsored lenders expecting their current pipeline to keep them well occupied. Given the sheer size of the U.S. middle market, we believe periods of lighter issuance activity are ultimately transitory and that the opportunity set remains robust, especially for well-established, experienced lenders.

With respect to fundamentals, lenders have not reported any broad-based, macro trends that would indicate a significant impending slowdown in overall economic growth, with nearly 70% indicating that borrower growth is flat to very slow and that overall portfolio performance is stable. With no significant fundamental trends of note, challenged credits remain idiosyncratic in nature and fail to come to fruition due to a variety of factors, including acquisition integration, margin pressure from labor costs, and EBITDA add-backs. As always, the best risk mitigants are credit selection, discipline in capital deployment, extensive upfront underwriting, and active portfolio management. While loan structures and documentation have generically weakened in the past several years, we believe there are significant differences across lenders, and that performance through the next cycle will reflect these differences.

Todd Dittmann
Portfolio Manager

ENERGY

WTI has traded above $55 since February. Crude demand is strong and global inventories are declining; however, continued production growth by U.S. shale is a concern. Amidst its latest round of cuts, OPEC and affiliates have reduced production by nearly 1.5 million barrels per day through March, while supply outages in Iran, Libya, and Venezuela persist. Citing loss of market share, Russia remains a wildcard and may seek to end its participation during OPEC's next scheduled meeting in June. The Energy Information Administration (EIA) now forecasts that the global crude markets will move into a deficit position during the second quarter of 2019.

Exhausted by commodity price volatility and persistently high capital expenditures, public market investors continue to shun the oil and gas and oilfield service sectors. A recent Goldman Sachs review of generalist equity investors indicated no appetite for oil and gas exposure. Equity valuations remain low and the market is closed to new issues.

The Credit Suisse Energy High Yield Index currently offers a yield of 8.2% – nearly 130 basis points wider than a year ago. Exploration & production (E&P) credits yield 8.9%. Only the largest energy issuers have accessed the energy high yield markets in 2019, with an average issue size of $570 million. Spring bank borrowing base season occurred in April. With multiple decreases in price decks since October 2018, we do not expect growth from this, the cheapest channel for senior secured capital. Finally, acquisition and divestiture (A&D) activity has declined severely, with deal volumes now down 91% since the fourth quarter of 2017.

Stepping back and looking at the last decade, clarity emerges from the innumerable datapoints on prices per barrel, yields to worst, and forward cash flow multiples. From a volatility standpoint, we see two very distinct phases of time. From January 2010 until July 2014 and July 2014 to the present, WTI saw a 40% increase in 30-day volatility – a marked difference with significant long-term implications for the supply of capital. The change corresponds with OPEC's continuing attempt – launched in 2014 – to fight with U.S. shale for market share. Being a just-in-time supply source, U.S. shale is a formidable competitor.

This increased volatility has resulted in a new paradigm, as traditional capital providers – particularly public equity investors and high yield bond buyers – are exhausted by both volatile earnings streams and volatility in the prices of securities in which they typically invest. This liquid markets exhaustion, coupled with the withdrawal of banks, fewer asset sales, and a private equity exit problem, has made available capital scarce and more valuable, and should provide for a larger and richer investment opportunity set.

Ryan Mollett
Head of Global Distressed Debt

Dan Pound
Co-Portfolio Manager

DISTRESSED DEBT

The performance of high yield in the first quarter of 2019 was a sharp reversal of the returns realized in the final quarter of 2018, marking the prior period as another instance of a volatile but episodic "micro-cycle." The recovery was driven in large part by the Federal Reserve's signaling of patience with respect to future interest rate hikes. Following a -4.8% return in the fourth quarter of 2018, U.S. high yield gained 7.3% in the first quarter of 2019, surpassing the 6.3% return of the first quarter of 2003 as the strongest start to a calendar year for the asset class. Further, this quarter's gains were the fourth highest quarterly return of the past twenty years. Of note, BB and B rated bonds – which returned 7.3% and 7.4%, respectively, in the first quarter of 2019 – outperformed lower-rated CCC bonds, which ended with a lagging 6.8% gain for the period. Performance of the European high yield market was also positive, recording a 5.6% quarterly gain on a local euro currency basis, as the ECB joined other central banks in a coordinated approach toward rates.

Fund flows of U.S. high yield mutual funds followed a similar reversal trend across the quarters. High yield and leveraged loan funds both experienced significant outflows of $22 billion in the fourth quarter of 2018. However, in the first quarter of 2019, as investors' outlook on interest rate increases shifted, high yield funds took in over $12 billion of new capital – a substantial pivot from the $47 billion redeemed in 2018. While high yield flows were positive in the first quarter, an additional $10 billion of assets were withdrawn from loan funds. Outflows from floating-rate loan funds reached over $30 billion since the start of the fourth quarter of 2018, representing an estimated 20% of AUM in this segment.

U.S. high yield issuance totaled $66 billion in the first quarter of 2019, with the $27 billion of activity in March marking a 12-month high. Although volume was up sharply from the $19 billion recorded in the fourth quarter, which included no new high yield issuance in the U.S. or Europe in all of December, first quarter 2019 levels were approximately 10% lower year-over-year. In the loan market, new issuance was $64 billion through the first quarter of 2019, an over 70% decline from the $242 billion of issuance in the first quarter of 2018. In this market context, many borrowers took advantage of lower rates to refinance loans into longer maturity, fixed-rate bonds. In Europe, despite the positive returns for both euro-denominated loans and high yield, the primary markets were well below their first quarter 2018 issuance levels. European high yield had only 13 deals totaling approximately €7.4 billion in the first quarter of 2019, nearly 60% lower than first quarter 2018 volume, while loan issuance of €14.9 billion was over 50% lower year-over-year.

PORTFOLIO MANAGERS' OVERVIEW *(continued)*

David Kamin
Co-Portfolio Manager

MERGER ARBITRAGE

While the number of deals announced declined year-over-year, the first quarter of 2019 was among the strongest quarters in history for M&A volume, on both a U.S. and global basis. In the U.S., M&A volumes increased 35% year-over-year, led by the return of large deals, which accounted for 80% of all definitive deals announced during the quarter. The announcement of so many large deals is a welcome departure from the trend we've seen over the past few years. The volatility and steep decline in the equity market during the fourth quarter of 2018 helped sow the seeds for transformational deals such as Bristol-Myers Squibb's acquisition of Celgene, Fiserv's purchase of First Data Corporation, and Centene Corporation's merger with WellCare Health Plans, Inc. Traditionally, large deals lead to wide merger arbitrage spreads; however, spreads narrowed during the quarter from initially wide levels to some of the tightest spreads we've seen, which led to solid performance for merger arbitrage investors. Spreads narrowed during the quarter in part due to the sequential and year-over-year declines in deals announced, as well as the deal characteristics of pending deals. Generally, the current deal universe has low regulatory and political risk.

Looking forward, M&A volumes are poised to remain strong. In addition to the factors that we've mentioned in the past, such as M&A financing remaining cheap and CEO and consumer confidence remaining elevated, there are other factors that will continue to drive M&A. With the addition of mainstream active investment funds that want to show how they are differentiated from passive investment vehicles, shareholder activism continues to increase every year. Geopolitical tensions – especially the ongoing U.S.-China trade dispute – will boost M&A activity if and when they are resolved. Additionally, technological disruption and cross-sector convergence are still in early stages and will impact many more industries moving forward. Finally, one factor that is seldom discussed but could have an impact on M&A volume is the 2020 U.S. presidential election. In the final two years of the Obama presidency, M&A volumes increased as elections can bring change and change leads to timing delays and policy uncertainty.

Gary Wolf
Portfolio Manager

CONVERTIBLE ARBITRAGE

Risk assets across the board staged a very strong rebound from December's sharp sell-off as concerns of an imminent recession receded. Global equity markets brushed aside global trade headwinds and generally softer economic data, particularly out of Europe, helped by the Fed and ECB policy U-turns. The MSCI World Index returned 12% in local currency terms in the first quarter. Similarly, credit markets rallied as the renewed search for yield displaced any worries about economic weakness. The strength in equities and credit boosted convertible bonds, leading to a 7.5% first quarter gain – the best quarterly performance since the first quarter of 2012. Convertible arbitrage strategies also fared well, with the Credit Suisse Convertible Arbitrage Index rising 2.9% in the first quarter, even as the forceful recovery in risk assets led to a moderation in volatility.

Global convertible new issuance picked up steam during the first quarter. The total deal volume amounted to $21.7 billion, driven again by the U.S. market ($10.5 billion), followed by Europe ($6.9 billion, but with one transaction alone representing $4.5 billion), and Asia ($4.3 billion). There was no new issuance in Japan in the first quarter.

There are signs to suggest investors remain constructive on volatility. Geopolitical concerns and the associated tail risks remain ubiquitous. The global growth outlook is challenging in the context of central banks, especially the ECB, having limited room to act and where fiscal policy responses may be required for the major economies to return to trend-like growth.

TJ Durkin
Co-Portfolio Manager

Yong Joe
Co-Portfolio Manager

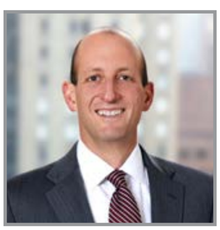
RESIDENTIAL AND CONSUMER DEBT (RMBS/ABS)

Spreads for mortgage- and asset-backed sectors generally tightened at the beginning of the year. The credit-risk transfer (CRT) market, which serves as a barometer of overall mortgage credit, found its footing following a volatile and illiquid year-end. Spreads initially rallied, as liquidity returned and further tightened later in the quarter – in sync with the broader market rally. However, within this rally, CRT also exhibited price tiering based upon structure, seasoning, and underlying collateral profile. After outperforming in the fourth quarter, legacy RMBS spreads tightened modestly but were relative underperformers versus other asset classes. Increased demand for other RMBS sectors, including short-duration, senior tranches of securitized non- and re-performing loans, also resulted in tighter spreads. General appetite for deeper-credit, asset-backed securities continued during the first quarter, with most new issue subordinate tranches well oversubscribed, while some senior tranches received less focus.

Quarterly new issuance of RMBS rose 12.7% year-over-year to $23.1 billion, predominantly driven by growth in the non-QM sector, which featured a few first-time issuers during the quarter. New issuance activity in non-QM rose dramatically from $958 million in the first quarter of 2018 to $5.66 billion in the first quarter of 2019, a 491% year-over-year increase. The non-QM market is positioned to grow, as credit availability modestly expands to underserved, creditworthy borrowers whose profile may not conform to agency and government mortgage underwriting criteria. ABS new issue started the year at $61.4 billion, a decrease of 8.8% year-over-year, primarily due to lower credit card and student loan ABS volume.

Home prices continued to climb, albeit at a slower pace than year-ago levels. The latest CoreLogic Case-Shiller report showed an increase in national home prices of 4.2% year-over-year. Mortgage data has been relatively mixed over the last several quarters, as borrowers faced affordability headwinds before some relief finally set in from reduced mortgage rates. Despite slowing growth year-over-year, home prices continue to remain well-supported by tight inventory levels across much of the nation.

After widening into the end of the year, agency MBS spreads found stability in the first quarter, despite a rally to the lows of the year in yields and a brief uptick in implied volatility. Supply was manageable during the quarter, and this – along with the dovish pivot by the Fed – helped support the sector. Contained volatility and reduced fear over materially higher rates should help support demand from banks and relative value buyers, but an uptick in seasonal supply and continued runoff of the Fed's agency MBS holdings will likely limit spread tightening.



Andrew Solomon
Portfolio Manager

COMMERCIAL REAL ESTATE DEBT (CMBS)

January was a particularly strong month in the broader markets, as the U.S. Federal Reserve seemed to reverse course when it confirmed that – in light of slowing economic growth – it would revisit its previously planned interest rate hikes. In addition, the U.S. government shutdown ended and concerns over the U.S.-China trade dispute dissipated. Equity gains slowed later in the quarter but remained positive.

The CMBS industry held its annual conference in January, a week later than usual this year. We believe the extra week had a significant positive impact on the tone of the conference, as participants were able to take comfort in the broader shift in sentiment at the start of the new year. Most participants seemed generally constructive on CMBS for numerous reasons – commercial property fundamentals remain stable, underwriting standards continue to be reasonable, bond supply and demand imbalance offer strong technical support, and pricing was generally attractive following the meaningful sell-off at the end of 2018.

Armed with a newfound sense of confidence, industry participants returned to their desks and spreads began to tighten rapidly. During the quarter, new issue AAA bonds tightened by approximately 15 basis points while BBB securities tightened by more than 100 basis points. It is important to keep in mind that over the same period of time, 10-year swap yields declined by 30 basis points. The fourth quarter 2018 price declines and lower overall rates have made the product less attractive to conservative, yield-focused investors, such as insurance companies. We believe this technically driven, short-term gap in demand is creating attractive relative value opportunities in higher credit quality securities, which savvy investors can capitalize on.

PORTFOLIO MANAGERS' OVERVIEW *(continued)*

Adam Schwartz
Portfolio Manager
Head of Real Estate

Reid Liffmann
Co-Portfolio Manager
U.S. Real Estate

Anuj Mittal
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Europe Real Estate

Wilson Leung
Portfolio Manager
Head of Asia Real Estate

Steven Cha
Co-Portfolio Manager

REAL ESTATE

United States

Commercial property transactions in the first quarter of 2019 dropped 11% year-over-year, as a dearth of entity-level transactions closed during the period. 2018 was the third biggest year ever for M&A and the peak year thus far post-financial crisis, so this drop-off was to be expected. Nevertheless, the 89% plunge in the first quarter took its toll on overall volume. The decline in investment activity persisted across deals of all types, including the sale of individual assets, which fell 8% year-over-year. Every major property sector – excluding apartments – posted double-digit year-over-year declines in transactions. Volume fell the most in the top six major metros, but was negative in other primary and secondary markets as well.

U.S. real estate and REIT M&A announcements, defined as deals yet to close, picked up in the first quarter after December's market rout. The activity was driven by a wide gap between publicly traded and privately-owned real estate valuations. During the quarter, Belmond Hotels, MedEquities Realty Trust, and TIER REIT all announced combinations with other publicly traded buyers.

Cross-border activity was more meaningful in the final quarter of 2018. Fourth quarter volume was up 11% year-over-year, representing 17% of total transaction volume. While 2018 cross-border volume as a whole was up 13%, it represented a lower percentage of total volume (14%). Canadian investment solidly led activity with $47 billion closed – a 132% increase year-over-year. Chinese investment shrank 5% year-over-year to $6.4 billion, as buyers continued to throttle back activity.

With the Federal Reserve indicating they're in a holding pattern, interest rates are likely to remain low and range bound. This should result in marginally increased confidence, removing a potential headwind for the sector and driving a sequential boost to transaction volume. It will also likely propel refinancing activity in the coming quarters.

Fundamentals remain stable across most property types, but new supply is roughly at long-term levels, and there continues to be pockets of overbuilding. Rent growth continues to moderate and occupancy levels have likely nearly peaked.

On the valuation front, the Green Street Commercial Property Price Index was unchanged year-to-date, after increasing 2% during 2018. Manufactured housing and industrial continue to lead the sector higher, with both rising 2% through March, and 16% and 9%, respectively, over the trailing twelve months. In a break from the declining values over the past few years, retail values managed to hold steady this quarter. Green Street Advisor's model, which tracks the relative value relationship between real estate and fixed income (investment grade and high yield), pegs real estate, in aggregate, as appropriately priced versus yields in the bond market. Fair value, however, varies significantly across sectors. The narrowing of the valuation gap since December was a result of the sharp move tighter in credit. Listed real estate equities similarly narrowed the discount to NAV – to just -1% – after ending 2018 near some of the widest discounts this cycle. Year-to-date capital flows into U.S. registered real estate mutual funds and ETFs improved relative to 2018, which was when public markets suffered their worst-ever year of outflows (-$20.8 billion). However, in a continuing transition of capital from active to passive management, there have been approximately $956 million of outflows from U.S. mutual funds, as approximately $2.7 billion flowed into U.S. REIT ETFs.

Europe

The U.K. economy continues to weather political chaos, despite the deadline for a Brexit deal being delayed further into 2019. After GDP expanded 0.5% month-over-month in January 2019, monthly GDP increased by 0.2% in February. This movement contributed to a rise in the annual growth rate from 1.5% to 2.0%, its highest since November 2017, as reported by Capital Economics. Brexit uncertainty was high in March and estimates for GDP suggest a drop; however, even if GDP falls 0.5% month-over-month in March, the U.K.'s economy would grow by 0.3% quarter-over-quarter. Considering the circumstances, this seemingly feeble expansion is solid. The annual unemployment rate is expected to remain stable at 3.9%, the lowest since 1975. This data may suggest Brexit is of little consequence to the U.K. economy; however, the low unemployment rate and low levels of corporate capex spending indicate companies may be hesitant to make long term commitments and are instead expanding output by hiring more workers, which are relatively easy to remove if demand falls.

Unlike the U.K., the Continental European economies appear to be stalling despite tremendous stimulus efforts. Industrial production was down year-over-year in January across all four major economies. Even improvements in France and Spain could not offset further deterioration in Germany and Italy. Germany's manufacturing sector has fallen into a notably deep recession – its new orders dropped 8.2% year-over-year in February, with significant contraction in overseas demand. Although Italy's unemployment rate rose, the eurozone's unemployment rate remained constant at 7.8%, largely due to decreased unemployment in France and Spain. This sluggish economic growth – even after its massive quantitative easing program – has the ECB hinting at further stimulus injections.

Europe *(continued)*

Returning to the U.K., real estate fundamentals remain strong early in the year. Commercial office property investments in the City of London and the West End appear to defy Brexit uncertainty, reaching £3.2 billion in the first quarter of 2019, representing a 28% increase from the same quarter last year. U.S. buyers have driven demand this year, purchasing 45% of the total value, according to Savills. Domestic buyers have also shown strong interest, purchasing 23 properties for a total of £907, according to PropEU. According to Knight Frank, Central London office leasing was down 21% year-over-year, though this drop may have been due to a lack of vacancy, as evidenced by pre-leases representing a large portion (24%) of the leasing total.

Like its economy, Continental Europe's real estate fundamentals vary significantly by country. While office take-up in the region appears decent, with a 7% year-over-year increase, this boost was driven by extraordinary performance in Brussels and Stockholm – both of which experienced growth in excess of 150% year-over-year. Excluding these cities, European office take-up was down 2% year-over-year. Much of the reduced take-up is a result of limited supply, not decreased demand, as evidenced by prime rents, which were up 5.1% year-over-year and up 0.6% in the first quarter of 2019 across Europe.

Japan

Following a third quarter 2018 decline due to a series of natural disasters, Japan's economy saw a return to growth in the fourth quarter that was primarily driven by strong household consumption and corporate investment. Japan's labor market continued to be tight, with the unemployment rate remaining at a historical low of approximately 2.4% as of year-end 2018. Retaining workers continues to be a key consideration for companies – placing upward pressure on wage growth. While the domestic economy demonstrated sound fundamentals, concerns about weakening export demand stemming from the U.S.-China trade war and Brexit have weighed on business sentiment and on the Bank of Japan, which is expected to maintain its monetary easing policy into 2019. On the political front, Prime Minister Abe's reelection to a third term as the Liberal Democratic Party leader this September points to political stability until the expiration of his term in September 2021. Looking forward, the proposed consumption tax increase – which is expected to rise from 8% to 10% in October 2019 – may have a meaningful impact on domestic consumption in the coming year.

Real estate fundamentals in the office sector across Japan's main cities remains strong. All-grade office vacancy ended the year at 1% in Tokyo and Osaka and is also at historical lows in other regional cities. New office supply in Osaka is expected to be limited, thus potentially putting upward pressure on rents, while in Tokyo, a large volume of new supply expected in 2019/2020 has already been pre-leased, possibly leading to similar upward rent pressure.

The logistics market continues to expand with a rising number of new entrants, including many developers and institutional investors. Since last year, three new logistics-focused J-REITs have listed and liquidity in the sector continues to improve. The rush to development has left some submarkets with a temporary spike in concentrated new supply, presenting potential opportunities to acquire these underperforming assets that require lease-up and better management.

Despite the natural disasters that hit in the third quarter, the number of inbound tourists increased to 31.2 million in 2018, up nearly 9% from the previous year and rising for the seventh straight year. The growth in tourism has benefited prime retail and hospitality sectors in the main cities of Tokyo, Osaka, and Kyoto. The government has set a target of 40 million visitors in 2020, when Japan will host the Summer Olympics.

Overall real estate transaction volume in Japan was down 27% in 2018, however, the decline is primarily due to a lack of product rather than limited investor demand. Investor interest both onshore and offshore remains strong, with a particular focus on core, yield-generating properties. Domestic Japanese banks continue to demonstrate a strong lending appetite for the real estate sector, with no sign of capital markets softening in the short-term.

China

Overall, China's economic growth in 2018 topped expectations at 6.6%, exceeding the 6.5% target set at the beginning of the year. However, several factors – including trade tensions, U.S. rate hikes, and the recent downturn of the U.S. equity markets – continued to weigh on investor sentiment. The Shanghai Stock Exchange Composite Index finished the year down 25%, the lowest level in four years, while Hong Kong's Hang Seng Index finished the year down 14%. The Chinese RMB depreciated another 6% year-over-year to 6.88 RMB per USD by year-end.

On the real estate front, office fundamentals in large Chinese cities continue to be positive, underpinned by rapid growth in the services sector. Demand for office space in tier one cities remained strong, while vacancy rates stayed at healthy levels. In Shanghai, Grade-A office rents were up moderately, and office demand continues to be strong despite vacancy increasing to 12% due to a 10% supply hike in 2018. In Beijing, the office sector continued to be a landlord's market with a tight vacancy of 4.9% and rents up 5%.

China *(continued)*

Investment demand for prime commercial properties in tier one cities, such as Shanghai and Beijing, remained strong. On the other hand, debt-laden companies – including several of the large developers and conglomerates – accelerated sales of their real estate portfolios to repay maturing loan obligations. We believe that these event-driven special situations may present attractive buying opportunities for investors in 2019.

Hong Kong

Hong Kong's economy delivered solid growth of 3% in real terms in 2018, which is higher than the growth trend of 2.8% over the past ten years. Unemployment remained at a 20-year low of 2.8%. The U.S.-China trade war, U.S. interest rate hikes, and the introduction of a vacancy tax on newly built residential properties has led to negative sentiment in the property investment market, as buyers increasingly take a wait-and-see attitude. Residential transaction volume dropped by over 50% in the final few months of 2018, and average prices declined by approximately 7% in the second half of the year. Nonetheless, overall residential prices still finished the year up 5.4% according to Centaline, Hong Kong's leading residential brokerage.

Scarcity of available land in Hong Kong and a long-term supply shortage continues to underpin real estate fundamentals. As of December 2018, office vacancy remained tight at 1.7% in Central, Hong Kong (CBD) and 4.1% in Hong Kong overall. Strong office fundamentals have lifted office rents by approximately 7% in Central and by 6% across Hong Kong in 2018. As a result, the rental gap between Central and decentralized office areas continues to increase. This office decentralization trend should continue as cost-conscious tenants are pushed out of Central and are forced to move to less expensive decentralized areas.

South Korea

The South Korean economy grew 2.7% in 2018, on the back of stable growth in consumption and exports. However, headwinds in the global economy may impact the Korean economy in 2019 and, as a result, we may see lower growth. The International Monetary Fund forecasts GDP growth to be 2.6% in 2019. The Bank of Korea ("BoK") kept its benchmark policy rate unchanged at 1.75% in February 2019. This is in line with most economists' expectations that the BoK will maintain rates at 1.75% throughout 2019 due to low inflationary pressures, moderated growth prospects, and household debt burden. The spread between prime office cap rates and Korean government bond yields (i.e. 5-year treasury bond) widened 18 basis points from the previous quarter to 270 basis points, which is above the 10-year average of approximately 220 basis points. In light of the wide spread, the 25 basis point rise in the benchmark policy rate in November 2018 may not have a dramatic impact on real estate capital values. Investment activity in the commercial office sector remains robust, as evidenced by the record commercial office transaction volume in Seoul. In 2018, commercial office transactions amounted to an unprecedented $10 billion, surpassing the previous year's record high of $8 billion. We continue to expect strong demand for stabilized core properties as Korean institutions ramp up their investment portfolios with yield-generating real assets. With no new prime office supply, the prime office vacancy rate in the major business districts in Seoul declined moderately to 12.8% in the fourth quarter of 2018 – down 0.3 percentage points from the previous quarter. The residential market in Seoul continues to be robust, with Seoul apartment prices rising 9.5% year-over-year as of March 2019. In Gangnam, the prime residential district in Seoul, apartment prices have increased 6.2% year-over-year as of March 2019. However, the current government is implementing new residential policies – including taxes to curb speculative investment in the residential sector – that may impact future price growth.

Gordon J. Whiting
Portfolio Manager

NET LEASE REAL ESTATE

As of the first quarter of 2019, the trailing 12-month U.S. single-tenant transaction volume totaled $66 billion, according to Real Capital Analytics (RCA). Quarter-over-quarter, volumes declined by 3% due to lower industrial and retail transactions, however, year-over-year, total volumes remained at elevated levels that are up 15%. Since the first quarter of 2018, office volumes are up 21%, industrial volumes are up 28%, and retail volumes are down 12%. Amazon—and e-commerce generally—continues to be one of the primary demand drivers for industrial. In 2012, Amazon occupied 149 sites totaling 62 million square feet. By 2022, CoStar projects that Amazon (including Whole Foods) will occupy 500 sites totaling 280 million square feet, or a 16% CAGR. In 2016, 2017, and 2018, there was approximately 225 million square feet of industrial absorption per year, with e-commerce representing nearly 45% of this absorption, according to CoStar. Overall cap rates have continued to compress, with industrial cap rates rising after finding a temporary floor in the second quarter of 2018, office cap rates steadily declining since 2010, and retail cap rates remaining fairly stable for the last three years.

Arthur Peponis
Portfolio Manager

PRIVATE EQUITY

The private equity industry had a solid start to 2019. First quarter 2019 deal volume, both on a global and North American basis, increased from the first quarter of 2018. In North America, there were $67 billion of transactions in the first quarter of 2019 as compared to $50 billion in the first quarter of 2018 – a year-over-year increase of 34%. Global deal volume in the first quarter of 2019 increased 13% year-over-year to $102 billion. Dry powder set another all-time high, reaching $736 billion at March 31, 2019, a 6% increase from year-end. Average multiples paid in the first quarter of 2019 were 10.3x EBITDA, slightly lower than the 10.6x achieved in calendar 2018. Average leverage for buyouts in the first quarter of 2019 was 5.8x multiple of EBITDA, which is consistent with 2018. Equity contribution as a percentage of total capitalization was at 42% in the first quarter, which is similar to prior years. As previously stated, trends in multiples paid develop over several quarters, so one cannot infer much – if anything – from the slight decrease experienced in the first quarter. However, the continued increase in dry powder provides a structural floor in multiples paid over the long term, as these funds need to be deployed over the next several years. In the first quarter of 2019, the number of exits increased approximately 3% year-over-year, while dollar volume decreased approximately 30%, reflecting smaller monetizations. Barring exogenous factors, we expect the private equity market – in terms of deal volume, dollar volume of exits, and multiples paid – to remain strong in 2019.

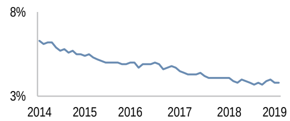
ECONOMIC DASHBOARD

Market Indices: Second Quarter 2019

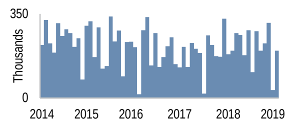
ANGELO GORDON
CELEBRATING 30 YEARS

JOB MARKET

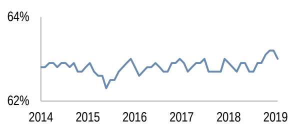
Macro Economics		Five-Year Trend
US – Unemployment Rate		As of 3/31/2019
Latest Level	3.8	
Change from Prior Month	0.0	
Latest Direction	No Change	
Frequency	Monthly	



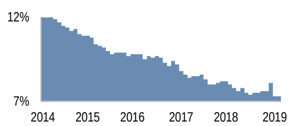
US – Non-Farm Payroll		As of 3/31/2019
Latest Level	196.0	
Change from Prior Month	163.0	
Latest Direction	Improving	
Frequency	Monthly	



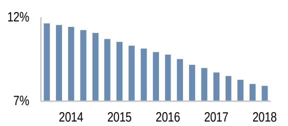
US – Labor Participation Rate		As of 3/31/2019
Latest Level	63.0	
Change from Prior Month	(0.2)	
Latest Direction	Deteriorating	
Frequency	Monthly	



US – U-6 Unemployed & Margin & Part-Time as % of Labor Force & Margin		As of 3/31/2019
Latest Level	7.3	
Change from Prior Month	(0.8)	
Latest Direction	Improving	
Frequency	Monthly	

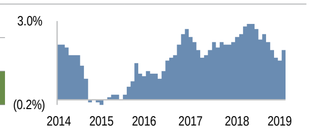


Eurozone Unemployment Rate		As of 12/31/2018
Latest Level	7.9	
Change from Prior Month	(0.4)	
Latest Direction	Improving	
Frequency	Quarterly	

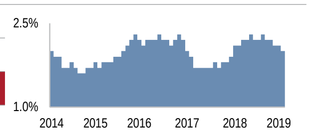


INFLATION

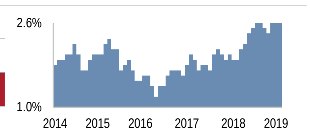
Macro Economics		Five-Year Trend
US Consumer Price Index (CPI) Y-o-Y %		As of 3/31/2019
Latest Level	1.9	
Change from Prior Month	0.4	
Latest Direction	Increasing	
Frequency	Monthly	



US CPI Goods Less Food and Energy Y-o-Y %		As of 3/31/2019
Latest Level	2.0	
Change from Prior Month	(0.1)	
Latest Direction	Decreasing	
Frequency	Monthly	

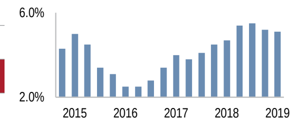


US Producer Price Index (PPI) Y-o-Y %		As of 3/31/2019
Latest Level	2.6	
Change from Prior Month	(0.1)	
Latest Direction	Decreasing	
Frequency	Monthly	

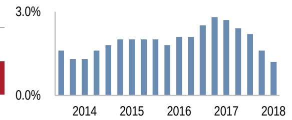


GDP GROWTH

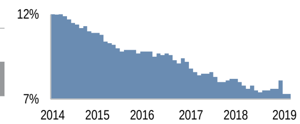
Macro Economics		Five-Year Trend
US – GDP Y-o-Y %		As of 3/31/2019
Latest Level	5.1	
Change from Prior Quarter	(0.1)	
Latest Direction	Deteriorating	
Frequency	Quarterly	



Eurozone – GDP Y-o-Y %		As of 12/31/2018
Latest Level	1.2	
Change from Prior Quarter	(0.4)	
Latest Direction	Deteriorating	
Frequency	Quarterly	

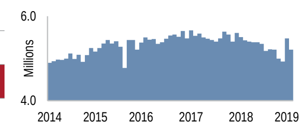


China – GDP Y-o-Y %		As of 3/31/2019
Latest Level	6.4	
Change from Prior Quarter	0.0	
Latest Direction	No Change	
Frequency	Quarterly	

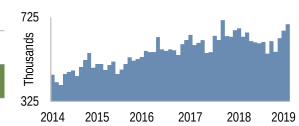


HOUSING

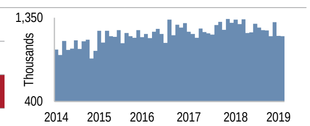
Macro Economics		Five-Year Trend
Existing Home Sales		As of 3/31/2019
Latest Level	5.2	
Change from Prior Month	(0.3)	
Latest Direction	Deteriorating	
Frequency	Monthly	



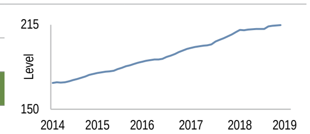
New Home Sales		As of 3/31/2019
Latest Level	692.0	
Change from Prior Month	30.0	
Latest Direction	Improving	
Frequency	Monthly	



Housing Starts		As of 3/31/2019
Latest Level	1,139.0	
Change from Prior Month	(3.0)	
Latest Direction	Deteriorating	
Frequency	Monthly	



Case-Shiller Index of Home Value in 20 Cities		As of 1/31/2019
Latest Level	214.6	
Change from Prior Month	0.2	
Latest Direction	Improving	
Frequency	Monthly	



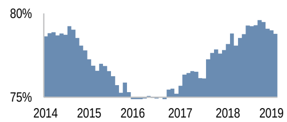
Source: Bloomberg (All).

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

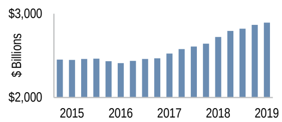
ECONOMIC DASHBOARD *(continued)*

ECONOMIC & MARKET CONFIDENCE

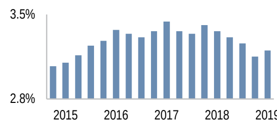
Macro Economics		Five-Year Trend
Capacity Utilization as a % of Capacity		As of 3/31/2019
Latest Level	78.8	
Change from Prior Month	(0.2)	
Latest Direction	Deteriorating	
Frequency	Monthly	



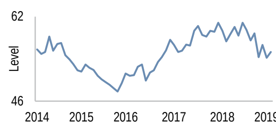
Private Fixed Investment Nonresidential SAAR		As of 3/31/2019
Latest Level	2,893.5	
Change from Prior Month	28.7	
Latest Direction	Improving	
Frequency	Quarterly	



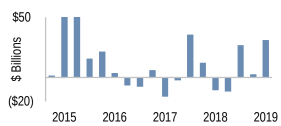
Residential Fixed Investment as a % of GDP		As of 3/31/2019
Latest Level	3.2	
Change from Prior Month	(0.1)	
Latest Direction	Decreasing	
Frequency	Quarterly	



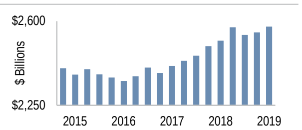
ISM Manufacturing Index		As of 3/31/2019
Latest Level	55.3	
Change from Prior Month	1.1	
Latest Direction	Improving	
Frequency	Monthly	



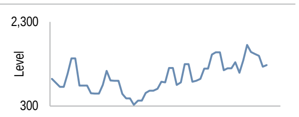
Manufacturing Inventory Change Q-o-Q $		As of 3/31/2019
Latest Level	31.1	
Change from Prior Month	28.6	
Latest Direction	Increasing	
Frequency	Quarterly	



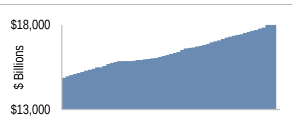
Exports of Goods/Services		As of 3/31/2019
Latest Level	2,577	
Change from Prior Month	23	
Latest Direction	Improving	
Frequency	Quarterly	



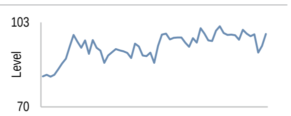
Shipping Rates		As of 3/29/2019
Latest Level	689	
Change from Prior Month	31	
Latest Direction	Improving	
Frequency	Quarterly	



Personal Income Level		As of 2/28/2019
Latest Level	18,042	
Change from Prior Month	42	
Latest Direction	Improving	
Frequency	Monthly	

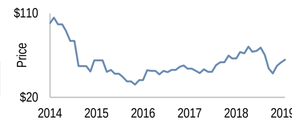


Michigan Consumer Confidence Sentiment		As of 3/31/2019
Latest Level	98.4	
Change from Prior Month	4.6	
Latest Direction	Improving	
Frequency	Monthly	

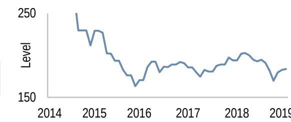


COMMODITIES

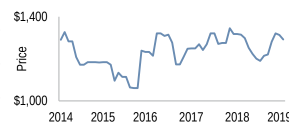
Macro Economics		Five-Year Trend
WTI Crude Oil Price		As of 3/29/2019
Latest Level	60.1	
Change from Prior Quarter	2.9	
Latest Direction	Increasing	
Frequency	Monthly	



Reuters/Jefferies Commodity Index		As of 3/29/2019
Latest Level	183.8	
Change from Prior Quarter	1.0	
Latest Direction	Increasing	
Frequency	Monthly	

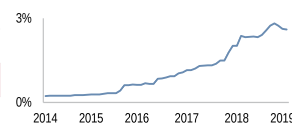


Gold		As of 3/29/2019
Latest Level	1,292.4	
Change from Prior Quarter	(20.9)	
Latest Direction	Decreasing	
Frequency	Monthly	

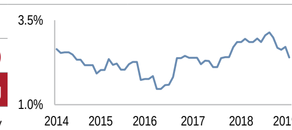


RATES

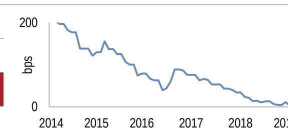
Macro Economics		Five-Year Trend
LIBOR 3M		As of 3/29/2019
Latest Level	2.60	
Change from Prior Quarter	(0.02)	
Latest Direction	Decreasing	
Frequency	Monthly	



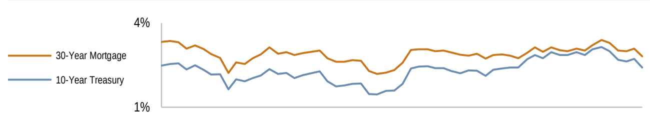
Treasury 10 Yr Yield		As of 3/29/2019
Latest Level	2.41	
Change from Prior Quarter	(0.31)	
Latest Direction	Decreasing	
Frequency	Monthly	



Swaps 2Y vs. 10Y		As of 3/29/2019
Latest Level	2.61	
Change from Prior Quarter	(9.04)	
Latest Direction	Flattening	
Frequency	Monthly	



30 Yr Mortgage and 10 Yr Treasury — As of 3/29/2019



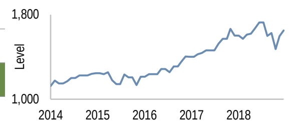
Source: Bloomberg (All).

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

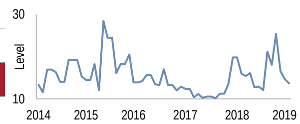
ECONOMIC DASHBOARD *(continued)*

EQUITY

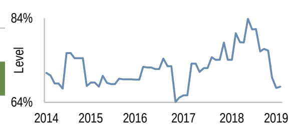
Macro Economics		Five-Year Trend
US Equity Markets – Russell 3000		As of 3/29/2019
Latest Level	1,670.7	
Change from Prior Month	21.5	
Latest Direction	Rally	
Frequency	Monthly	



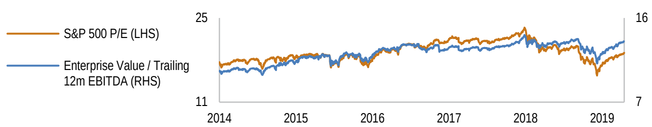
US Equity – VIX		As of 3/29/2019
Latest Level	13.7	
Change from Prior Month	(1.1)	
Latest Direction	Decreasing	
Frequency	Monthly	



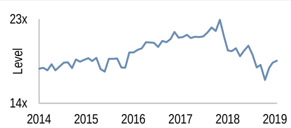
S&P 500 Percentage Exceeding Earning Estimates		As of 3/29/2019
Latest Level	67.7	
Change from Prior Month	0.3	
Latest Direction	Increasing	
Frequency	Monthly	



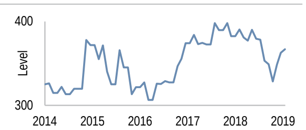
S&P 500 Historical Valuation Levels As of 3/29/2019



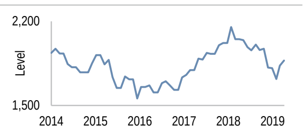
Trailing P/E on S&P 500		As of 3/29/2019
Latest Level	18.6	
Change from Prior Month	0.2	
Latest Direction	Increasing	
Frequency	Monthly	



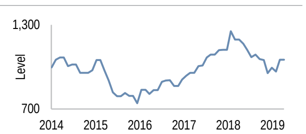
Equity Markets – Euro Stoxx		As of 3/29/2019
Latest Level	366.9	
Change from Prior Month	4.4	
Latest Direction	Increasing	
Frequency	Monthly	



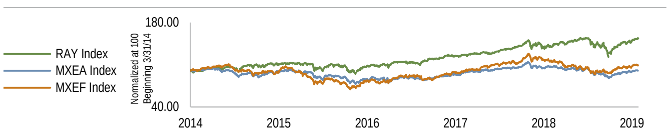
Equity Markets – MSCI EAFE		As of 3/29/2019
Latest Level	1,875.4	
Change from Prior Month	1.7	
Latest Direction	Increasing	
Frequency	Monthly	



Equity Markets – MSCI EM		As of 3/29/2019
Latest Level	1,058.1	
Change from Prior Month	7.2	
Latest Direction	Increasing	
Frequency	Monthly	

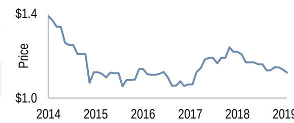


Russell 3000 – MSCI EAFE – MSCI EM As of 3/29/2019

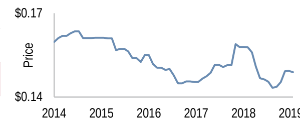


FOREIGN EXCHANGE RATE

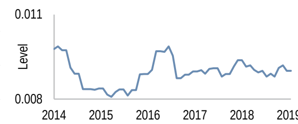
Macro Economics		Five-Year Trend
Euro Spot Rate vs. 1 USD		As of 3/29/2019
Latest Level	1.12	
Change from Prior Quarter	(0.02)	
Latest Direction	Deteriorating	
Frequency	Monthly	



Yuan Spot Rate vs. 1 USD		As of 3/29/2019
Latest Level	0.1490	
Change from Prior Quarter	(0.0004)	
Latest Direction	Deteriorating	
Frequency	Monthly	

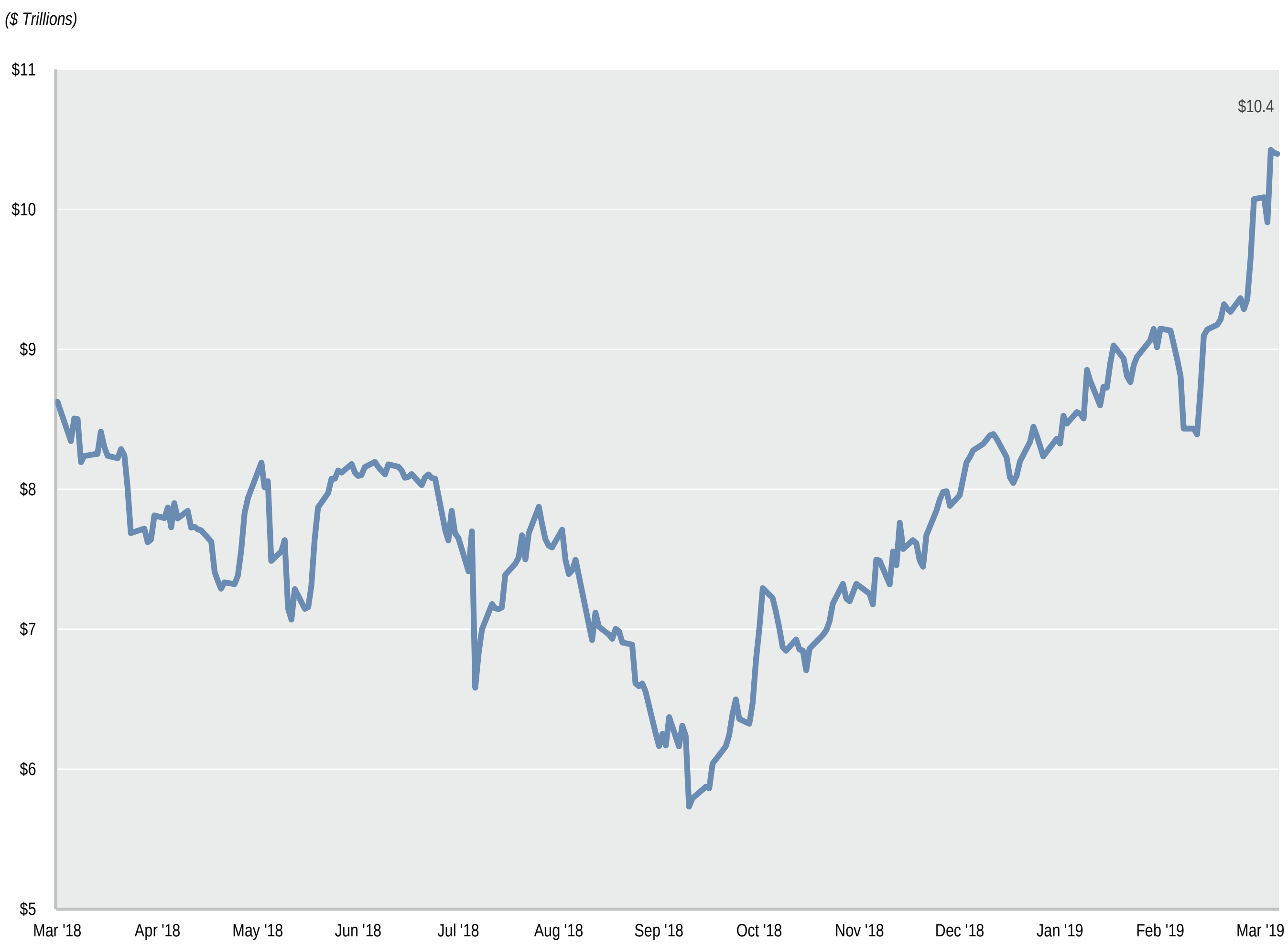


Yen Spot Rate vs. 1 USD		As of 3/29/2019
Latest Level	0.0090	
Change from Prior Quarter	0.0000	
Latest Direction	No Change	
Frequency	Monthly	



Source: Bloomberg (All).
"Latest Direction" is from the last "Frequency" measurement.

NEGATIVE YIELDING DEBT

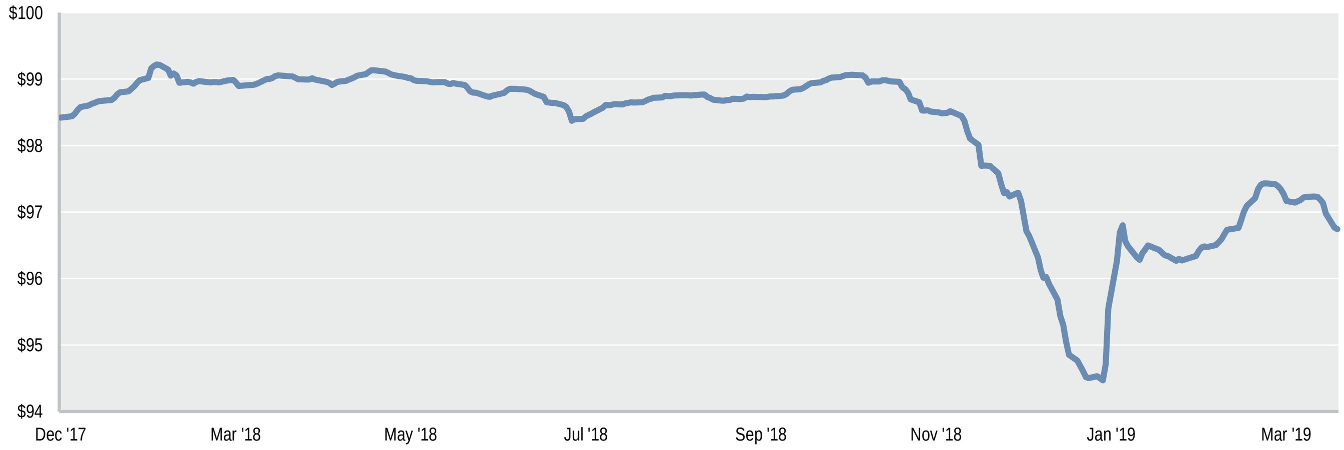


Source: Bloomberg, Deutsche Bank.

Negative yielding global debt has increased by more than 20% since Q1 2018, nearing its post-crisis peak.

PERFORMING CREDIT

LEVERAGED LOAN INDEX



Source: J.P. Morgan.

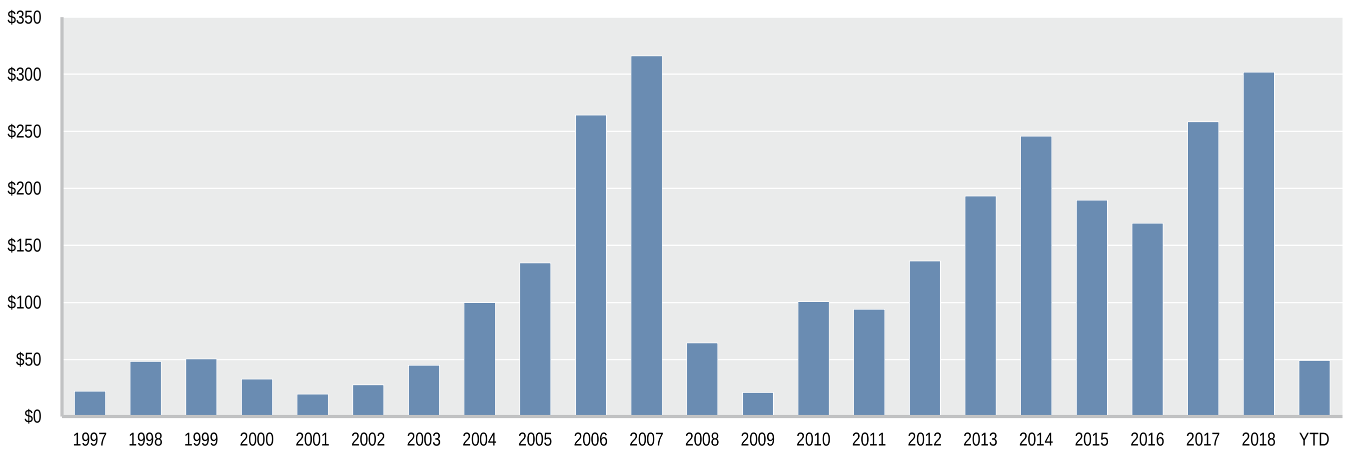
Leveraged loan prices increased sharply to start the year, recouping much of December's sell-off in the early days of the quarter.

LEVERAGED LOAN INDEX YTM

Source: J.P. Morgan, Bloomberg.

Although down from its recent peak at the end of last year, the yield-to-maturity of the leveraged loan index is over 6.5%, well above its three year average.

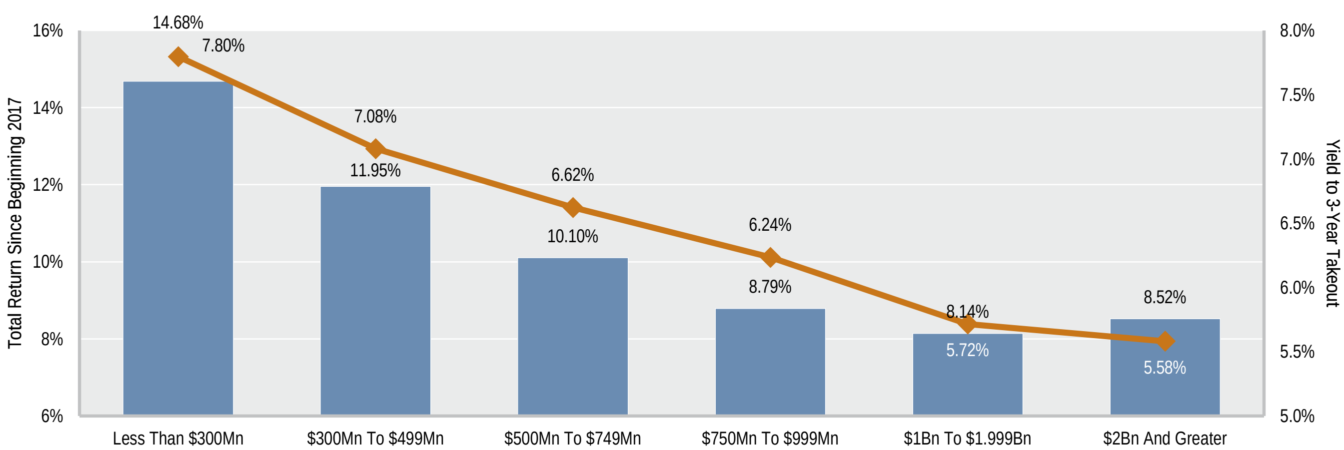
INSTITUTIONAL LOAN NEW ISSUANCE



Note: Excludes Refinancing and Re-Pricing volume.
Source: J.P. Morgan.

Net issuance declined sharply in Q1, providing technical support to the market.

SMALL VS. LARGE LOAN PERFORMANCE

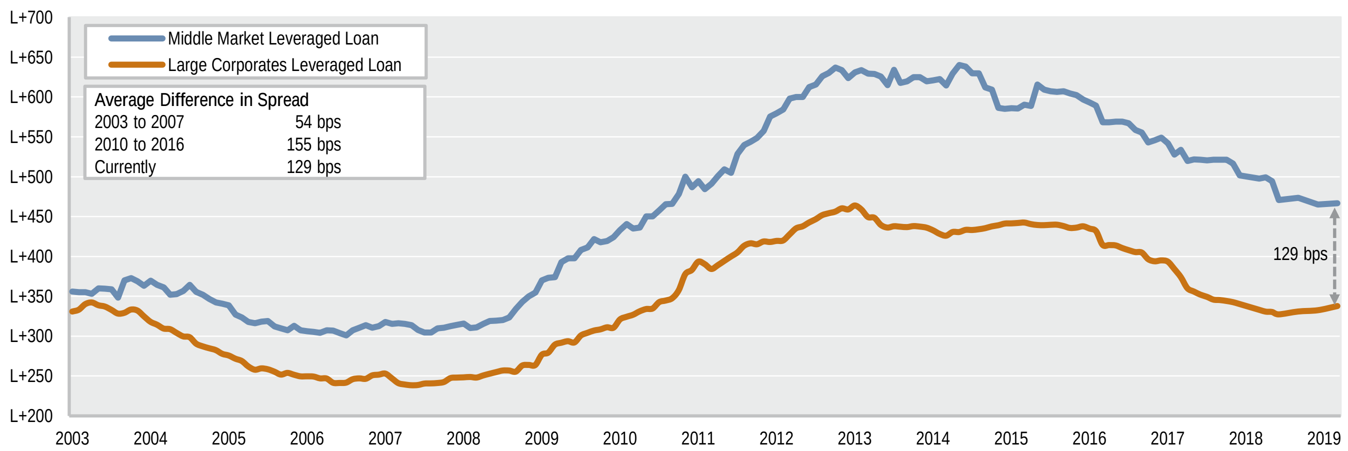


Source: J.P. Morgan.

Value and outsized gains can be found in smaller tranches that may be overlooked by managers focused on tranche size over credit quality.

MIDDLE MARKET DIRECT LENDING

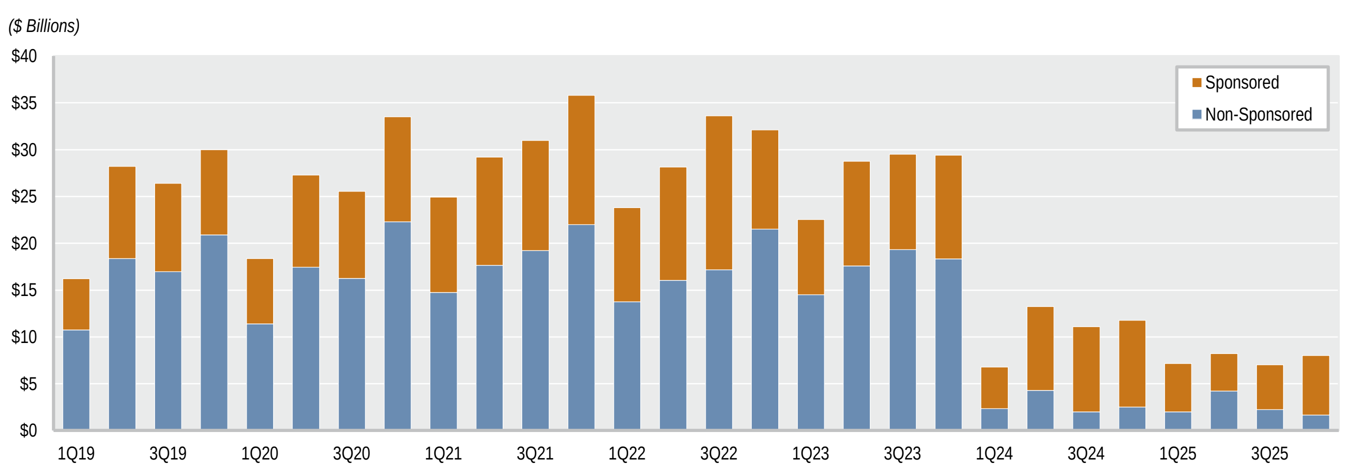
AVERAGE LOAN SPREAD: MIDDLE MARKET VS. LARGE CORPORATES



Middle market leveraged loan includes issuers with less than $50m EBITDA. Average spread includes any LIBOR floor benefit.
Source: S&P Capital IQ LCD.

Middle market loans continue to offer an attractive premium versus large corporate loans.

MIDDLE MARKET LOAN MATURITIES

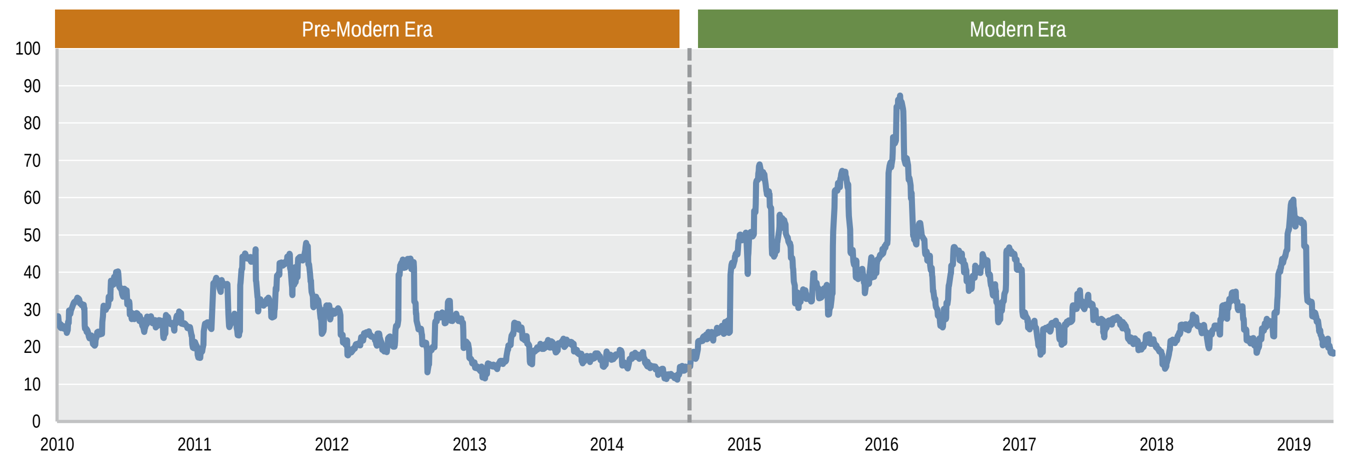


Source: Refinitiv, LPC.

Upcoming middle market loan maturities should create demand for new issuance and refinancing.

ENERGY

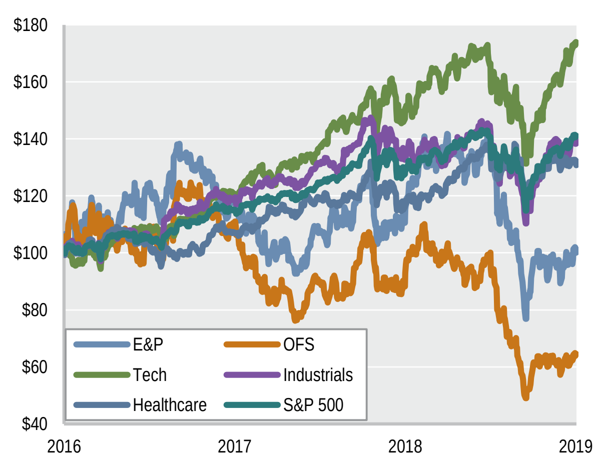
WTI: 30-DAY VOLATILITY



Source: Bloomberg.

From 2010 through mid-2014, crude enjoyed over four years of relative stability. Since, volatility has increased meaningfully, chasing capital out of the sector.

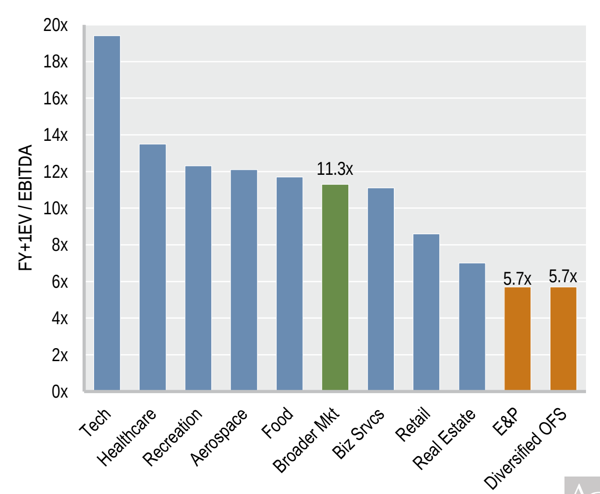
ENERGY EQUITIES: RELATIVE PERFORMANCE



Source: S&P Capital IQ.

Over the last three years, energy equities have significantly underperformed the broader market.

ENERGY EQUITIES: RELATIVE VALUATION



Source: NYU Stern School of Business, Seaport Global Securities.

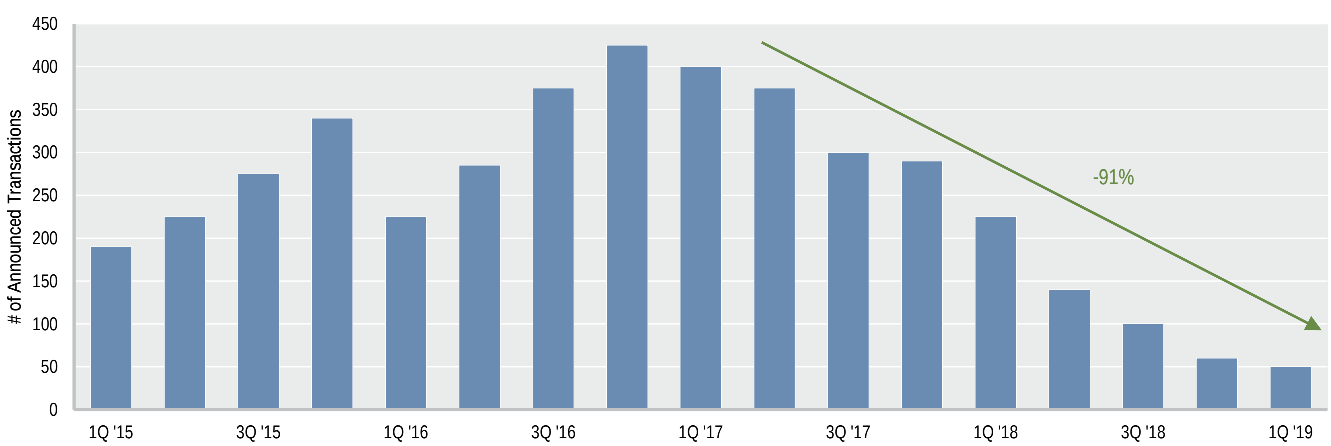
Energy equity valuations remain low.

ENERGY EQUITIES: WEIGHTING AS A PERCENT OF THE S&P 500

Source: Bloomberg.

Energy equities have reached a historic level of unimportance.

PACE OF ACQUISITIONS AND DIVESTITURES ACTIVITY SLOWING CONSIDERABLY

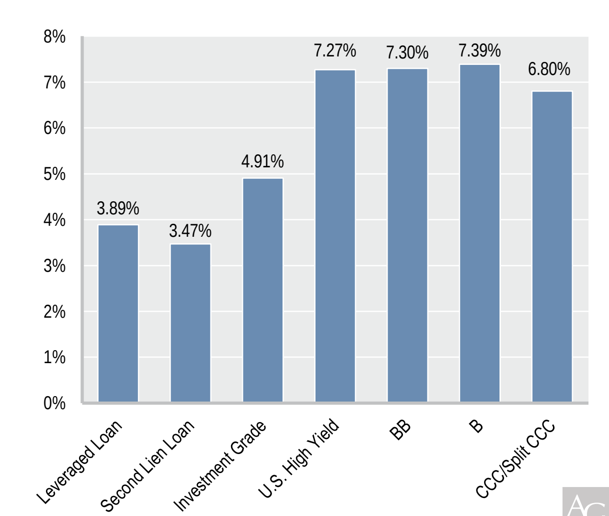


Source: BMO Capital Markets.

As traditional buyers have now become sellers, acquisition and divestiture activity has stalled, declining by 91% since Q4 2016.

DISTRESSED DEBT

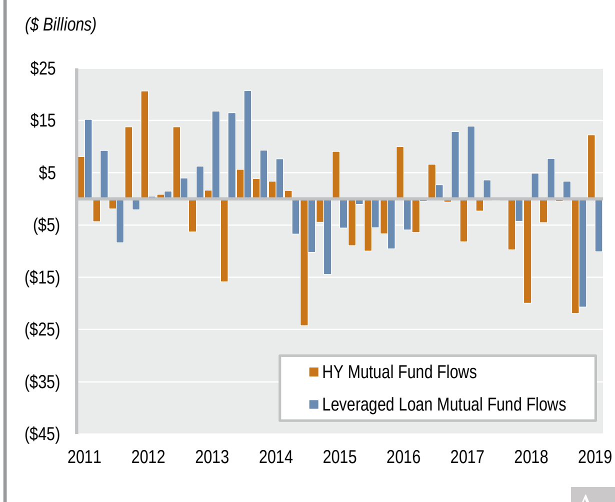
CORPORATE CREDIT PERFORMANCE



Source: J.P. Morgan, as of March 31, 2019.

High yield is off to its strongest start on record, though lower quality is underperforming.

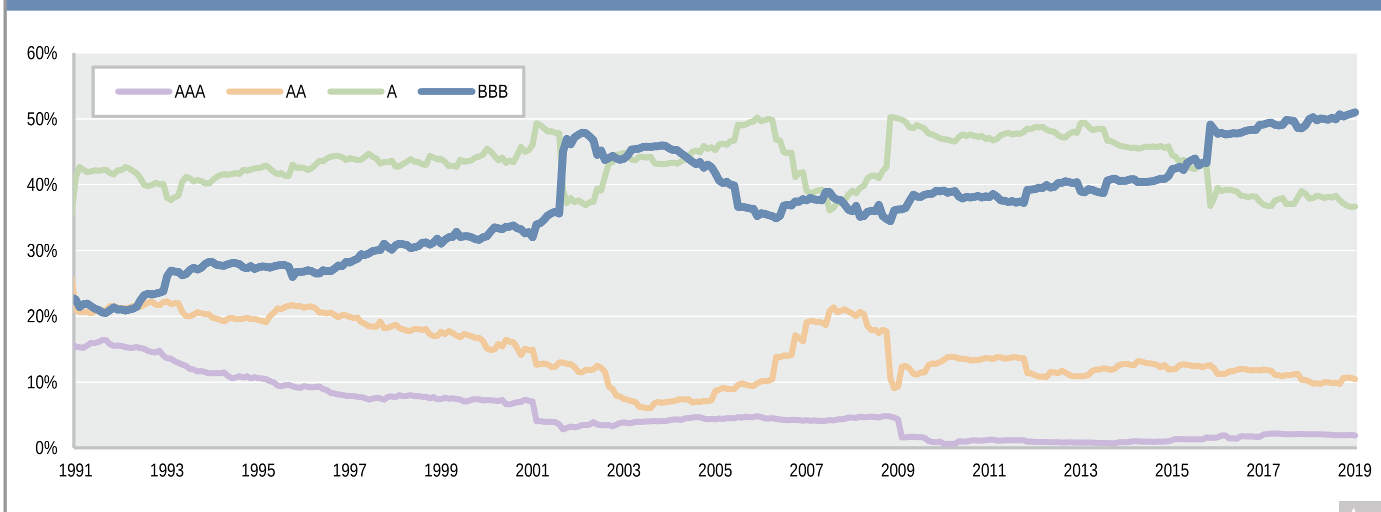
HIGH YIELD AND LEVERAGED LOAN FUND FLOWS



Source: J.P. Morgan.

As expectations of rate increases have waned, investors have shifted from loans into high yield.

QUALITY BREAKDOWN OF THE INVESTMENT GRADE INDEX

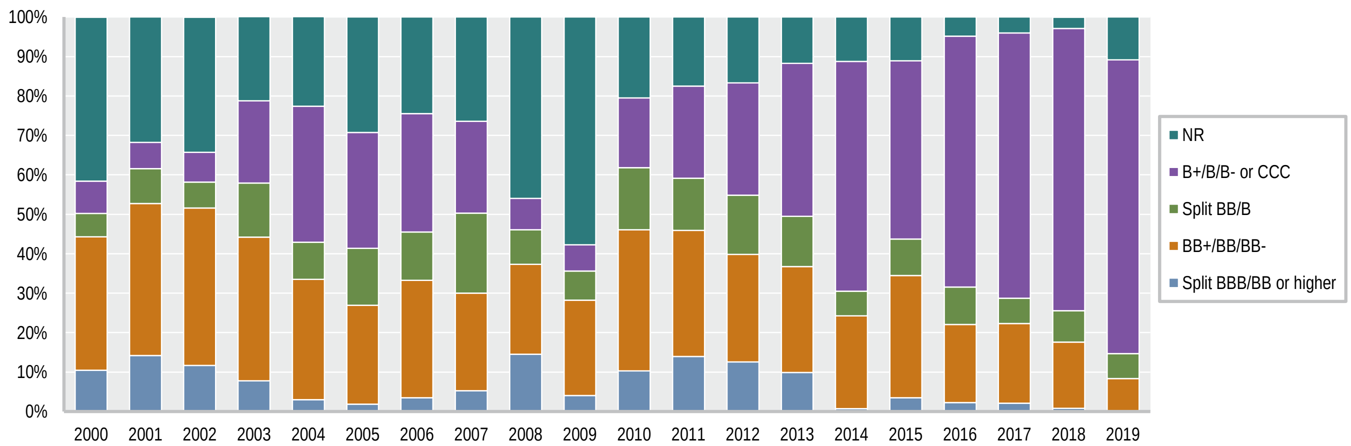


Source: FTSE Fixed Income LLC.

BBB now represents 50% of the Investment Grade Index.

DISTRESSED DEBT *(continued)*

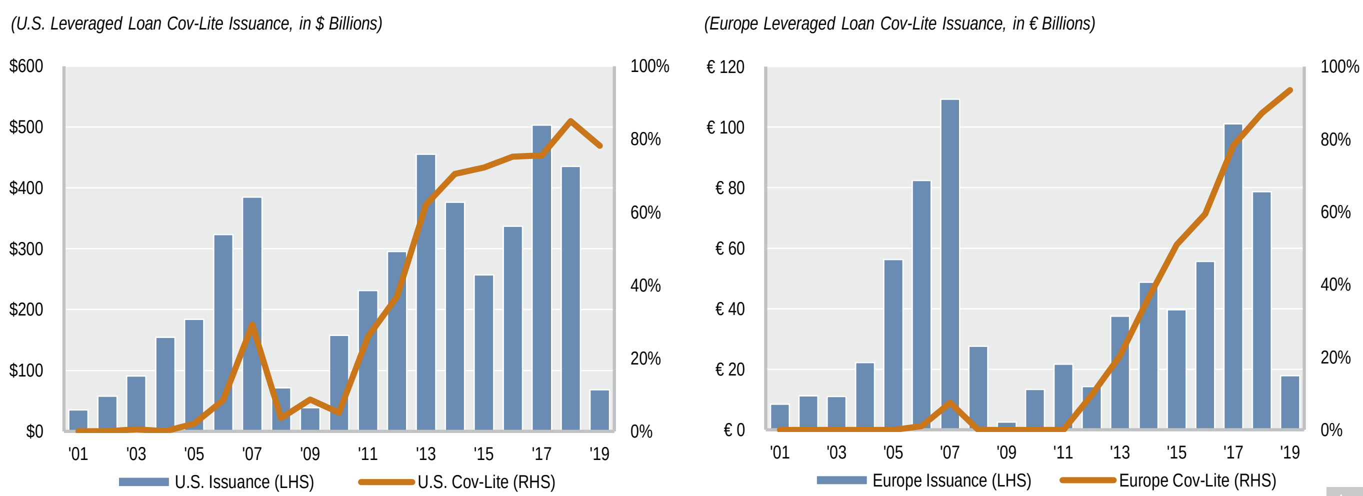
LEVERAGED LOAN ISSUANCE BY RATING



Source: Morgan Stanley Research, S&P LCD.

Lower-rated loans continue to dominate new issuance.

COVENANT-LITE ISSUANCE

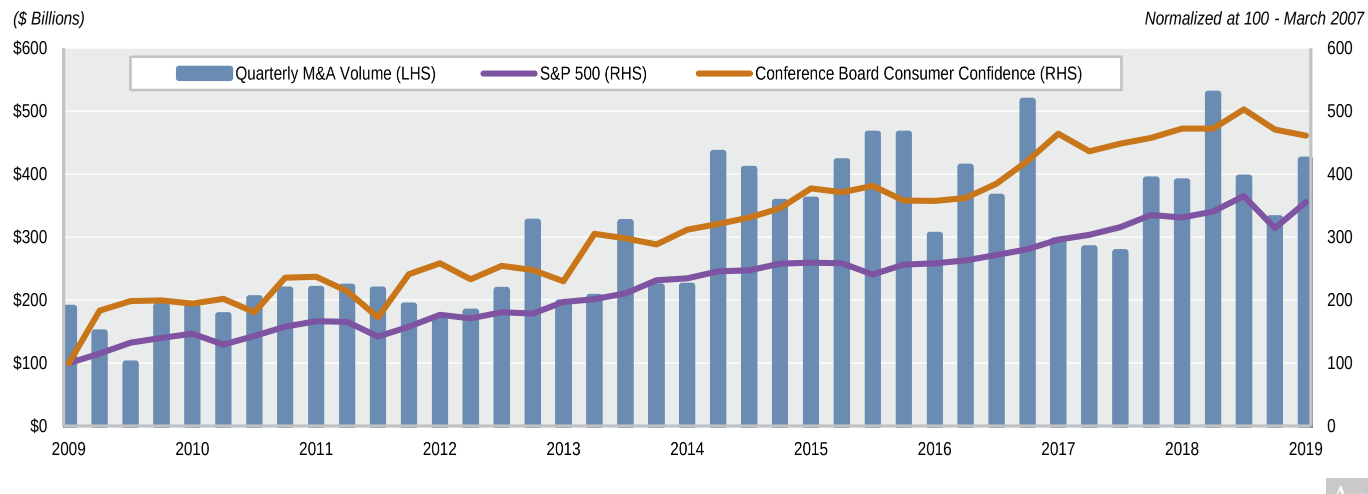


Source: Deutsche Bank.

Loan issuance again declined year-over-year, though the proportion of covenant-lite remains significant.

MERGER & CONVERTIBLE ARBITRAGE

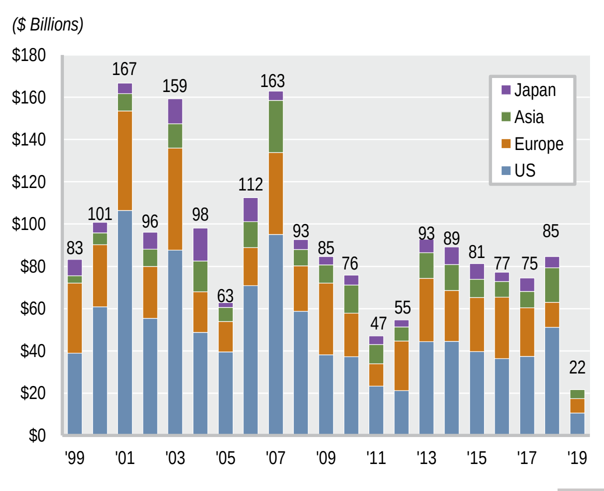
QUARTERLY NORTH AMERICA M&A VOLUME VS S&P 500 AND CONSUMER CONFIDENCE



Source: Bloomberg.

The return of large-cap deals helped M&A volumes remain strong despite a decline in deals announced.

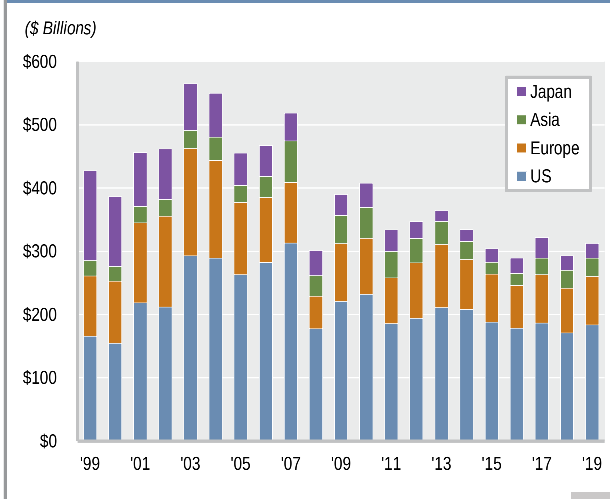
ANNUAL CONVERTIBLE ISSUANCE BY REGION



Source: Bank of America Merrill Lynch.

2019 global new issuance is off to a solid start.

MARKET SIZE BY REGION

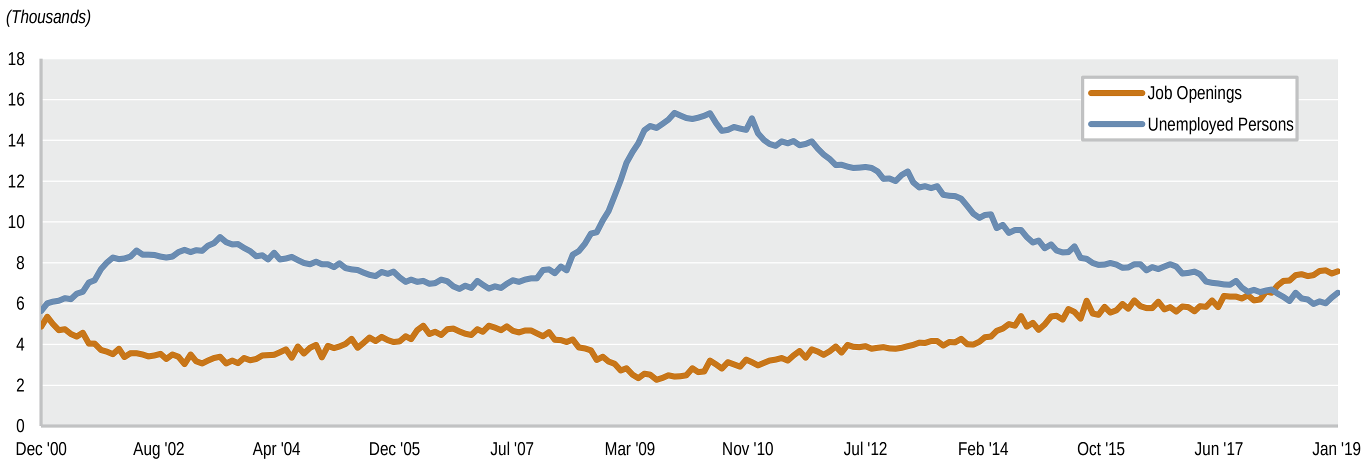


Source: Bank of America Merrill Lynch.

Global convertible market cap has risen above $300 billion.

RESIDENTIAL AND CONSUMER DEBT (RMBS/ABS)

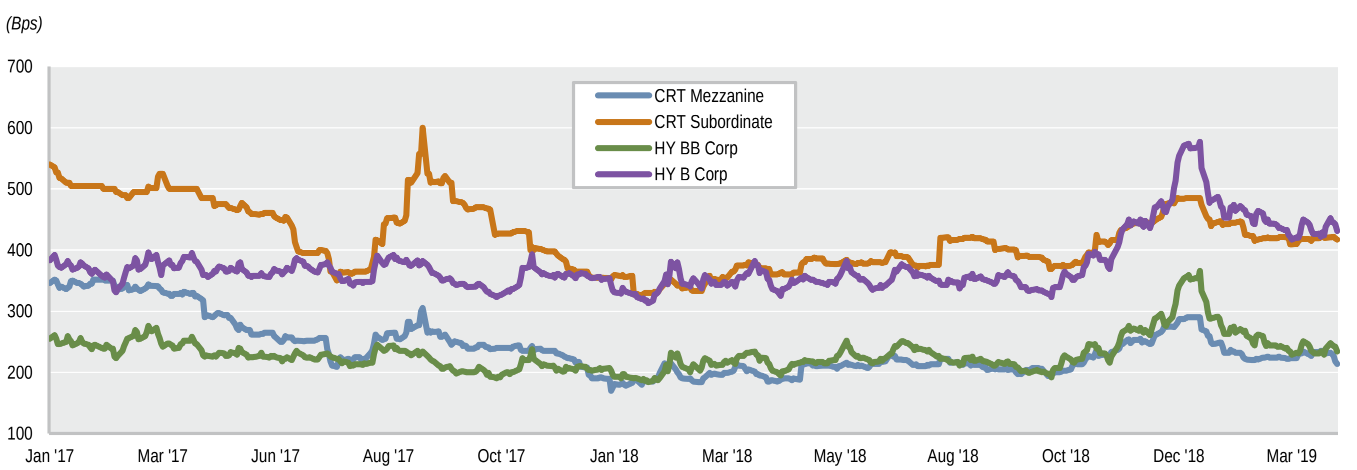
JOB OPENINGS GREATER THAN UNEMPLOYMENT



Source: Bureau of Labor Statistics, Bloomberg.

The tight labor market continues to support the health of the U.S. consumer.

CRT SPREADS

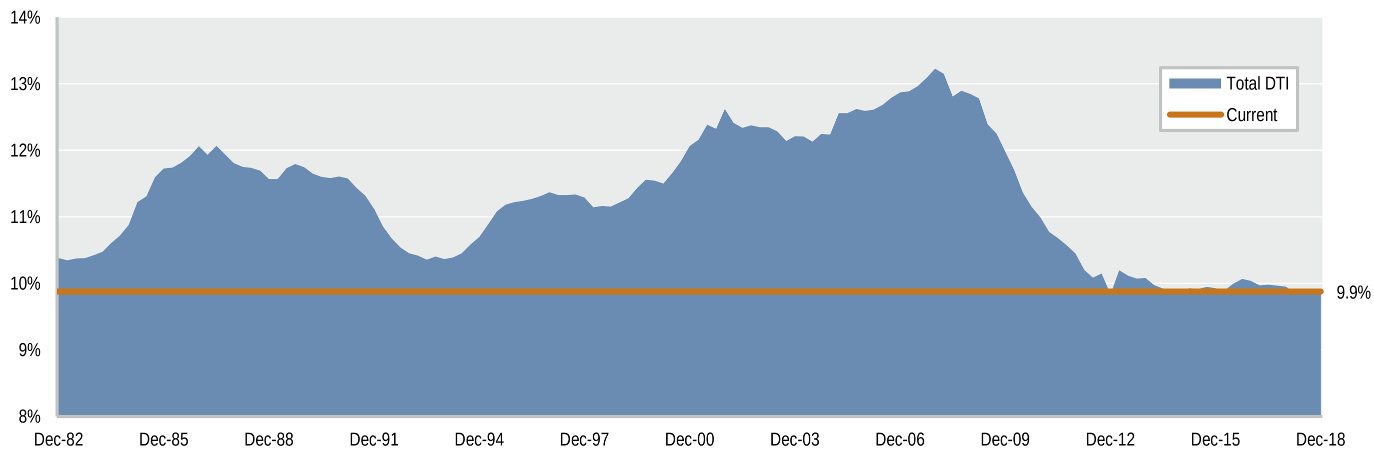


Source: Bank of America Merrill Lynch.

Spreads for CRT, a product often benchmarked to high yield corporates, retraced Q4's widening to start the quarter and continued to tighten during the balance of the quarter.

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

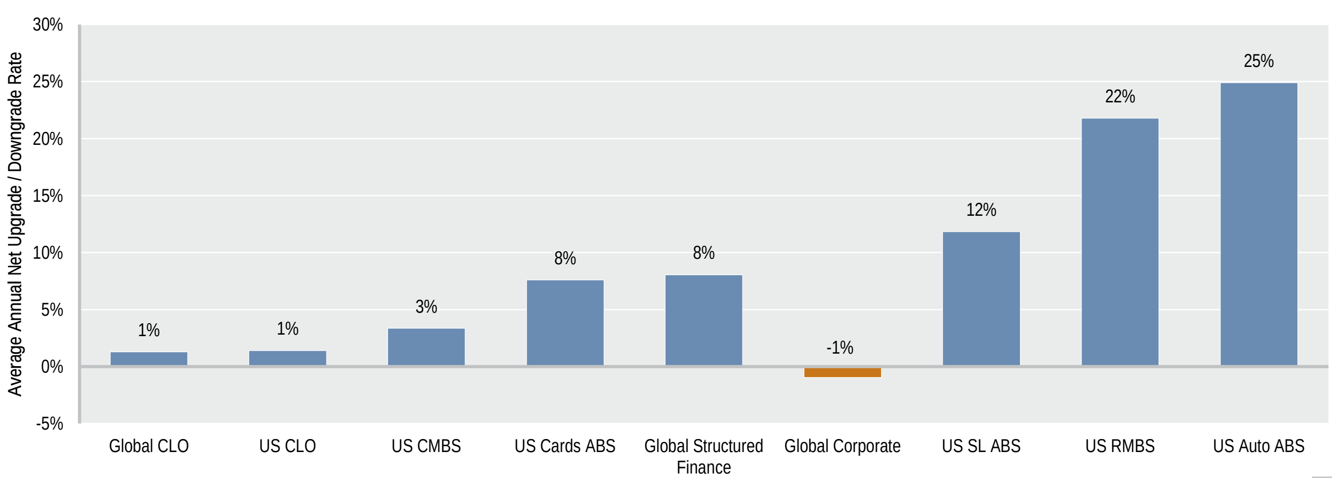
DEBT TO INCOME RATIO



Source: Federal Reserve, Morgan Stanley Research.

Household debt-to-income is close to historic lows.

ABS NET UPGRADES AND DOWNGRADES

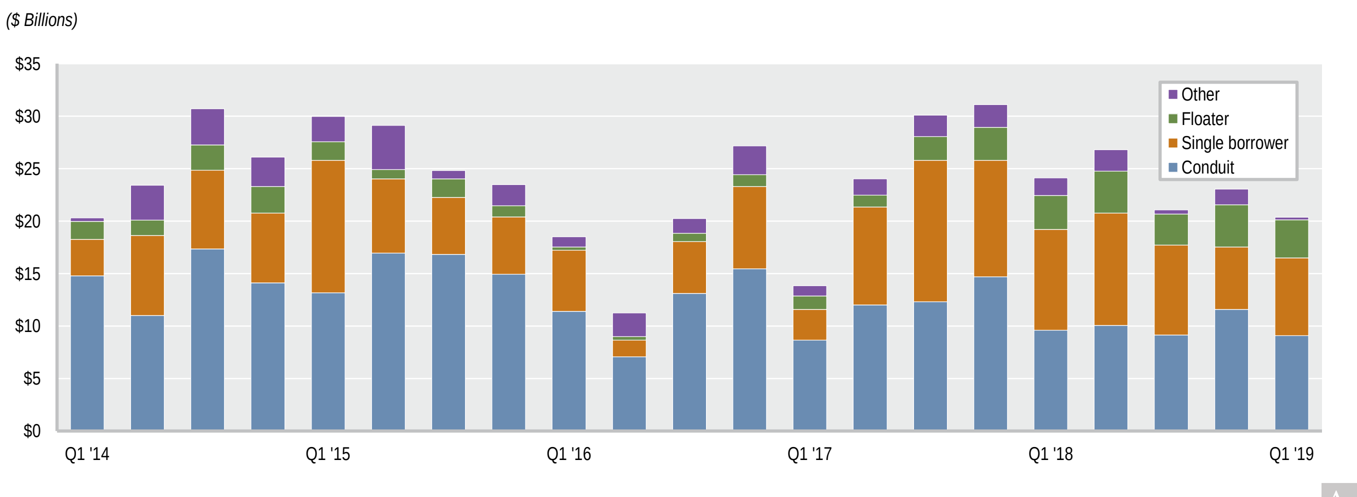


Note: Five year average of 12-month net upgrade and downgrade rate (July 2013 - July 2018).
Source: Moody's, Goldman Sachs Global Investment Research.

ABS tranches have experienced more upgrades than many corporate credit securities.

COMMERCIAL REAL ESTATE DEBT (CMBS)

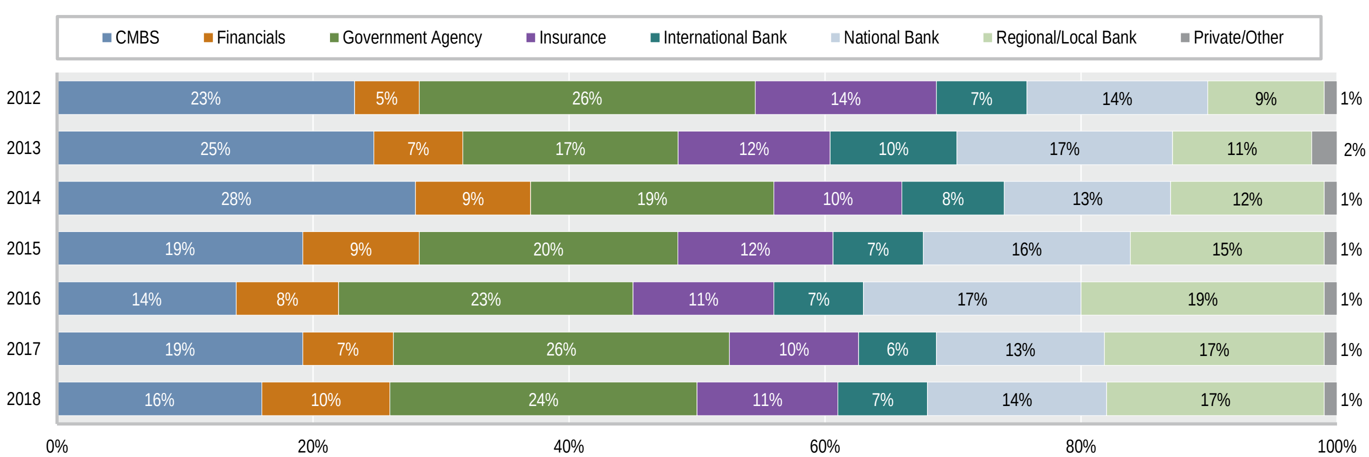
QUARTERLY PRIVATE LABEL ISSUANCE



Source: Credit Suisse, Commercial Mortgage Alert.

Quarterly new issue declined slightly versus Q4 2018, providing further support to positive technicals and fundamentals for CMBS.

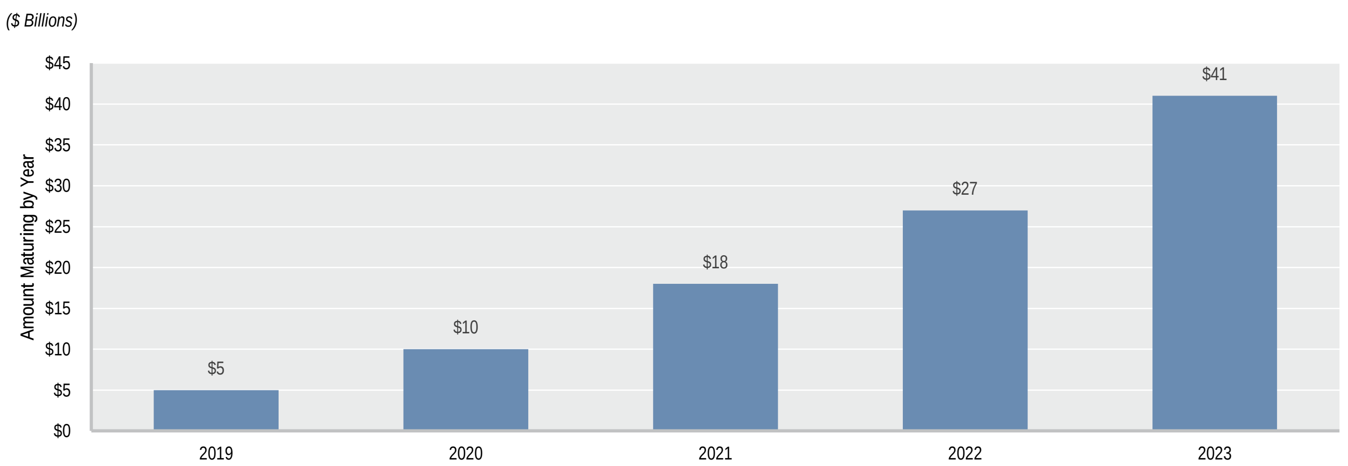
COMMERCIAL REAL ESTATE LENDING MARKET SHARE



Source: Real Capital Analytics, Bank of America Merrill Lynch.

CMBS market share declined year-over-year as "shadow banks" have amassed dry powder to deploy; this has resulted in increased competition in certain lending segments such as bridge and transitional financing.

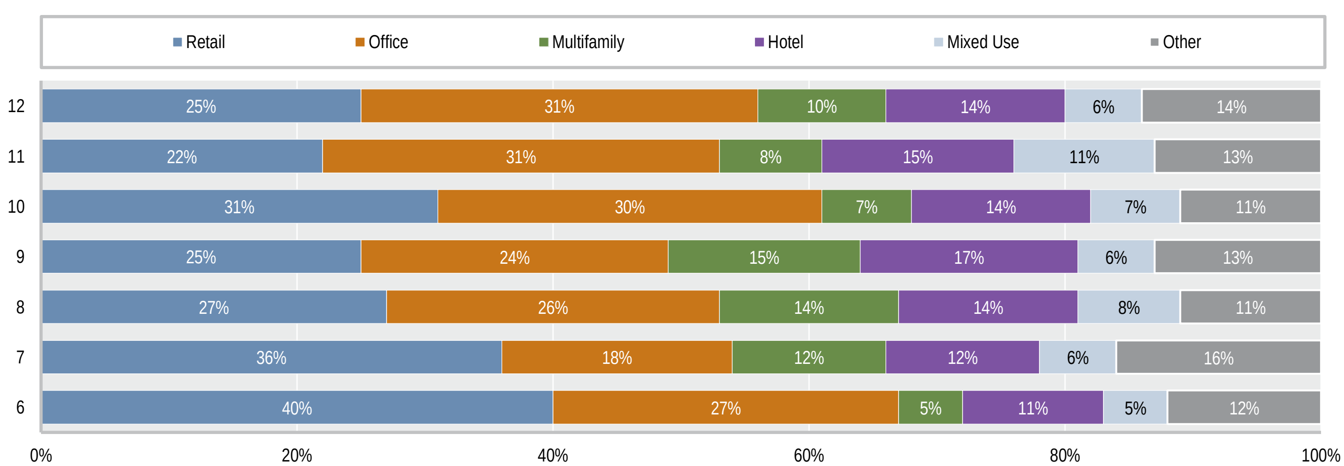
CONDUIT CMBS MATURITIES



Source: Intex, Bank of America Merrill Lynch.

Although upcoming CMBS maturities are modest, an increasing share of new issue conduit loans has come from non-conduit refinancings.

CMBX PROPERTY TYPE

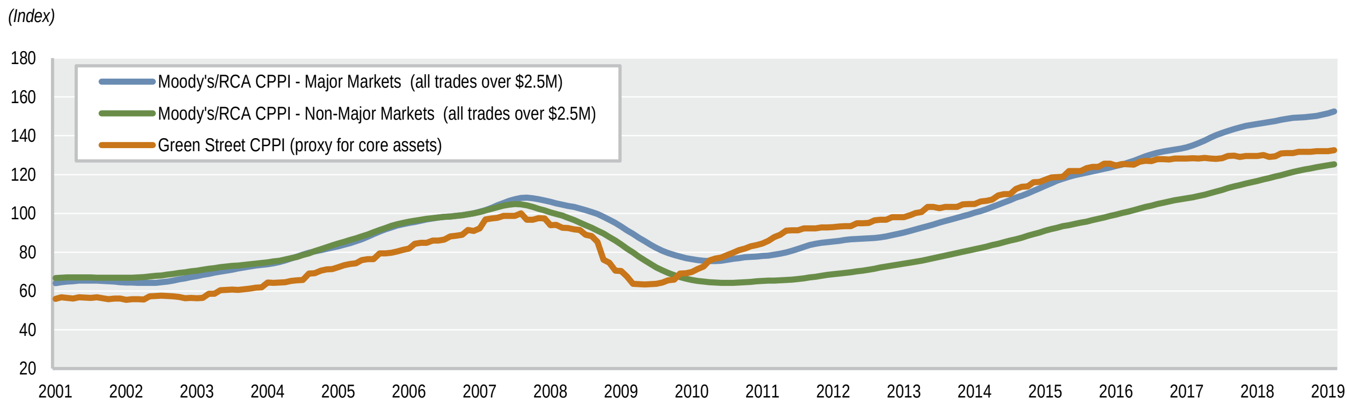


Note: Average collateral attributes, CMBX underlier deals, by series. Office includes Suburban and Single Tenant.
Source: Trepp, Goldman Sachs Global Investment Research.

Recent CMBX indices have had less exposure to retail, reflecting less overall retail exposure in recently originated conduit CMBS deals.

REAL ESTATE – UNITED STATES

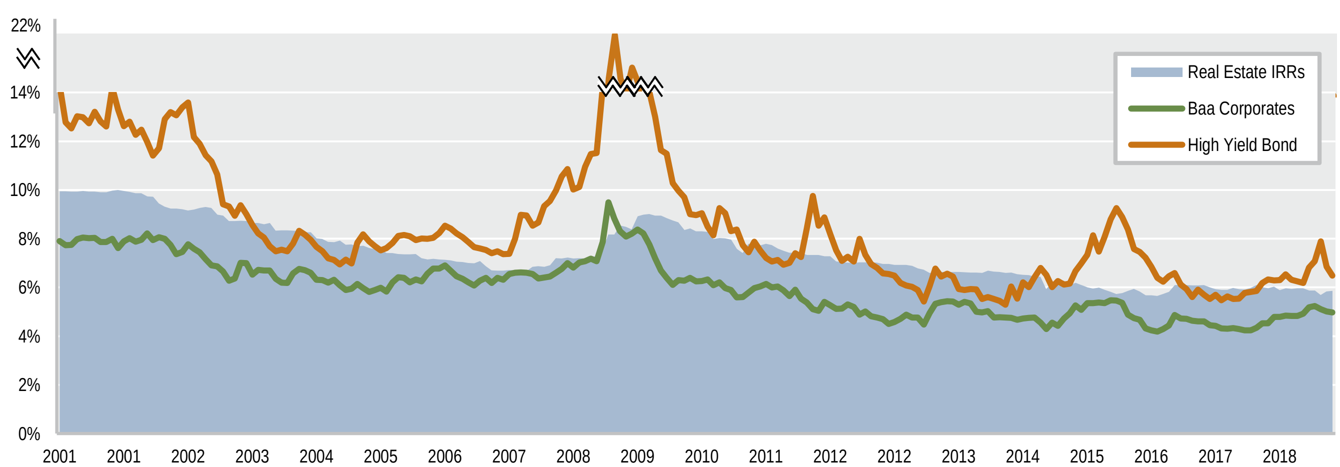
COMMERCIAL REAL ESTATE PRICE INDICES



Source: 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 Feb '19), Green Street Advisors – Commercial Property Price Index (Green St CPPI) (data through Nov '18). Note: For this chart, Green St CPPI was indexed to 100 at it's 2007 peak (Aug 2007) and Moody's CPPI was indexed at 100 in Dec 2006.
Note: Major markets include Boston, Chicago, Washington D.C. Metro, Los Angeles Metro, New York City Metro and San Francisco Metro.

Price gains continue to level off in core markets, while broader market pricing continues to move modestly upward. Across the major sectors, apartments and industrial have led the way in price growth, while retail continues to lag.

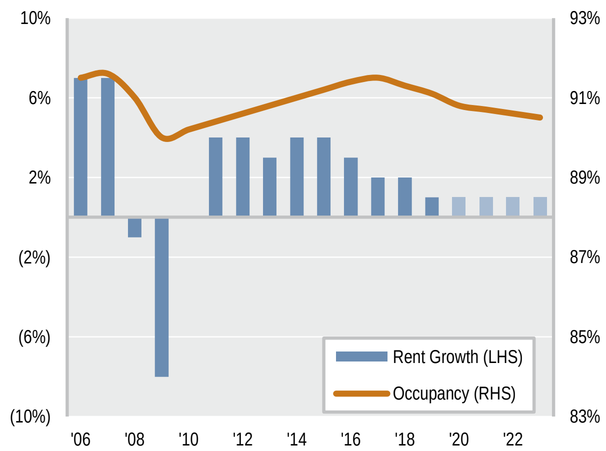
UNLEVERED TOTAL RETURN EXPECTATIONS ON REAL ESTATE VS. CORPORATE BOND YIELDS



Real Estate IRRs 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 '19), Moody's (Baa Corporates), BAML (High-Yield Bonds).

Unlevered real estate has historically offered a return between investment grade and high yield bonds. Given the recent tightening in spreads, real estate appears fairly priced.

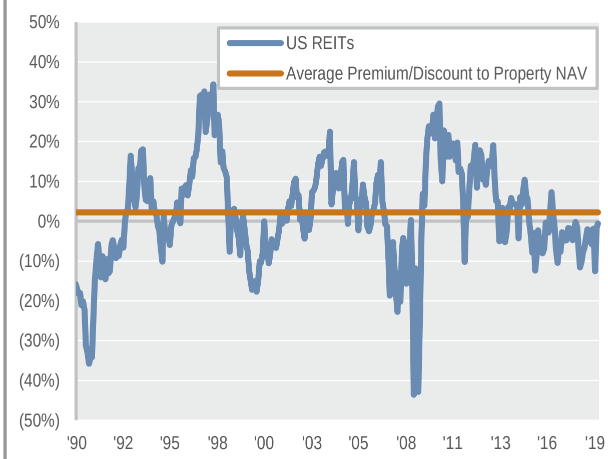
OCCUPANCY AND RENT GROWTH – MAJOR SECTOR AVERAGE



Source: Green Street Advisors.

As supply growth has ramped up, the pace of rent growth has slowed and occupancy has modestly declined.

SYNCHRONIZED PUBLIC-PRIVATE PRICING VALIDATION



Source: Green Street Advisors.

After a period of sustained discount to NAV, current pricing parity reflects a return to cycle trend growth and a more patient monetary policy.

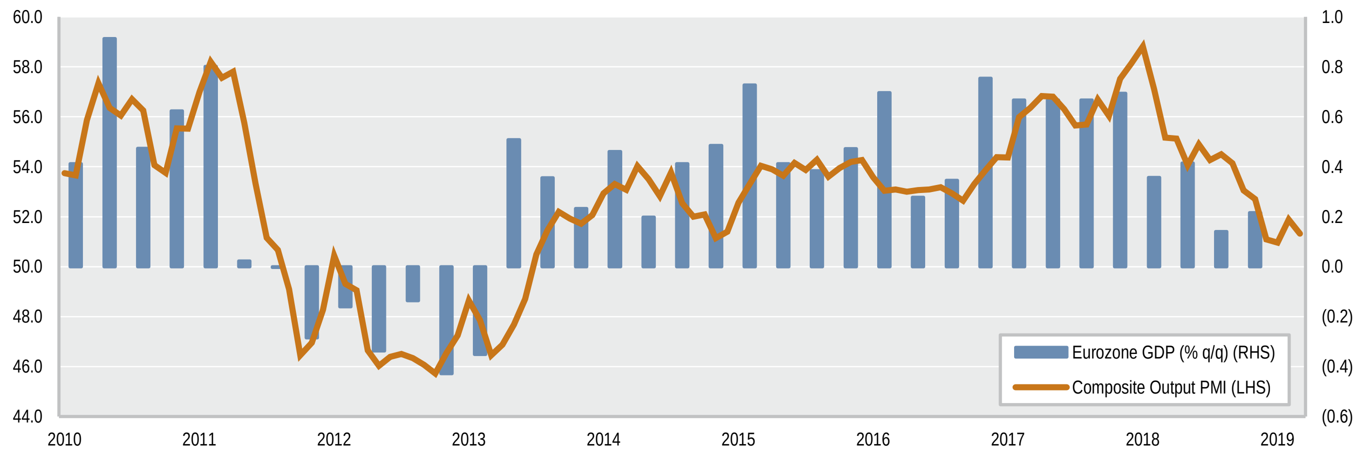
SUPPLY BY SECTOR

Source: Green Street Advisors.
Note: Shaded area represents new supply from anchor closures. Strip retail faces similar dynamic. Estimates are not shown because impact has not been quantified.

New supply is at cycle peak but leveling off, and senior, student, and storage have seen the heaviest new supply as a percentage of existing stock.

REAL ESTATE – EUROPE

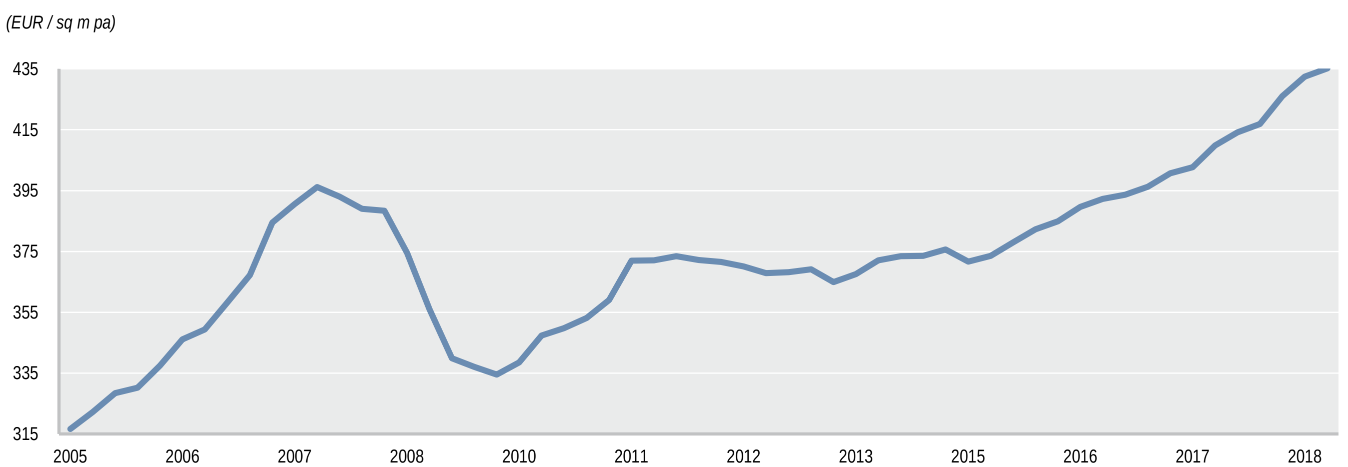
EUROZONE GDP & COMPOSITE PMI



Source: Refinitiv, Markit, Capital Economics.

Surveys such as PMI are suggesting continued economic slowdown.

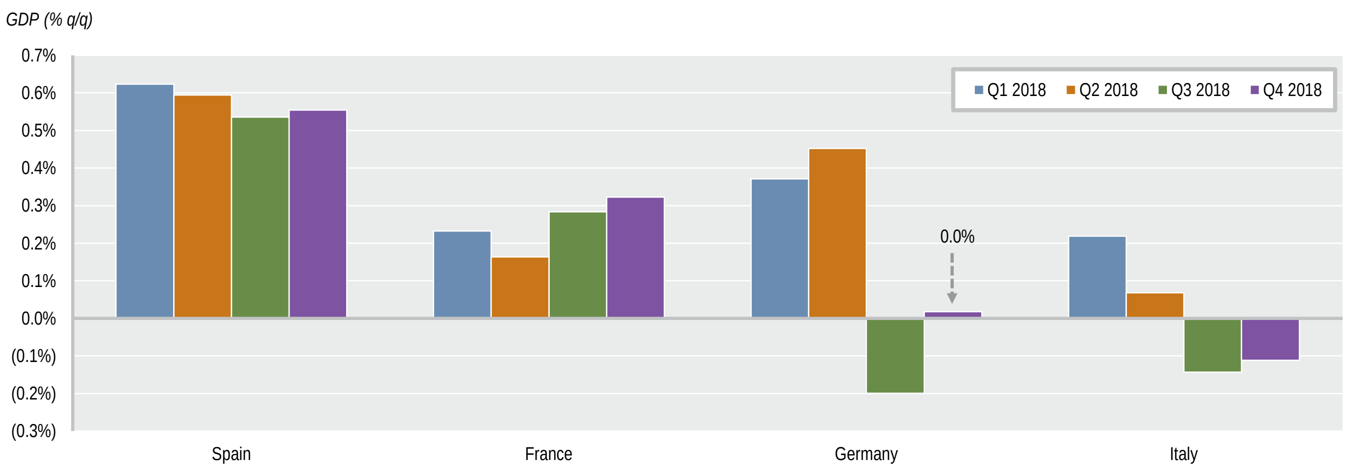
PRIME EUROPEAN OFFICE RENTAL INDEX



Note: Weighted Nominal Rental Trend, 1980 = 100
Source: JLL, April 2019

Office rents continue to grow, primarily due to limited new supply as opposed to economic expansion.

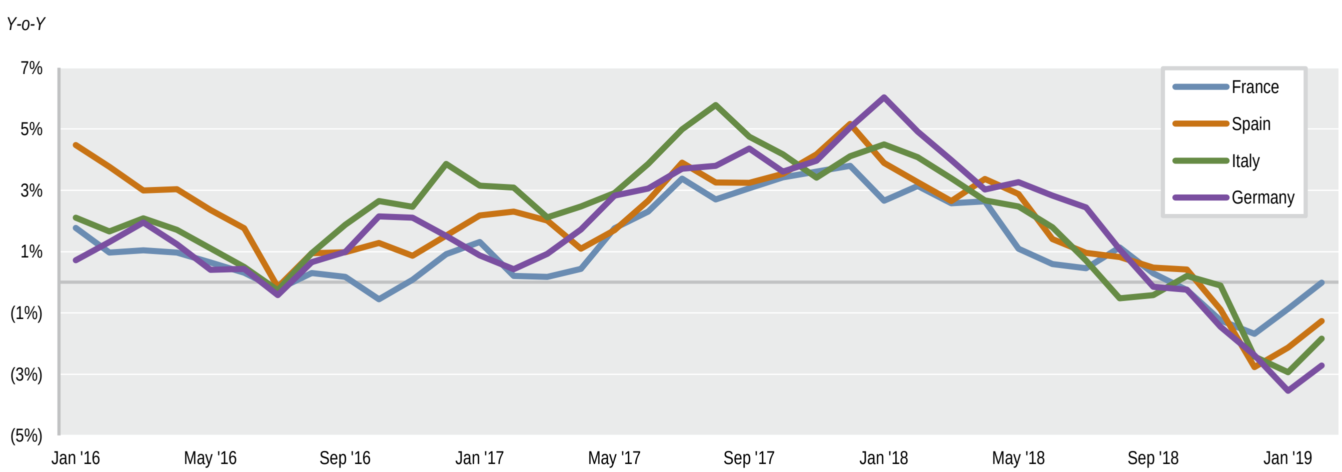
GDP OF SELECT EUROZONE MEMBERS



Source: Refinitiv, Capital Economics.

Slower global growth is impacting Germany.

INDUSTRIAL PRODUCTION

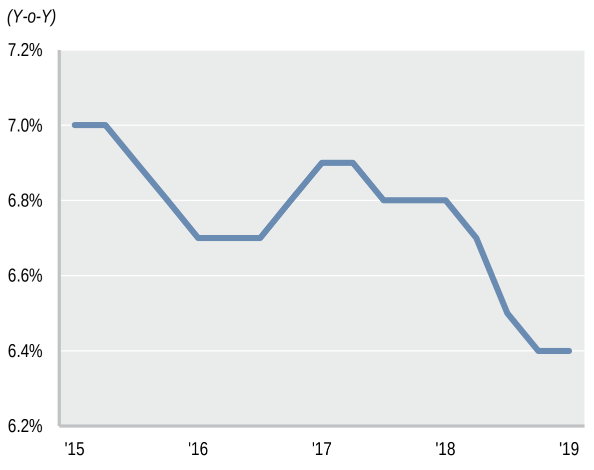


Source: Refinitiv, Capital Economics.

2018 saw a downshift in industrial production across Europe.

REAL ESTATE – ASIA

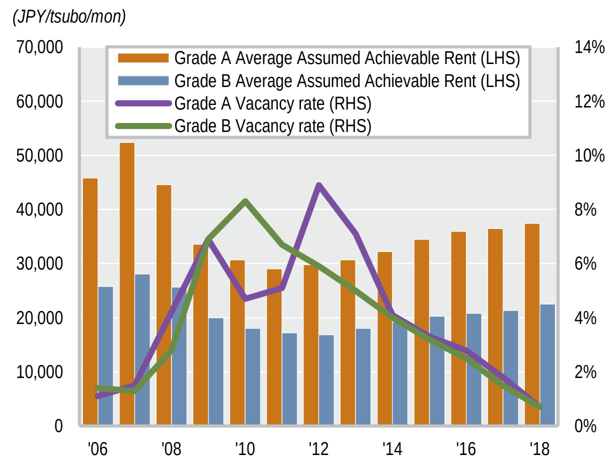
CHINA GDP GROWTH RATE



Source: National Bureau of Statistics of China.

GDP growth remains in the 6.0% – 6.5% range.

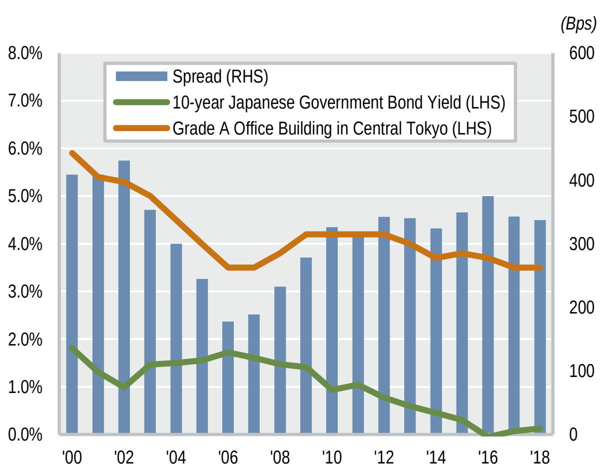
TOKYO'S 23 WARDS GRADE A & B OFFICE RENT AND VACANCY



Source: CBRE (September 2018).

Tokyo office fundamentals continue to be strong with vacancy falling to nearly 0% and rents rising.

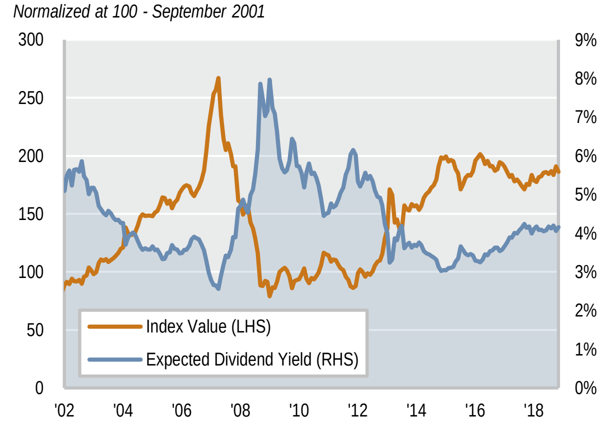
TOKYO GRADE A OFFICE CAP RATES VS. BORROWING COSTS



Source: Japan Real Estate Institute.

Cap rate spreads continue to be wide at nearly 350 bps.

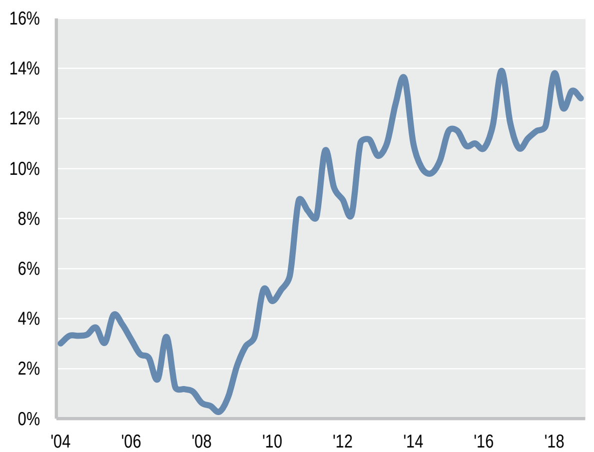
JAPANESE REAL ESTATE INVESTMENT TRUST (J-REIT) INDEX AND DIVIDEND YIELD



Source: Sumitomo Mitsui Trust Research Institute Co.

The J-REIT index continues to perform well.

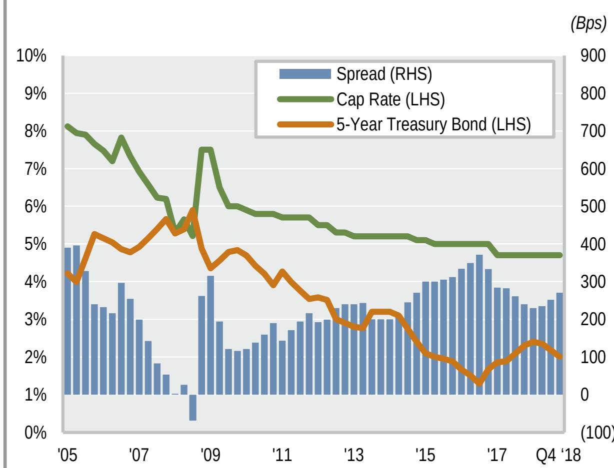
SEOUL OFFICE VACANCY RATE



Source: Jones Lang Lasalle Research.

Seoul office vacancy remains high as new supply continues to weigh on the market.

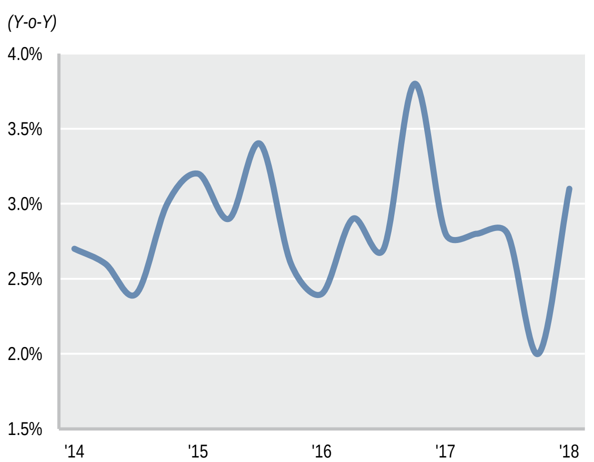
SEOUL PRIME OFFICE CAP RATE AND SPREAD OVER 5-YEAR TREASURY YIELD



Source: Savills Research.
Note: 5-year treasury is average for quarter.

Cap rate spreads remain wide at over 250 bps.

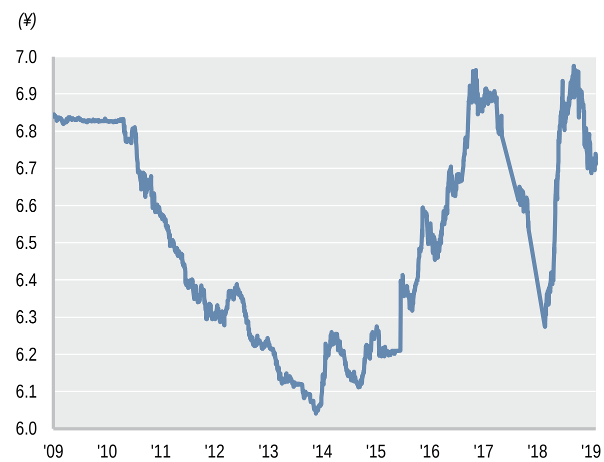
KOREA GDP GROWTH



Source: Bank of Korea.

GDP growth rebounded in the fourth quarter.

USD VS. CNY

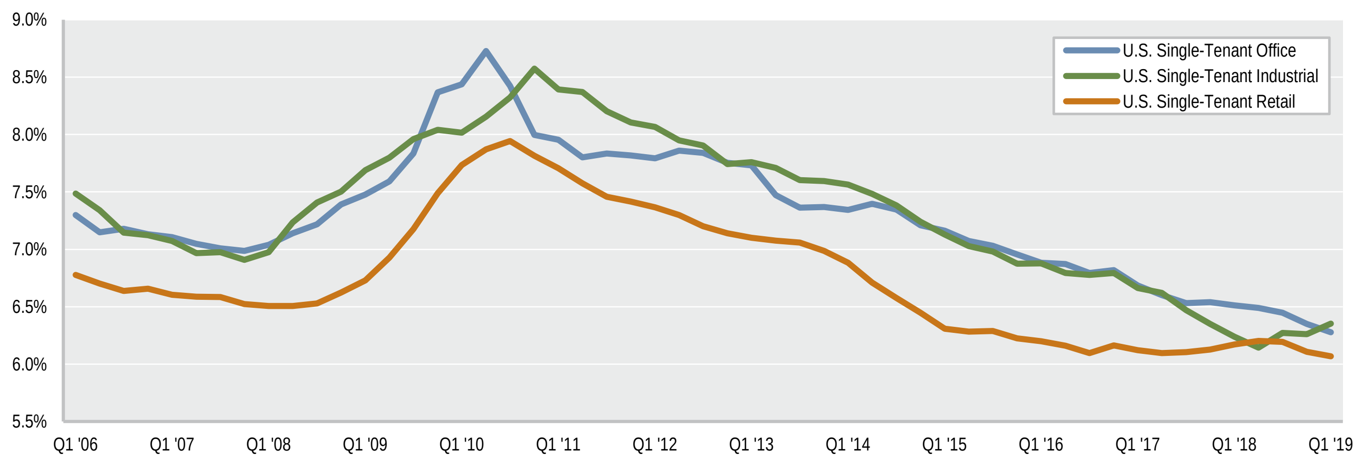


Source: Bloomberg.

CNY strengthened against USD in late 2018 and into early 2019.

NET LEASE REAL ESTATE

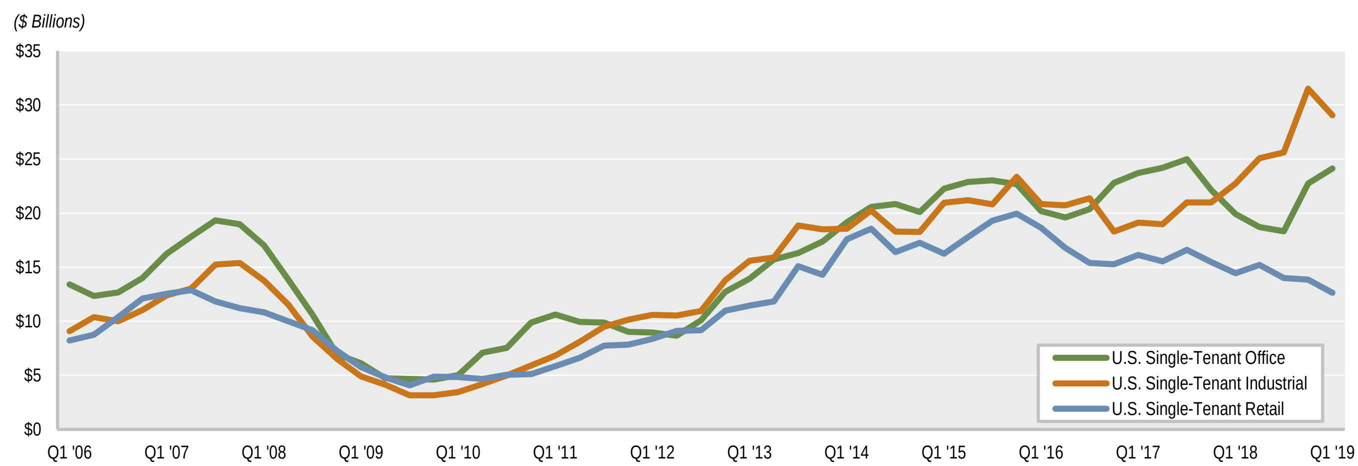
AVERAGE SINGLE-TENANT CAP RATES



Source: Real Capital Analytics.

Office cap rates continue to compress, while industrial cap rates have increased since Q2 2018.

12-MONTH ROLLING SINGLE-TENANT DEAL VOLUME

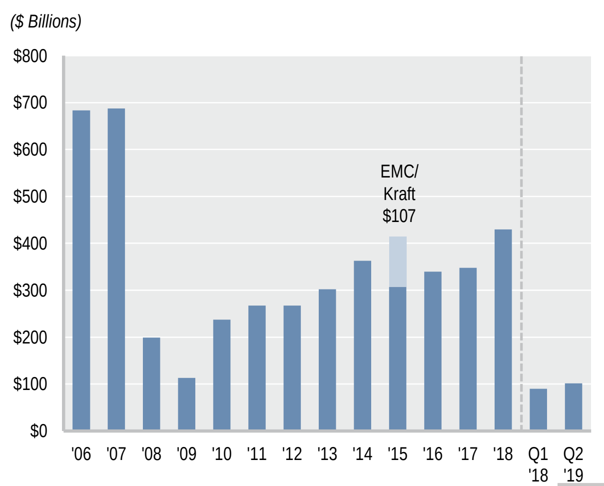


Source: Real Capital Analytics.

While there was a slight decline in Q1 2019 volume, overall levels remain above prior years.

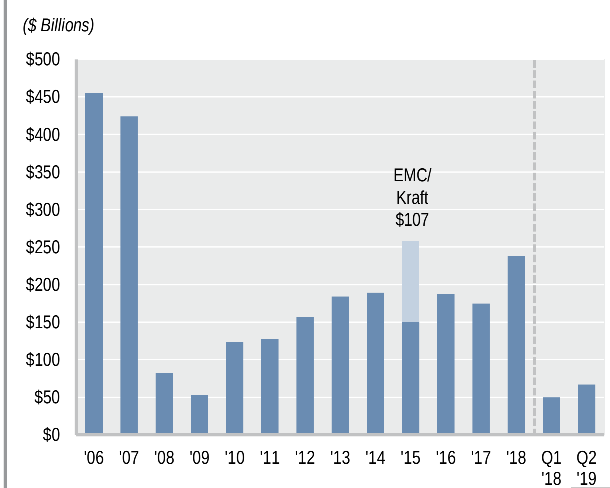
PRIVATE EQUITY

GLOBAL LBO DEAL VALUE



Source: Preqin.

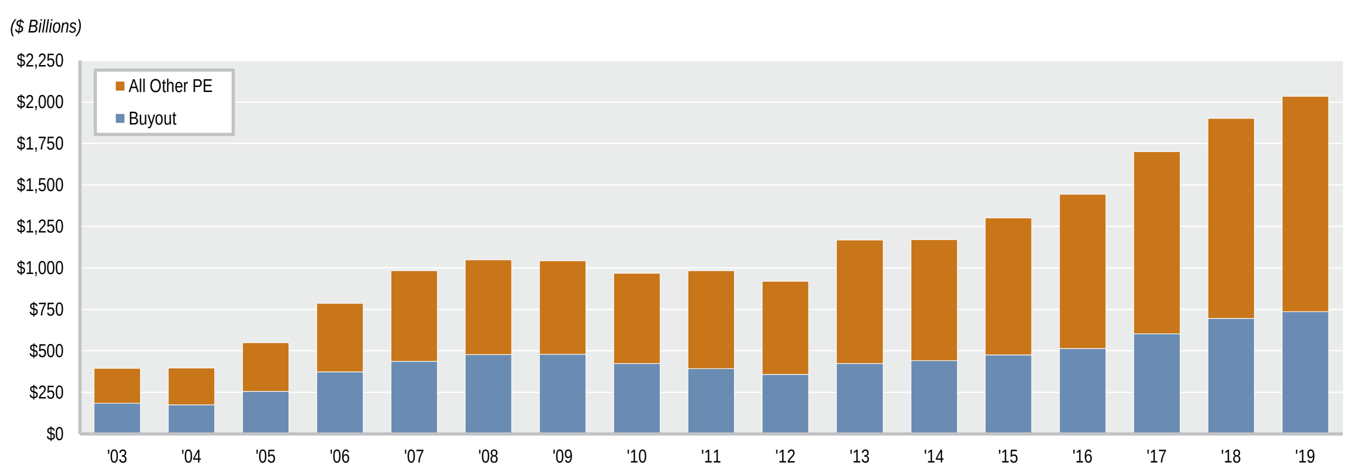
NORTH AMERICA LBO DEAL VALUE



Source: Preqin.

Q1 2019 year-over-year deal volume increased 34% in North America and 13% globally.

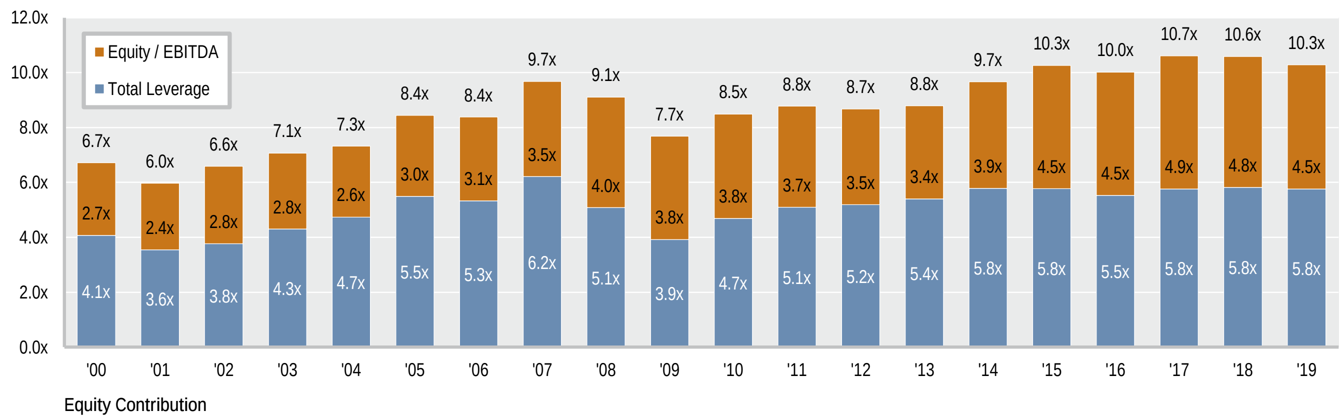
GLOBAL PRIVATE EQUITY DRY POWDER



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

Buyout dry powder at March 31, 2019, which stood at an all-time record of $736 billion, increased 6% from the end of 2018.

LBO PURCHASE PRICE BREAKDOWN

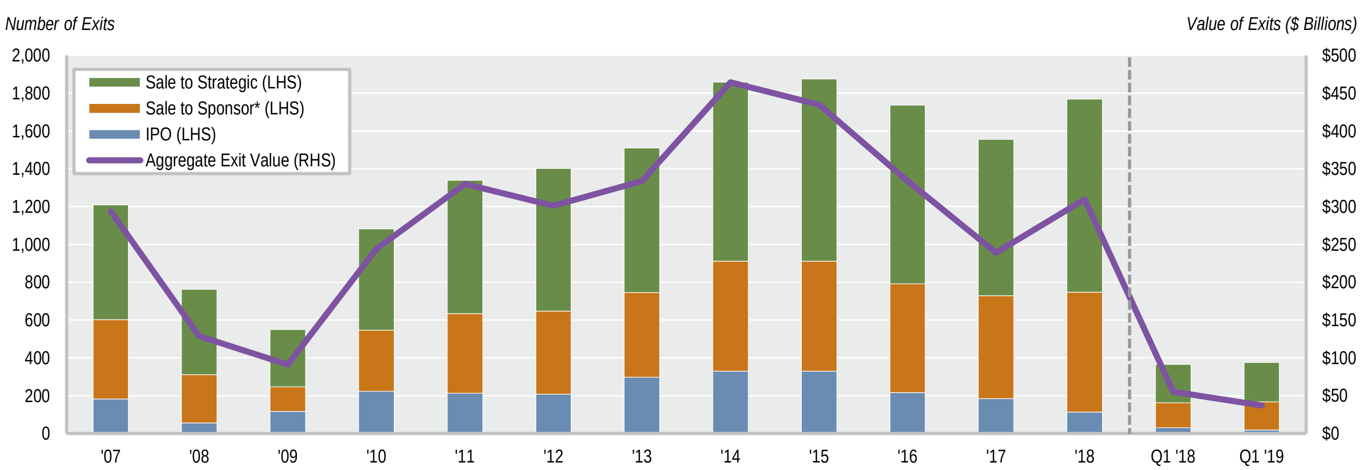


34%	35%	37%	35%	33%	30%	31%	31%	39%	46%	41%	38%	38%	36%	37%	40%	41%	41%	43%	42%

Source: S&P Capital IQ LCD.

LBO multiples in the first quarter of 2019 (10.3x) remained high and were slightly below the 10.6x level set in calendar 2018.

PRIVATE EQUITY EXITS



** Sale to Sponsor includes management-led buyouts.*
Source: Preqin.

Q1 2019 was a strong period year-over-year with the number of exits increasing 3%; however, the dollar volume was weaker, with a year-over-year decrease of 30% reflecting smaller monetizations.

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