ANGELO GORDON

CAPITAL MARKETS PERSPECTIVES

FIRST QUARTER 2021

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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 $42 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.

Co-CIO Overview

2020 was a year we will never forget. COVID-19 claimed lives globally and changed the way we live, learn, and work, as records were set across financial markets and economies. U.S. GDP shrank 30% in 2020, more than a third of the 2008 drop, while asset prices plunged. In response, governments and central banks provided unprecedented support, both in terms of speed and magnitude.

The U.S. corporate credit market was among the first to recover. U.S. investment grade and high yield saw record inflows, with $47 billion of inflows to active high yield funds and ETFs. As the primary corporate credit market reopened, issuers came into the market to boost their cash hoards against a recession. U.S. investment grade and high yield bond markets posted record full-year issuance at $1.8 trillion and $450 billion, respectively.

With the reopening of capital markets, default rates were better than anticipated. U.S. high yield and leveraged loans ended 2020 with default rates of 6.4% and 3.9%, respectively. This U.S. credit cycle is reminiscent of the 2015-2016 cycle, with the energy sector driving the bus. Energy accounted for 45% of the U.S. corporate credit defaults and was the only high yield sector with a negative return in 2020.

Convertible bond issuance in the U.S. totaled $106 billion, bringing the global universe to a record size of $509 billion. The sector returned 45%, benefiting from the strong performance of growth equities and increased volatility. Although 2020 saw muted M&A activity, the record cash balance provides upside potential for pent-up M&A activity, as the war chests amassed by free cash flow-positive investment grade companies are a potential source for buybacks and M&A. SPACs also saw record issuance at $79 billion, more than half of which was raised in the fourth quarter – primarily from the IT, consumer discretionary, and healthcare sectors.

In structured credit, spreads rallied from March extremes, however certain sub-sectors remain wide of pre-pandemic levels. Meanwhile, collateral fundamentals have outperformed, as home price appreciation and home supply have been beating expectations. U.S. consumers and mortgages will also benefit from the second relief package passed in December. In commercial real estate debt, spreads for AAA conduit tranches began 2020 at swaps plus 95 basis points and ended the year at around swaps plus 80, while BBB- conduit tranches started the year in the mid-300s and ended 2020 in the low 400s.

The year ended with more than 70% of global bonds trading below 1% yield. Combined with the announcement of $1.9 trillion of fiscal support and the expected continuation of dovish monetary policy, the thirst for yield is likely to persist and intensify in this excess liquidity environment.

Turning to global real estate, ongoing pandemic-related economic uncertainty has continued to challenge the market. As countries have had to manage through rolling waves of COVID-19 infections and related government-imposed shutdowns, the usage of many real estate asset classes has continued to be disrupted, putting particular pressure on retail, hospitality, and office properties. However, the combination of government stimulus, near-record low interest rates, and significant dry powder has provided support for the real estate market, which helped accelerate global commercial property transactions in the fourth quarter of 2020 relative to the prior two quarters.

Lenders have continued to be accommodative to borrowers, which has substantially delayed broad distress in the market and limited forced sales activity. However, we are beginning to see instances of dislocation in which we can act opportunistically. Additionally, the availability of debt financing has improved since the onset of the pandemic, though lenders continue to show caution when it comes to more challenged property types. Despite the development of multiple vaccines, we believe it will take time for confidence to return to the marketplace.

In the U.S., commercial property transaction volume increased in the fourth quarter relative to previous quarters, down 19% year-over-year, as compared to a full-year 2020 decrease of 32%. Muted transaction volume is occurring against a backdrop of investor concern over rent collections, rental rates, and growth prospects in the intermediate and long term, compounded by the resurgence of COVID-19. On the valuation front, the Green Street Commercial Property Price Index declined 8% in 2020, but with significant variation by property type.

In Europe, another wave of COVID-19 cases has led to new lockdowns, putting continued pressure on economies across the region. Fourth quarter eurozone GDP contracted 3% quarter-over-quarter, and unemployment reached 8.5% in November, reversing some of the progress made in the third quarter. Despite a flurry of activity in the fourth quarter, total 2020 commercial property transaction volume was down 20-25% year-over-year across Europe and the UK.

Asia has demonstrated its relative economic strength compared to the U.S. and Europe. Japan, Korea, and China all exhibited economic growth in the second half of 2020, which has supported the Asian real estate market. Across the region, leasing and investment momentum in the logistics sector has been robust, with the outbreak of COVID-19 catalyzing the continued growth of the e-commerce industry. In the office sector, cap rates for prime stable assets continue to compress, but activity remains slow in both sales transactions and leasing volumes.

As we move into the new year, we hope that you, your families, and your colleagues are remaining safe and healthy.

Josh Baumgarten
Co-Chief Executive Officer
Co-Chief Investment Officer
Head of Credit

Adam Schwartz
Co-Chief Executive Officer
Co-Chief Investment Officer
Head of Real Estate

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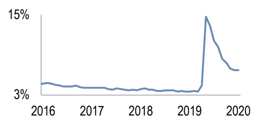
Economic Dashboard & Market Indices

JOB MARKET
Five-Year Trend

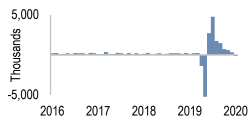
U.S.—Unemployment Rate *As of 12/31/2020*

Latest Level	6.7
Change from Prior Period	0.0
Frequency	Monthly



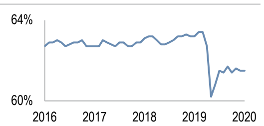
U.S.—Non-Farm Payroll *As of 12/31/2020*

Latest Level	(140.0)
Change from Prior Period	▼ (476.0)
Frequency	Monthly



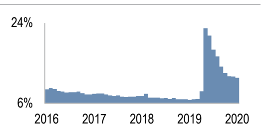
U.S.—Labor Participation Rate *As of 12/31/2020*

Latest Level	61.5
Change from Prior Period	0.0
Frequency	Monthly



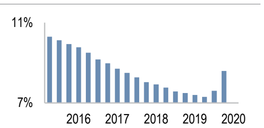
U.S.—U-6 Unemployed & Margin & Part-Time as Percent of Labor Force & Margin *As of 12/31/2020*

Latest Level	11.7
Change from Prior Period	▼ (0.3)
Frequency	Monthly



Eurozone Unemployment Rate *As of 9/30/2020*

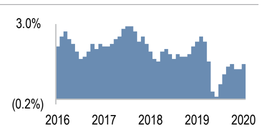
Latest Level	8.6
Change from Prior Period	▲ 1.0
Frequency	Quarterly



INFLATION
Five-Year Trend

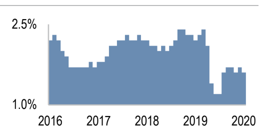
U.S. Consumer Price Index (CPI) Y-o-Y (%) *As of 12/31/2020*

Latest Level	1.4
Change from Prior Period	▲ 0.2
Frequency	Monthly



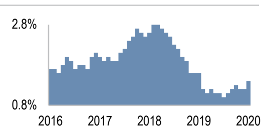
U.S. CPI Goods Less Food & Energy Y-o-Y (%) *As of 12/31/2020*

Latest Level	1.6
Change from Prior Period	▼ (0.1)
Frequency	Monthly



U.S. Producer Price Index (PPI) Y-o-Y (%) *As of 12/31/2020*

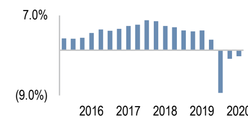
Latest Level	1.4
Change from Prior Period	▲ 0.2
Frequency	Monthly



GDP GROWTH
Five-Year Trend

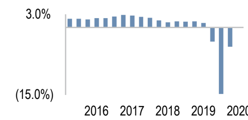
U.S.—GDP Y-o-Y (%) *As of 12/31/2020*

Latest Level	(1.2)
Change from Prior Period	▲ 0.5
Frequency	Quarterly



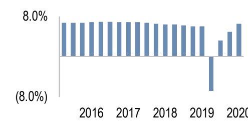
Eurozone—GDP Y-o-Y (%) *As of 9/30/2020*

Latest Level	(4.3)
Change from Prior Period	▲ 10.4
Frequency	Quarterly



China—GDP Y-o-Y (%) *As of 12/31/2020*

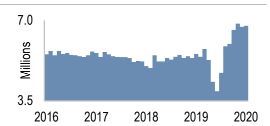
Latest Level	6.5
Change from Prior Period	▲ 1.6
Frequency	Quarterly



HOUSING
Five-Year Trend

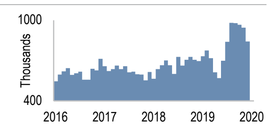
Existing Home Sales *As of 12/31/2020*

Latest Level	6.8
Change from Prior Period	0.0
Frequency	Monthly



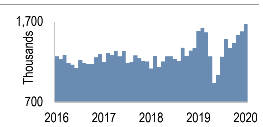
New Home Sales *As of 11/30/2020*

Latest Level	842.0
Change from Prior Period	13.0
Frequency	Monthly



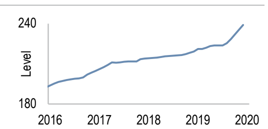
Housing Starts *As of 12/31/2020*

Latest Level	1,669.0
Change from Prior Period	▲ 91.0
Frequency	Monthly



Case-Shiller Index of Home Value in 20 Cities *As of 11/30/2020*

Latest Level	238.9
Change from Prior Period	3.3
Frequency	Monthly



Source: Bloomberg (All).

Economic Dashboard & Market Indices *(continued)*

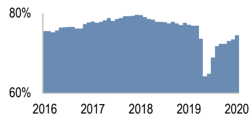
ECONOMIC & MARKET CONFIDENCE

Five-Year Trend

Capacity Utilization as a Percent of Capacity

As of 12/31/2020

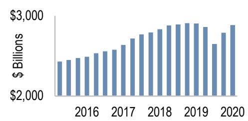
Latest Level	74.5
Change from Prior Period	▲ 1.2
Frequency	Monthly



Private Fixed Investment Nonresidential SAAR

As of 12/31/2020

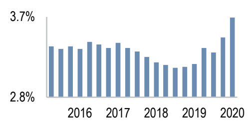
Latest Level	2,881.8
Change from Prior Period	▲ 94.4
Frequency	Quarterly



Residential Fixed Investment as a Percent of GDP

As of 12/31/2020

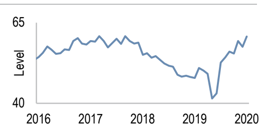
Latest Level	3.7
Change from Prior Period	▲ 0.2
Frequency	Quarterly



ISM Manufacturing Index

As of 12/31/2020

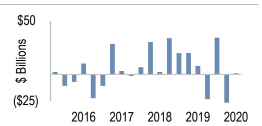
Latest Level	60.7
Change from Prior Period	▲ 3.2
Frequency	Monthly



Manufacturing Inventory Change Q-o-Q ($)

As of 12/31/2020

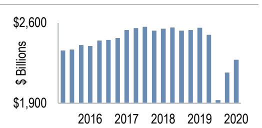
Latest Level	1.0
Change from Prior Period	▲ 47.5
Frequency	Quarterly



Exports of Goods/Services

As of 12/31/2020

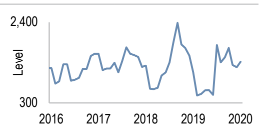
Latest Level	2,277
Change from Prior Period	▲ 111
Frequency	Quarterly



Shipping Rates

As of 12/31/2020

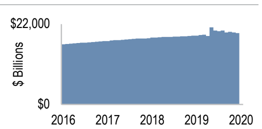
Latest Level	1,366
Change from Prior Period	▲ 139
Frequency	Quarterly



Personal Income Level

As of 12/31/2020

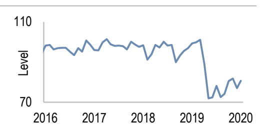
Latest Level	19,493
Change from Prior Period	▼ (222)
Frequency	Monthly



Michigan Consumer Confidence Sentiment

As of 12/31/2020

Latest Level	80.7
Change from Prior Period	▲ 3.8
Frequency	Monthly



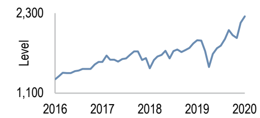
EQUITY

Five-Year Trend

U.S. Equity Markets—Russell 3000

As of 12/31/2020

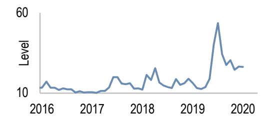
Latest Level	2,248.4
Change from Prior Period	▲ 94.1
Frequency	Monthly



U.S. Equity—VIX

As of 12/31/2020

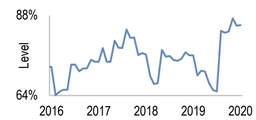
Latest Level	22.8
Change from Prior Period	2.2
Frequency	Monthly



S&P 500 Percentage Exceeding Earning Estimates

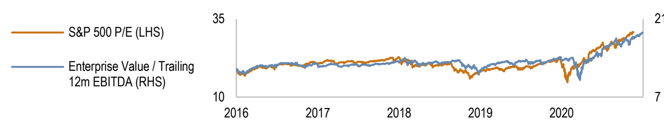
As of 12/31/2020

Latest Level	85.1
Change from Prior Period	▲ 0.2
Frequency	Monthly



S&P 500 Historical Valuation Levels

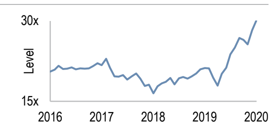
As of 12/31/2020



Trailing P/E on S&P 500

As of 12/31/2020

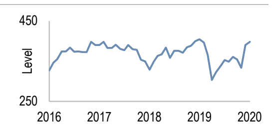
Latest Level	29.9
Change from Prior Period	▲ 1.7
Frequency	Monthly



Equity Markets—Euro Stoxx

As of 12/31/2020

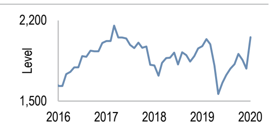
Latest Level	397.6
Change from Prior Period	▲ 7.8
Frequency	Monthly



Equity Markets—MSCI EAFE

As of 12/31/2020

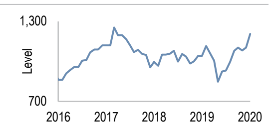
Latest Level	2,147.5
Change from Prior Period	▲ 93.7
Frequency	Monthly



Equity Markets—MSCI EM

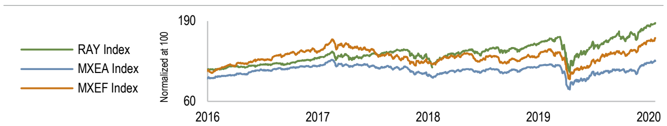
As of 12/31/2020

Latest Level	1,291.3
Change from Prior Period	▲ 86.2
Frequency	Monthly



Russell 3000 & MSCI EAFE & MSCI EM

As of 12/31/2020



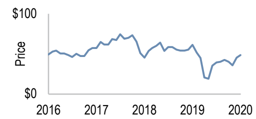
Source: Bloomberg (All).

Economic Dashboard & Market Indices *(continued)*

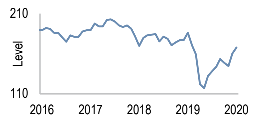
COMMODITIES

Five-Year Trend

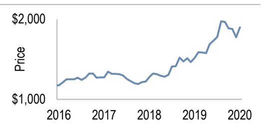
WTI Crude Oil Price	*As of 12/31/2020*
Latest Level	48.5
Change from Prior Period	▲ 3.2
Frequency	Monthly



Reuters/Jefferies Commodity Index	*As of 12/31/2020*
Latest Level	167.8
Change from Prior Period	▲ 7.7
Frequency	Monthly



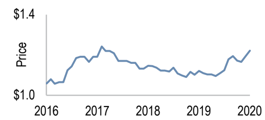
Gold	*As of 12/31/2020*
Latest Level	1,898.4
Change from Prior Period	▲ 121.4
Frequency	Monthly



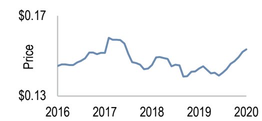
FOREIGN EXCHANGE RATES

Five-Year Trend

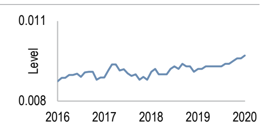
Euro Spot Rate vs. 1 USD	*As of 12/31/2020*
Latest Level	1.22
Change from Prior Period	▲ 0.03
Frequency	Monthly



Yuan Spot Rate vs. 1 USD	*As of 12/31/2020*
Latest Level	0.1532
Change from Prior Period	▼ 0.0012
Frequency	Monthly



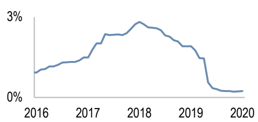
Yen Spot Rate vs. 1 USD	*As of 12/31/2020*
Latest Level	0.0097
Change from Prior Period	▼ 0.0001
Frequency	Monthly



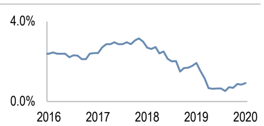
RATES

Five-Year Trend

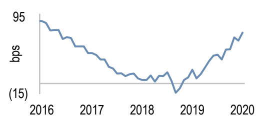
Libor 3M	*As of 12/31/2020*
Latest Level	0.24
Change from Prior Period	▲ 0.01
Frequency	Monthly



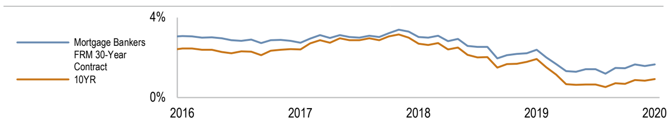
Treasury 10-Yr Yield	*As of 12/31/2020*
Latest Level	0.91
Change from Prior Period	▲ 0.07
Frequency	Monthly



Swaps 2-Yr vs. 10-Yr	*As of 12/31/2020*
Latest Level	72.80
Change from Prior Period	▲ 11.50
Frequency	Monthly



30-Yr Mortgage & 10-Yr Treasury *As of 12/31/2020*



Source: Bloomberg (All).

Performing Credit

In the fourth quarter of 2020, the U.S. leveraged loan market rallied meaningfully, posting a gain of 3.78% and pushing the year-to-date return to 3.19%. The J.P. Morgan U.S. Leveraged Loan Index retraced its losses from March 2020 and closed the year at a pre-pandemic level. The 5.1% yield and 486 basis point spread at year-end compared favorably to the lowest 2020 spread of 441 basis points, experienced on January 21st. The European loan market ended the year with a 2.8% return, with the split B/CCC bucket delivering a 13.1% return and outperforming the quality B and BB buckets, which posted returns of 2.7% and 1.58%, respectively. Investors in U.S. loans balanced a search for yield with risk management, as split B/CCC- loans—with a 0.91% loss—underperformed BB and B loans, which posted returns of 0.77% and 3.43%, respectively.

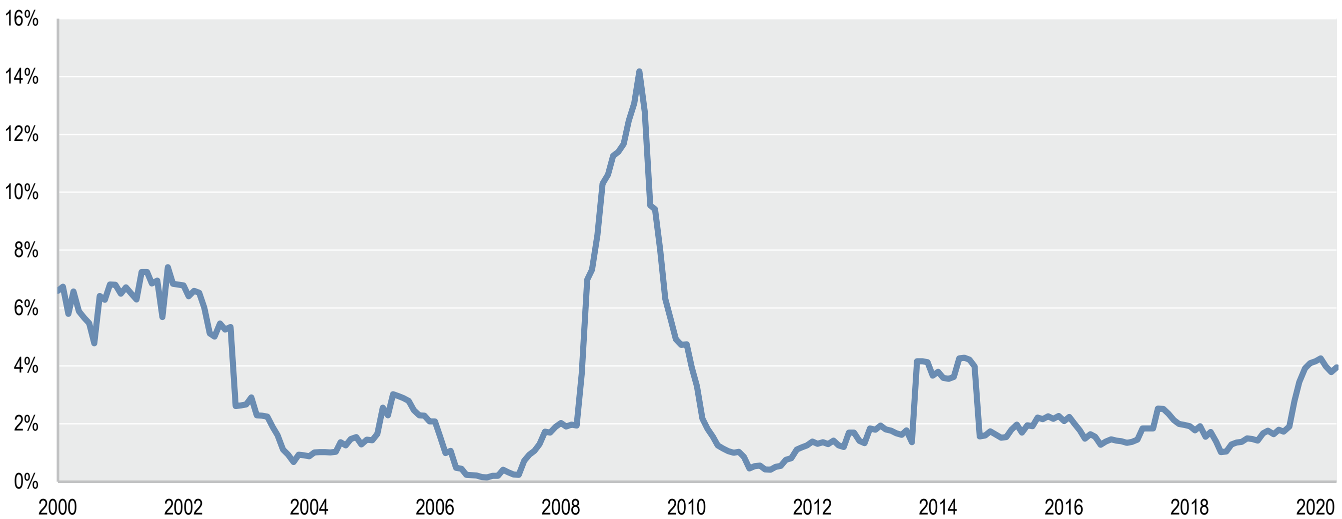
Despite COVID-19's negative impact on businesses globally, default rates continued to fall in the fourth quarter and remained well below historical highs. As of December 31st, the trailing 12-month default rate stood at 3.95%. In contrast, the high yield bond market, which has more energy exposure, posted a default rate of 6.17%. 2020 was a year of rating downgrades, as the pandemic introduced a new level of earnings uncertainty; however, the tide has turned swiftly, and there is potential for rising stars to outweigh fallen angels in 2021. The potential for rating upgrades takes place at a time when the yield differential between high yield bonds and leveraged loans is near a 10-year low. In the U.S., the high yield spread of 444 basis points is lower than the spread for the leveraged loan index. In Europe, the high yield bond spread was 358 basis points, while the spread for leveraged loans was 477 basis points. With lower durations and floating rates, loans are well-positioned to outperform in 2021.

With the largest buyers of loans, CLOs, actively ramping—as illustrated by the $38.6 billion of primary CLO issuance in the fourth quarter—we expect demand for loans to remain robust in the first quarter of 2021. At 132 basis points, the spread for the AAA tranche as of December 31st is the same as it was at the start of 2020. Primary loan market issuance in the fourth quarter was strong at $108.9 billion, bringing 2020 total volume to $421.6 billion—up 8% year-over-year.

Looking ahead, we believe demand for loans will remain strong through 2021, as floating rate products have historically experienced an increase in investor focus in a rising rate environment. The global economic outlook is improving due to the ongoing distribution of COVID-19 vaccines, as is the default outlook, as many leveraged loan issuers cut costs and shored up liquidity in response to pandemic-related challenges. Demand for CLO debt and equity remains robust, as CLOs benefit from low spreads, and locking in low spreads in the current environment will position CLOs well since they typically have a 5-year investment period.

Leveraged Loan Default Rate

Par-Weighted Default Rate

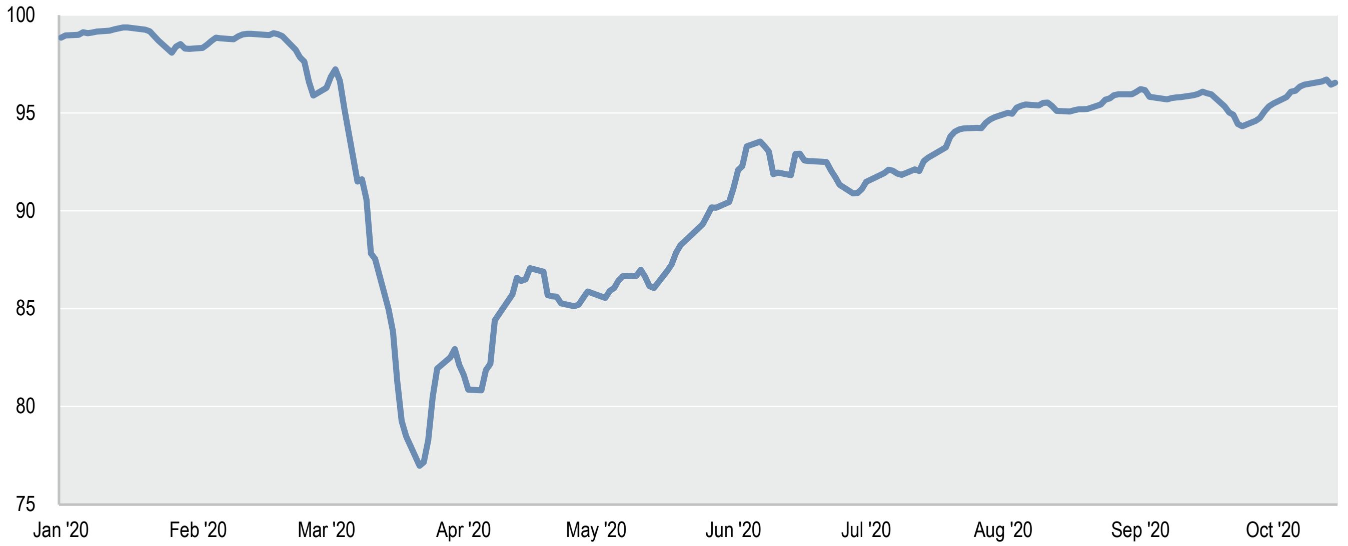


Note: Represents the last twelve-month default rate.
Source: J.P. Morgan.

Default rates have stabilized well below historical highs.

Performing Credit *(continued)*

Leveraged Loan Price Index

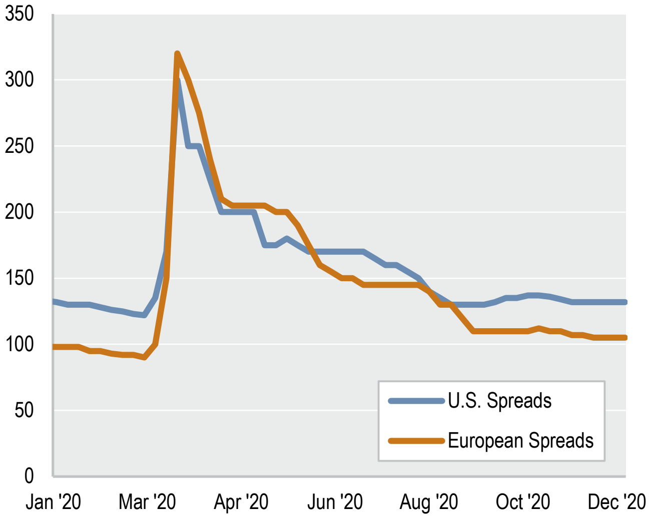


Source: J.P. Morgan Research.

The leveraged loan index has retraced losses experienced in early 2020 and is at pre-pandemic levels.

CLO AAA Discount Margin

bps

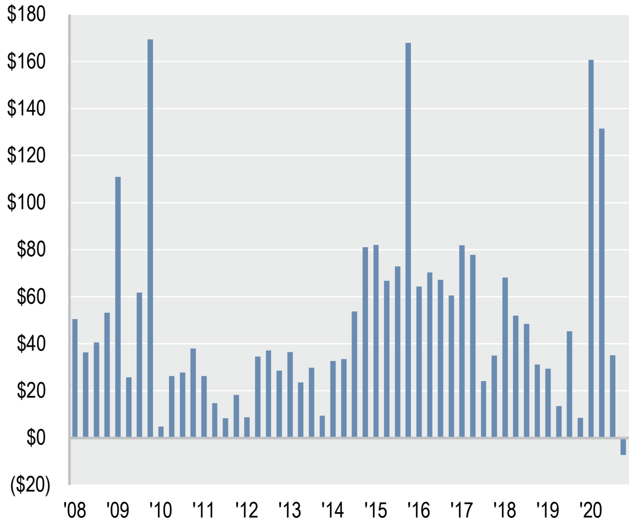


Sources: S&P LCD, Intex, Bloomberg, Barclays Research.

CLO AAA discount margins are at or inside pre-pandemic levels.

Rising Star Potential

$ Billions



Sources: Bloomberg, Goldman Sachs Investment Research.

For the first time in over 10 years, the potential for rising stars outweighs that of fallen angels.

Maureen D'Alleva
Portfolio Manager

For more information on Performing Credit, visit www.angelogordon.com/strategies/credit/performing-credit/

Distressed Debt

The U.S. and European high yield markets generated another quarter of strong performance, advancing 6.6% in the U.S. and 5.6% in Europe for the three-month period ended December 31, 2020, with gains driven by the outcome of the U.S. presidential election and optimism around the development of multiple COVID-19 vaccines. With these results, 2020 full-year performance rose to 5.2% in the U.S. and to 2.1% in euro-currency. In the U.S., high yield bond yields decreased to an all-time low of 4.7% at year-end.

Remarkably, in the U.S., high yield spreads closed 2020 only 20 basis points higher than at the start of the year. However, spread levels were volatile throughout the year, widening more than 700 basis points over 23 trading days to peak at 1,139 basis points in late March and then tightening steadily thereafter to end December at 444 basis points. In Europe, spreads followed a similar path, also ending 2020 nearly unchanged from levels a year earlier. In both regions, lower-rated bonds outperformed higher-rated cohorts during the fourth quarter and for the full year, with CCCs returning 9.3% in the U.S. and 7.2% in Europe in 2020.

After beginning the year at 2.6%, the U.S. high yield default rate (including distressed exchanges) increased to 6.8% at the end of December, nearly double the 3.5% long-term annual average. The more than $140 billion of defaulted high yield debt in 2020 represented the second highest annual total on record, trailing only the $205 billion of defaults in 2009. Energy, retail, and consumer products accounted for more than 50% of the 109 companies that defaulted during the year. Notably, excluding energy, the U.S. high yield default rate lowered to 4.5% at year-end. In Europe, default activity was relatively muted throughout the year, with 17 issuers defaulting on approximately €10 billion of euro-currency bonds, resulting in a modest 3.3% default rate for 2020.

Following the record volume of the second and third quarters, U.S. high yield issuance reached $100 billion in the fourth quarter and drove total new supply to $450 billion for 2020. Refinancing represented the majority of activity—accounting for approximately two-thirds of full-year volume—as borrowers took advantage of strong investor demand and lower rates, while general corporate purposes represented an estimated 25% of new supply. Primary issuance in European high yield topped €103 billion for the year, a record.

More than $8 billion of new capital flowed into U.S. high yield funds in the fourth quarter, raising the full-year 2020 total to $44 billion and well surpassing the $19 billion of net inflows in 2019. Much of the increase occurred in the second quarter, as investors sought to benefit from recovering markets. Conversely, European high yield fund flows declined modestly on the year, ending approximately €2 billion lower for the twelve-month period.

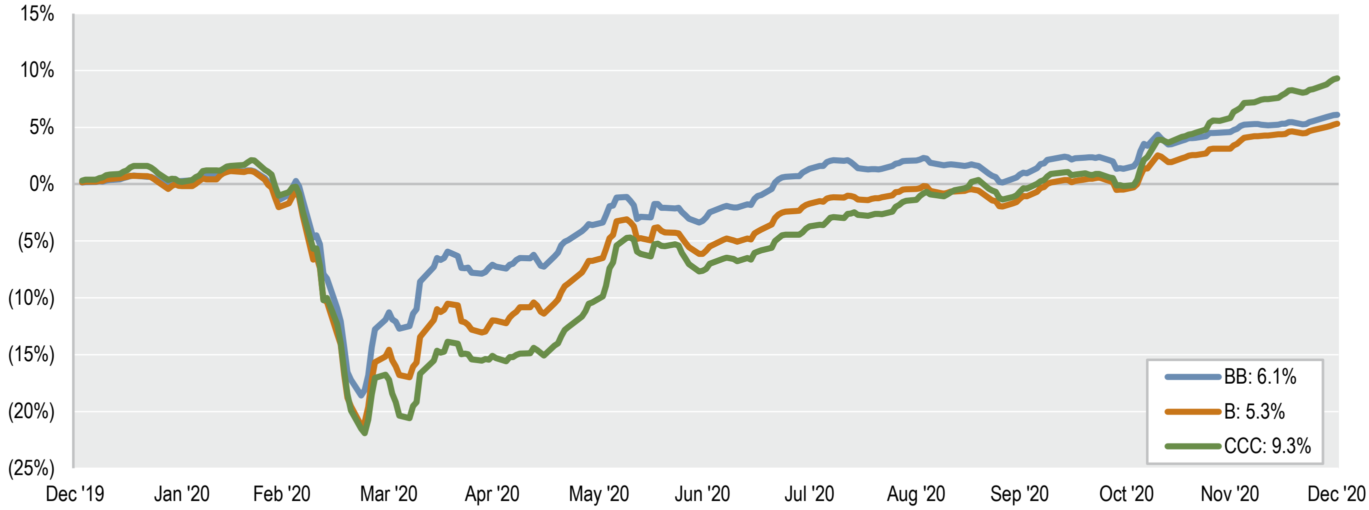
U.S. high yield bond yields closed 2020 at an all-time low.

New supply totaled $450 billion in 2020, driven by record volume in Q2 and Q3.

Distressed Debt *(continued)*

U.S. High Yield 2020 Returns by Rating

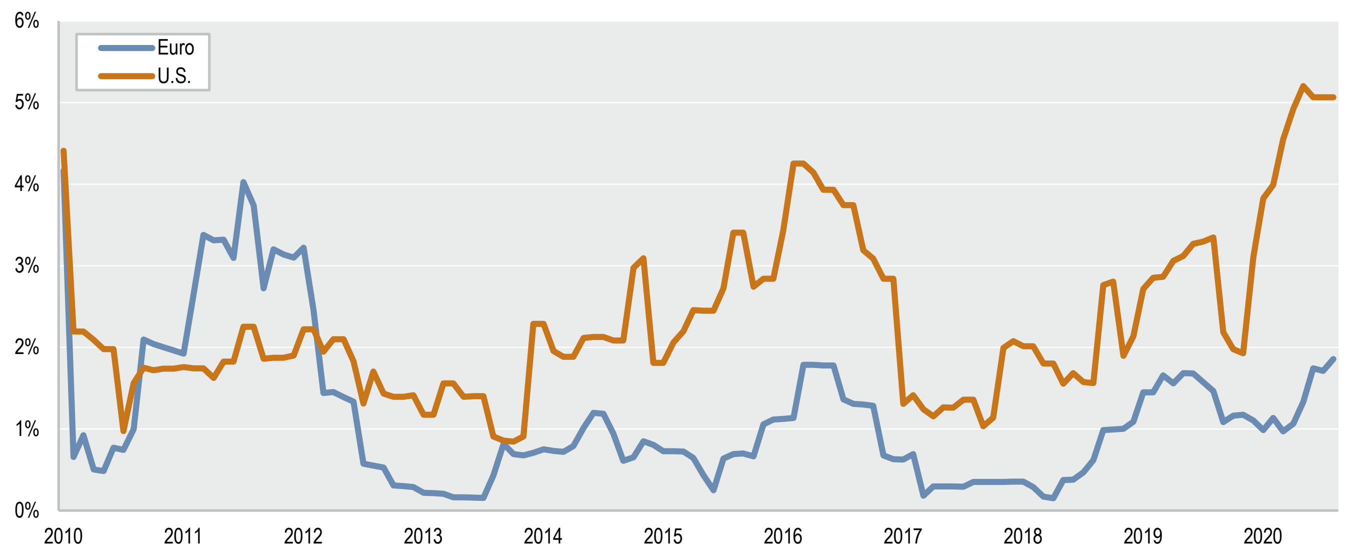
Cumulative Total Return by Rating



Source: J.P. Morgan.

Lower-rated bonds outperformed in both the United States and Europe.

U.S. and European High Yield Default Rates



Source: Credit Suisse.

Defaults rose significantly throughout 2020, led by the energy, retail, and consumer products sectors.

Ryan Mollett
Global Head of Distressed & Corporate Special Situations

For more information on Distressed Debt, visit www.angelogordon.com/strategies/credit/distressed-debt/

Commercial Real Estate Debt

By early in the fourth quarter of 2020, the significant rally in CMBS prices experienced in the preceding months seemed to be losing momentum due to mounting concerns about COVID-19 and U.S. presidential election-related tail risk; however, positive momentum was quickly regained in early November. This was initially motivated by bullish sentiment on the back of the election results, and risk-on sentiment was further elevated by the announcement of positive vaccine trial results from both Pfizer-BioNTech and Moderna.

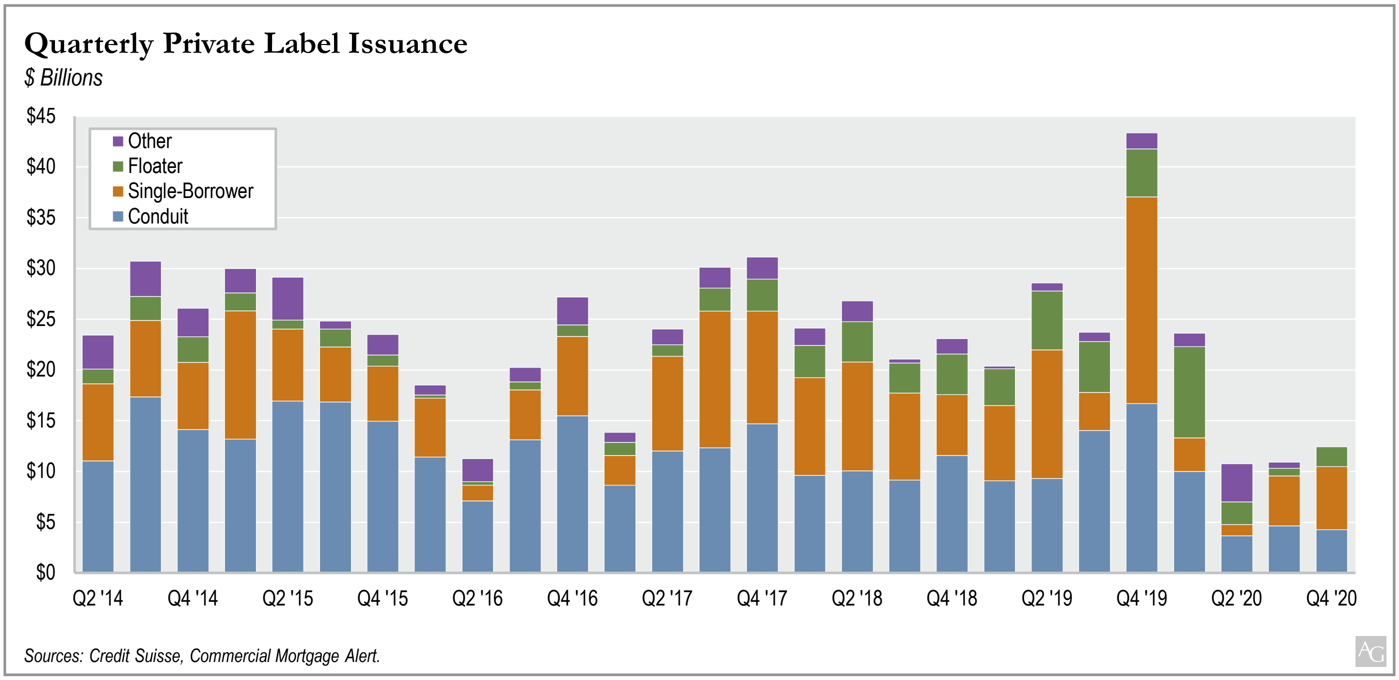
One additional concern weighing on the market at the start the fourth quarter was the potential for additional selling pressure related to an annual update of CMBS capital charges from the National Association of Insurance Commissioners (NAIC). This guidance turned out to be more punitive than many expected and resulted in massive amounts of selling, primarily of AA- and A-rated conduit securities. Somewhat surprisingly, this wave of supply was easily absorbed by money managers and other large investors not subject to the new NAIC guidelines, resulting in overall spread tightening, which allowed the market to end the year on a positive note.

Regarding valuations over the course of 2020, we estimate that CMBS conduit AAA bonds started the year at approximately swaps plus 95 basis points, tightened to the mid-80s by February before widening into the mid-300s at the height of the pandemic-related panic, and subsequently tightened back to around swaps plus 80 to end the year.

The moves in BBB- bonds were even more dramatic, starting the year in the mid-300s, tightening to the low 300s before gapping out to well over swaps plus 1,000 basis points, and then ending the year in the low 400s range.

Delinquency data by property type also provides an interesting perspective on this difficult year. The industrial sector fared best, with delinquencies rising from 1.4% to a peak of just 1.8% and then falling to 1.2% at year-end. Office and multifamily properties largely followed similar patterns, with delinquencies ending the year around 2.2% and 2.9%, respectively. Retail was quite negatively affected, with delinquencies rising from 4.4% to as high as 18% and ending the year at 13%. Hotels were most impacted, with delinquencies rising from 1.5% to 24% and ending the year at 20%. Notably, when hotel loans in special servicing or on servicer watchlists are included in this metric, approximately 70% of all securitized loans in that space showed some level of distress at their peak this past year.

Finally, one underreported success story for commercial real estate debt in 2020 was the relative health of the new issuance market, where volumes totaled approximately $60 billion. While lower than the $100 billion seen in 2019, it took four years after the global financial crisis to see a similar rebound.

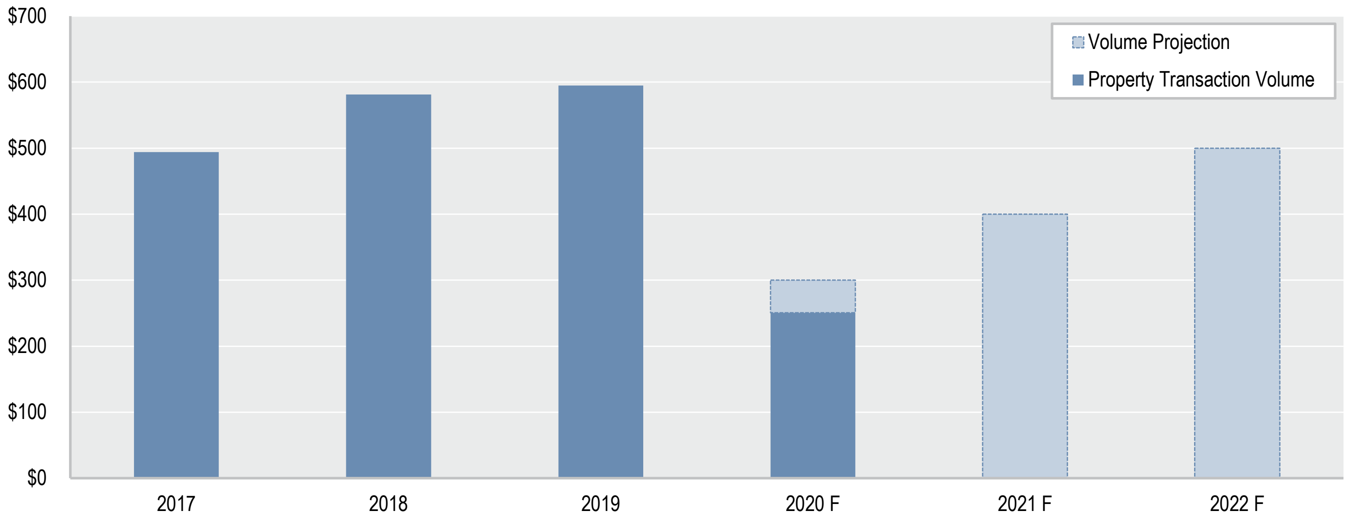


The market was able to produce approximately $10 billion of new issuance each quarter since the outbreak of COVID-19.

Commercial Real Estate Debt *(continued)*

Transaction Volumes

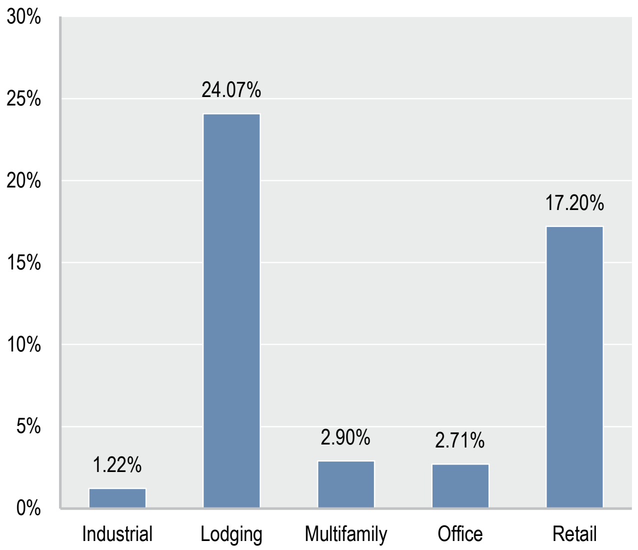
$ Billions



Note: Year-to-date transaction volume is through Q3 2020.
Sources: Real Capital Analytics, Citi Research.

Property transaction volumes dropped significantly in 2020 but are expected to recover in 2021 and beyond.

CMBS Special Servicing Rate

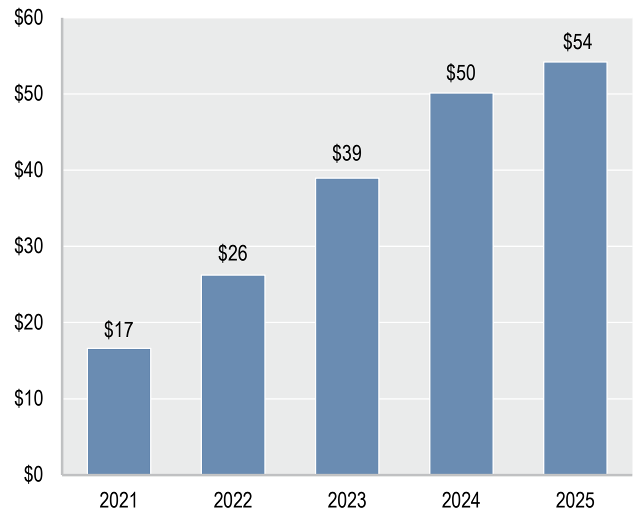


Note: As of December 31, 2020.
Source: Trepp.

Loans secured by hotel and retail properties have experienced significantly more difficulties than other property types.

Conduit CMBS Maturities

$ Billions



Source: Goldman Sachs Research.

Scheduled CMBS loan maturities are manageable for the next two years before increasing in size.

Andrew Solomon
Portfolio Manager

For more information on Commercial Real Estate Debt, visit www.angelogordon.com/strategies/credit/real-estate-debt/

Residential & Consumer Debt (RMBS/ABS)

The spread recovery in the RMBS and ABS sectors continued during the final quarter of 2020, as demand for yield and improving fundamentals supported tighter spreads, particularly for lower-quality paper. For example, Credit Risk Transfer (CRT) mezzanine spreads were approximately 15 basis points tighter, while subordinate spreads tightened around 100 basis points. Student loans and whole business ABS spreads were as much as 50 basis points tighter.

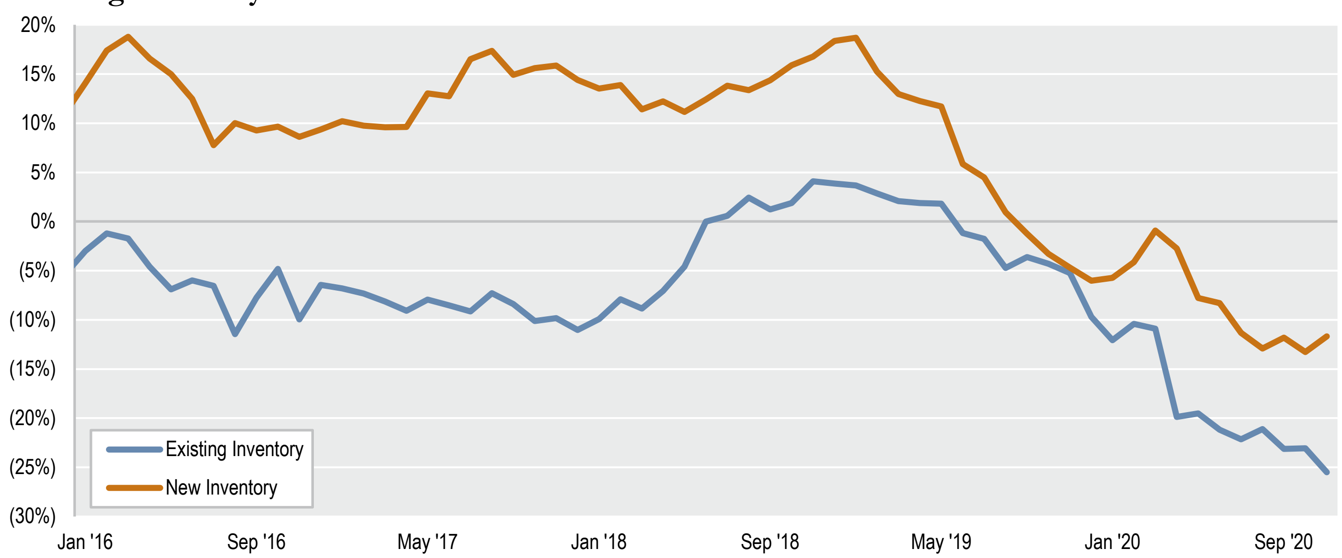
These spread recoveries have been further supported by strong demand for new issue transactions, with deals often significantly oversubscribed. Benchmark new issue AAA RMBS spreads generally tightened around 10 basis points, except for Non-QM AAA-rated tranches, which were roughly 40 basis points tighter. As a result, primary spreads are approaching pre-pandemic levels for several sectors, including Non-QM RMBS, which ended the year with spreads approximately five basis points tighter than in February 2020.

Limited supply contributed to the strong oversubscription levels for newly issued RMBS and ABS, where volumes for the quarter declined 26% and 39% year-over-year, respectively, as the U.S. presidential election likely sidelined some issuers. That fourth quarter activity brought full-year 2020 RMBS and ABS issuance to around $95 billion and $128 billion, respectively, each approximately 25% lower year-over-year.

While structured credit spreads have rallied from their March extremes, spreads for most RMBS and some ABS sub-sectors remain wide of pre-pandemic levels, as ongoing risks related to the implications of high unemployment due to COVID-19 hang over the market. For example, CRT mezzanine spreads remain as much as 200 basis points wide of mid-February levels, and seasoned RMBS spreads are approximately 50-100 basis points wider.

However, risks for the mortgage- and asset-backed sectors have been balanced against collateral fundamentals that have generally exceeded the market's expectations from March and April. The latest survey of home price indices points to an annual increase of around 8% in the fourth quarter, as limited supply of new and existing homes and strong demand continue to drive price appreciation, and other measures of housing market conditions have recorded a V-shaped recovery through 2020. Mortgage and consumer sectors will benefit from the continued unemployment support and stimulus disbursements included in the December relief package. Additionally, used-vehicle pricing remains near record high levels, which will support auto ABS performance.

Housing Inventory

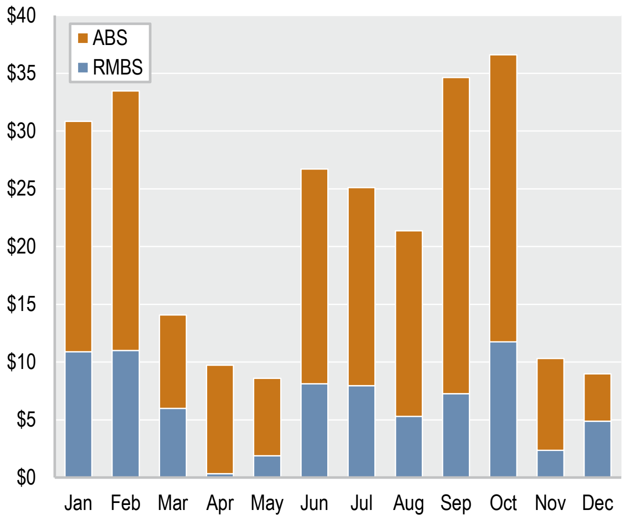


Note: Year-over-year percentage change of homes available for sale.
Source: Morgan Stanley.

New and existing home inventory is down 20% year-over-year.

Residential & Consumer Debt *(continued)*

RMBS and ABS Issuance in 2020
$ Billions



Source: Bank of America Research.

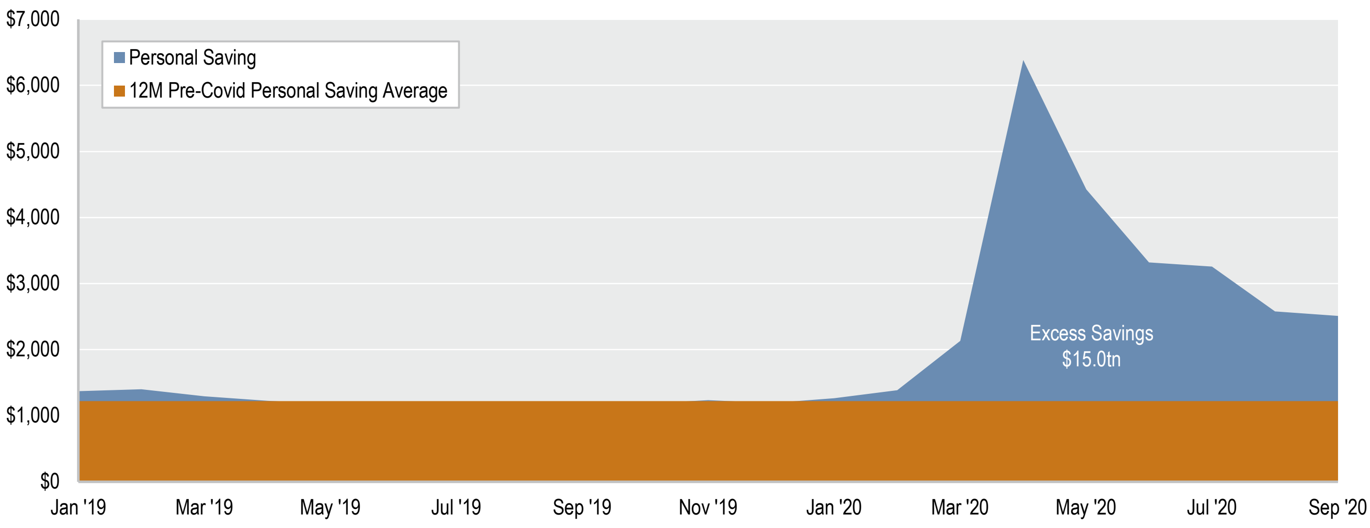
New issuance dipped in the fourth quarter, driven by uncertainty surrounding the U.S. presidential election.

Home Price Appreciation

Source: Goldman Sachs Research.

Limited supply and a surge in demand resulted in strong home price appreciation in 2020.

U.S. Personal Savings
SAAR, $ Billions



Sources: Morgan Stanley Research, Bureau of Economic Analysis.

U.S. consumers generated significant excess savings from stimulus and enhanced unemployment insurance following the outbreak of COVID-19.

TJ Durkin
Co-Portfolio Manager

Yong Joe
Co-Portfolio Manager

For more information on Residential & Consumer Debt, visit www.angelogordon.com/strategies/credit/residential-consumer-debt/

Energy

Despite the rising number of COVID-19 cases globally, crude price recovery continues. Global inventories are slowly but steadily declining, as supply remains constrained, and while demand remains murky, the ongoing distribution of COVID-19 vaccines should drive uplift into the second half of 2021.

As U.S. producers toe the capital discipline line, most now adhere to investor demands to prioritize free cash flow and debt reduction, as opposed to increasing capital expenditures and production as prices recover. ExxonMobil's December announcement of a significantly diminished forward capex budget, guided lower by nearly $10 billion annually through 2025, is a highly visible example of what is now regular behavior.

Amid this backdrop, independent oil and gas producers have embraced scale, scope, and size. Much needed consolidation has begun, and numerous combinations have been announced, with low-to-no premia deals prevailing. Access to capital is size-dependent, and cost of capital is a strong motivator that settles previously intractable social issues. At the same time, majors are changing business models and divesting non-core assets, which is providing larger financing opportunities by way of new acquisition financings.

The deluge of bankruptcies that have occurred has, to a large extent, cleaned the slate of overleveraged and stranded oil and gas and oil service companies. Much of what remains are larger, more efficient, free cash flow yielding and delevered franchises. U.S. shale oil producers recently generated the highest ratio of free cash flow in history, assisted by dramatic falls in operating and completion costs.

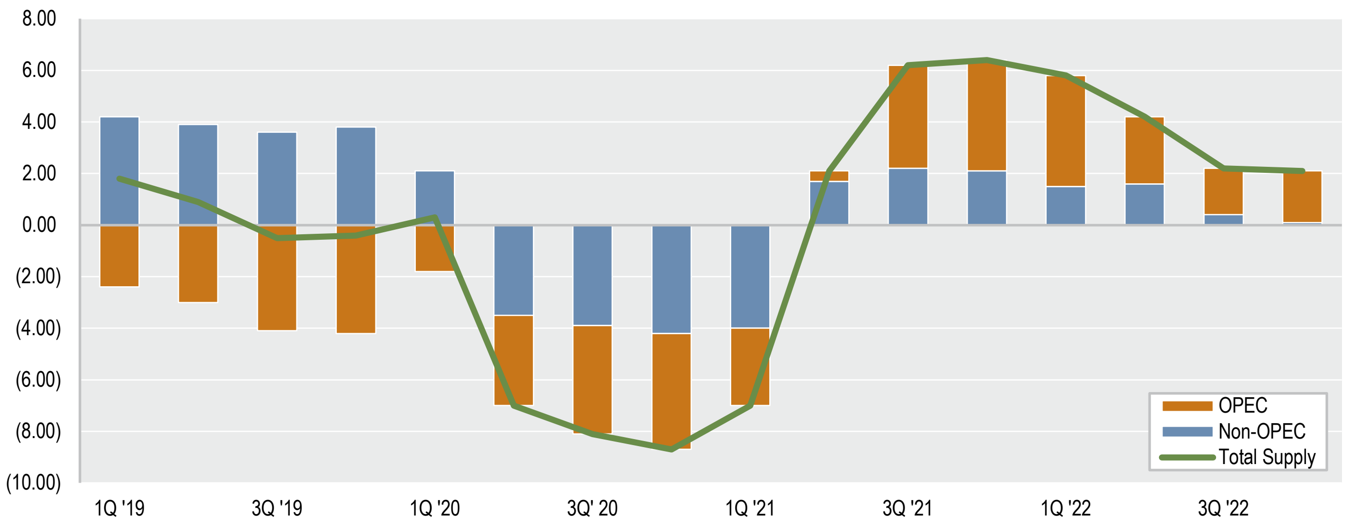
Credit spreads have tightened materially, with the Credit Suisse High Yield Energy Index offering a current yield of 6.70%. Although approaching levels last realized in January 2018, when crude prices were over $60, energy yields still remain 225 basis points wide of the broader high yield market. A bright line of market accessibility persists with respect to size and credit profile, as larger, BB-rated producers—including the numerous fallen angels—have comprised the vast preponderance of supply. For smaller, lower-rated producers, market access is severely constrained, and the cost of capital is prohibitive.

Finally, bank exits continue and are accelerating. A recent Jefferies report suggests that of the nearly 60 financial institutions that had historically banked oil and gas producers, perhaps only 14 may be active going forward—a suggestion supported by recent exit announcements from ABN AMRO and Bank of Montreal. This belief is shared by many CEOs within the sector, as responses to the December Dallas Fed Energy Survey highlighted an expected significant shift towards non-bank capital in 2021.

As one of the few remaining and flexible providers of energy capital, we believe we remain well-positioned in this time of change.

Year-on-Year Change in Crude Oil Supply

Million Barrels of Crude Production Per Day

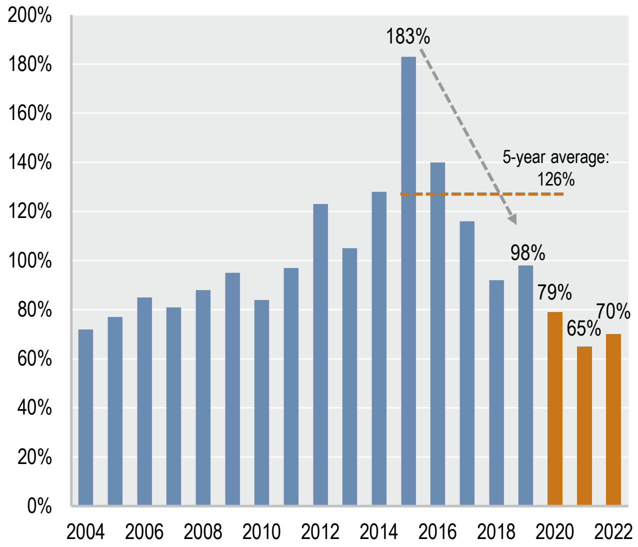


Sources: BMO Capital Markets, International Energy Agency.

Ongoing OPEC production cuts, coupled with U.S. producer capital discipline, should rebalance crude markets.

Energy *(continued)*

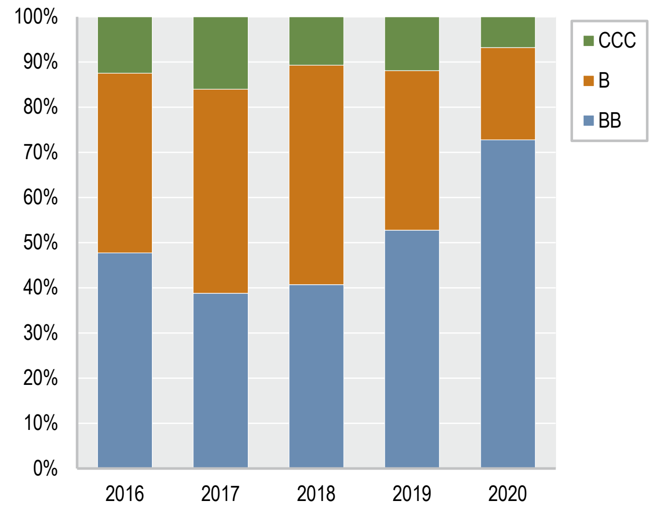
Capital Expenditures/Cash From Operations



Source: Morgan Stanley.

Capital discipline is firmly in effect, as oil and gas producers adhere to investor demands to prioritize free cash flow and debt reduction.

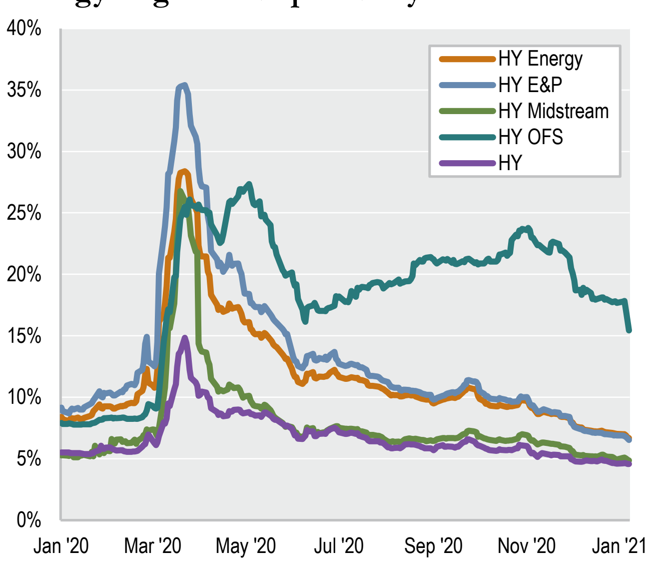
Composition of Energy High Yield Index by Rating



Source: Goldman Sachs.

Overall sector credit quality is improving, as the lowest quality issuers have filed, equitized, or sold.

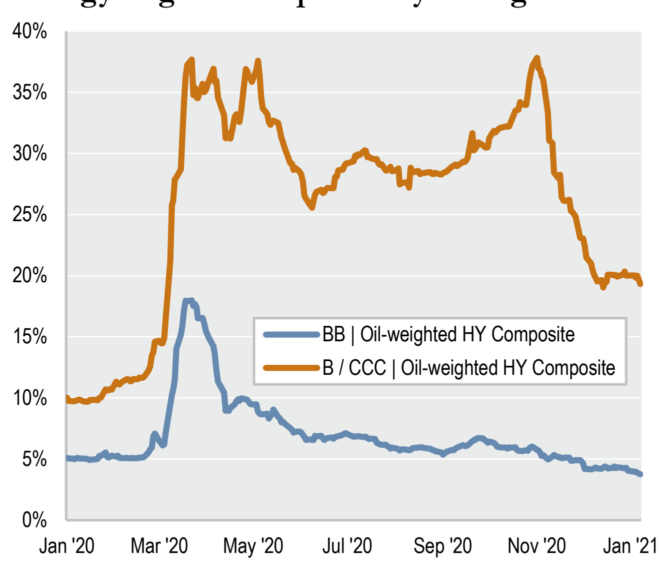
Energy High Yield Spreads by Sub-Sector



Source: Credit Suisse.

Credit spreads have tightened materially and are approaching multi-year lows last realized in 2018, when crude prices were over $60.

Energy High Yield Spreads by Rating



Source: Credit Suisse.

A bright line of market accessibility exists. For smaller, lower-rated producers, market access is severely constrained, and the cost of capital is prohibitive.

Todd Dittmann
Portfolio Manager

For more information on Energy, visit www.angelogordon.com/strategies/credit/energy-credit/

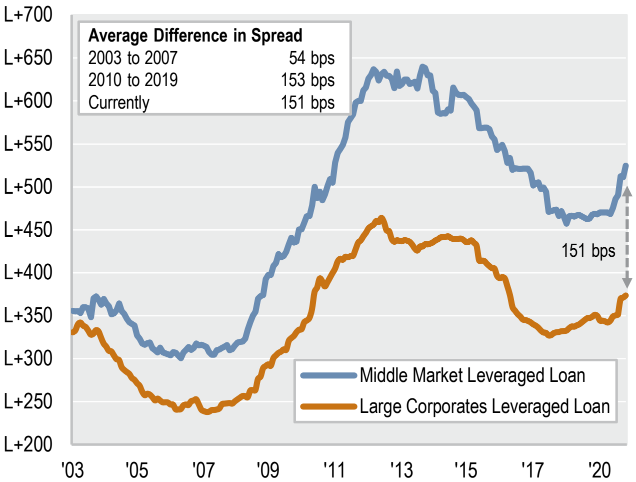
Middle Market Direct Lending

At $33.7 billion, quarterly syndicated middle market loan volume was the highest it has been since the third quarter of 2019. This rebound in issuance resulted in total 2020 volume of $101.5 billion, a 30% year-over-year decline. December, in particular, was a very active month for sponsored lending, marked by risk-on sentiment and the return of more diversified deal flow. While over 80% of direct lenders surveyed reported being able to reach their lending target in 2020, only 62% of bank lenders were able to achieve their lending goals. Non-bank lenders cited numerous reasons for this, including the strength of their sponsor relationships and some competitors being occupied with existing portfolio issues. As lenders reflected on performance in 2020, many were pleased with how well the asset class held up and at least partially attributed this to the ability of both lenders and sponsors to proactively address borrower challenges. However, as lenders consider performance across sectors, many believe that some sectors may prove to be permanently impacted. As we have long espoused, the direct lending market is extremely diverse, and performance will vary based upon manager approach, including EBITDA focus, position in the capital structure, sourcing avenues, and targeted industries. Thus, we believe the impact of the pandemic-induced credit cycle will vary significantly on a manager-by-manager basis.

Looking ahead, lenders reported first quarter 2021 M&A pipelines that are in line with or better than those pre-pandemic. At the same time, supply of capital continues to outweigh opportunities for deployment, and this imbalance has resulted in a quicker-than-anticipated return of the competitive pressures that impacted many lenders before the outbreak of COVID-19. For example, unitranche spreads ended 2020 at just under 600 basis points, which is roughly in line with the first quarter of 2020. However, at the same time, LIBOR floors remain prevalent in nearly all transactions, as borrowers and lenders alike acknowledge that a low LIBOR is likely to persist for the foreseeable future.

With respect to lenders' abilities to take advantage of the growth in the M&A pipeline, we believe there is likely dispersion in the quality of the deal flow they are receiving. Anecdotal evidence would suggest that, similar to what occurred in the wake of the global financial crisis, there will likely be lender consolidation in the coming quarters for a variety of reasons. Some lenders may not ultimately have the resources needed to manage their existing portfolios, while others may not have access to additional capital given performance. Looking ahead, we believe that strong, established lenders should be well-positioned to grab market share during this period of consolidation.

Average Loan Spread: Middle Market vs. Large Corporates

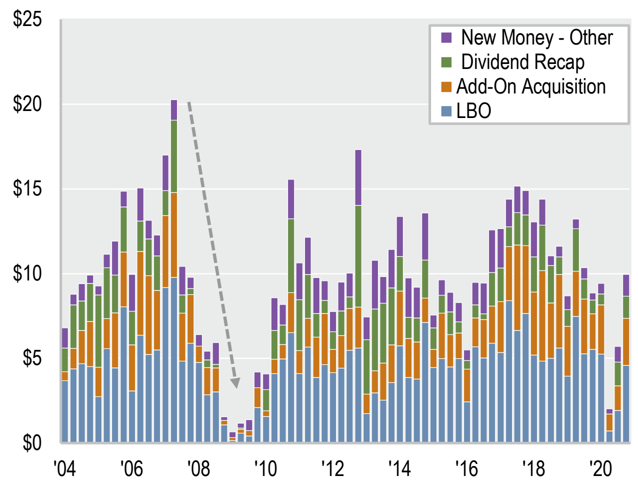


Middle market leveraged loan includes issuers with less than $50m EBITDA. Average spread includes any LIBOR floor benefit. Excludes all facilities in default.
Source: S&P Capital IQ LCD.

Middle market loans continue to offer an attractive spread premium compared to leveraged loans.

Middle Market Sponsored New Money Issuance

$ Billions



Source: Refinitiv LPC.

Using the global financial crisis as a guide, middle market sponsored issuance is expected to rebound further in 2021 after a strong fourth quarter.

Trevor Clark
Portfolio Manager

For more information on Middle Market Direct Lending, visit www.angelogordon.com/strategies/credit/middle-market-direct-lending/

Merger Arbitrage

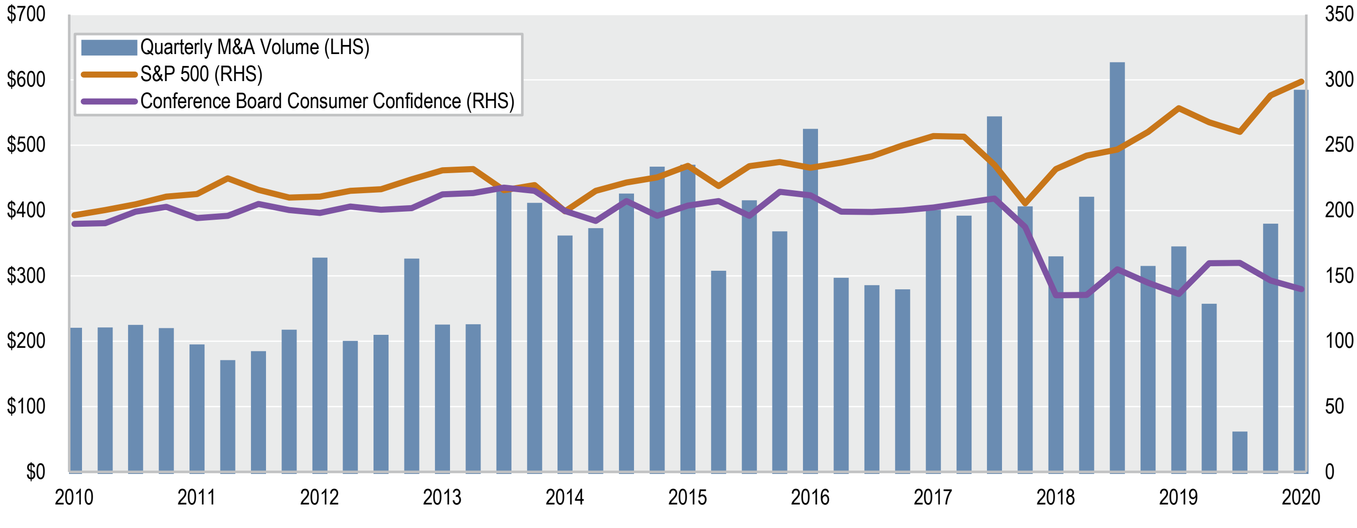
Through the latter half of 2020, companies continued to shift their focus from weathering the pandemic to implementing growth strategies, resulting in a surge in M&A in the fourth quarter. U.S. M&A volume increased 60% year-over-year—lifted by mega-cap deals in healthcare, technology, and financials—making it the sixth-strongest fourth quarter since 1998. The pandemic accelerated trends across all sectors—from how people work and communicate, to the way they purchase goods. The pandemic also revealed vulnerabilities, spurring CEOs to reposition their companies and boards to begin focusing on what the world will look like moving forward; this caused long-term strategic plans to be fast-tracked, pushing companies to M&A either out of necessity or due to a position of strength. Paired with positive COVID-19 vaccine news, the M&A spigot reopened as banks resumed making debt commitments.

While M&A has resumed, traditional deal processes have not, as the pandemic forced market participants to transform how they execute transactions. The once unthinkable prospect of completing a deal without a single in-person meeting has now become the norm.

Although COVID-19-related news continued to dominate the headlines, the U.S. presidential election was also a point of focus during the fourth quarter and into 2021, leading many to consider the potential impact of a new administration on M&A. Who is selected to lead the Department of Justice's Antitrust Division and the Federal Trade Commission will set the tone for how risk arbitrage spreads trade and potentially which deals are announced. That said, a split Senate may make it difficult to enact sweeping changes to current antitrust laws. Additionally, the new administration's approach to China could impact the M&A market, as tense U.S.-China relations led some companies to eschew M&A in recent years.

Turning to the investment side of M&A, risk arbitrageurs faced their most difficult year since 2008. The fourth quarter, however, saw the beginnings of a market healing itself. Spreads tightened through much of October and November, as a significant number of outstanding deals closed, including LVMH Moët Hennessy Louis Vuitton SE's acquisition of Tiffany & Co. and Simon Property Group's acquisition of Taubman Centers. Despite the challenges and pandemic-related uncertainty of 2020, the drivers behind the M&A boom of recent years are still present and potentially stronger. The U.S. Federal Reserve is incredibly accommodative, leading credit markets to provide companies with easy access to financing; private equity firms have a record amount of dry powder; the U.S. economy has stabilized and appears poised for growth; and the pandemic has accelerated the disruptive innovation trends that were pushing companies to be either buyers or sellers. Entering 2021, we believe the current breadth and depth of deals—and their respective spreads—are attractive and that the initial shock of the pandemic has passed as it relates to the M&A market.

Quarterly North America M&A Volume vs. S&P 500 and Consumer Confidence



Source: Bloomberg.

H2 2020 saw an unprecedented uptick in deal value from H1, resulting in the biggest half-year jump on record.

Mark Wojtusiak
Head of Merger Arbitrage

For more information on Merger Arbitrage, visit www.angelogordon.com/strategies/multi-strategy/arbitrage/merger-arbitrage/

Convertible Arbitrage

Positive COVID-19 vaccine news and further economic relief measures helped propel risk assets even further during the fourth quarter, capping off an overall solid year despite the turmoil witnessed in the first quarter of 2020. The MSCI World Index, a gauge for global equity markets, gained 12.04% in the quarter and 11.67% in full year 2020 in local currency terms. However, performance varied dramatically across regions, with U.S. equities—and technology in particular—outperforming Europe, where a number of the major markets ended the year lower. On an outright basis, global convertible bonds strongly outperformed equities and most other asset classes, with the ICE BofA Global 300 Convertible Index returning 16.73% in the fourth quarter and 32.56% in the full year. Convertible arbitrage outperformed other global hedge fund strategies, as the strategy added another 6.46% in the final quarter of 2020, bringing the annual return to 15.71%, as measured by the HFRX Relative Value Fixed Income Convertible Arbitrage Index.

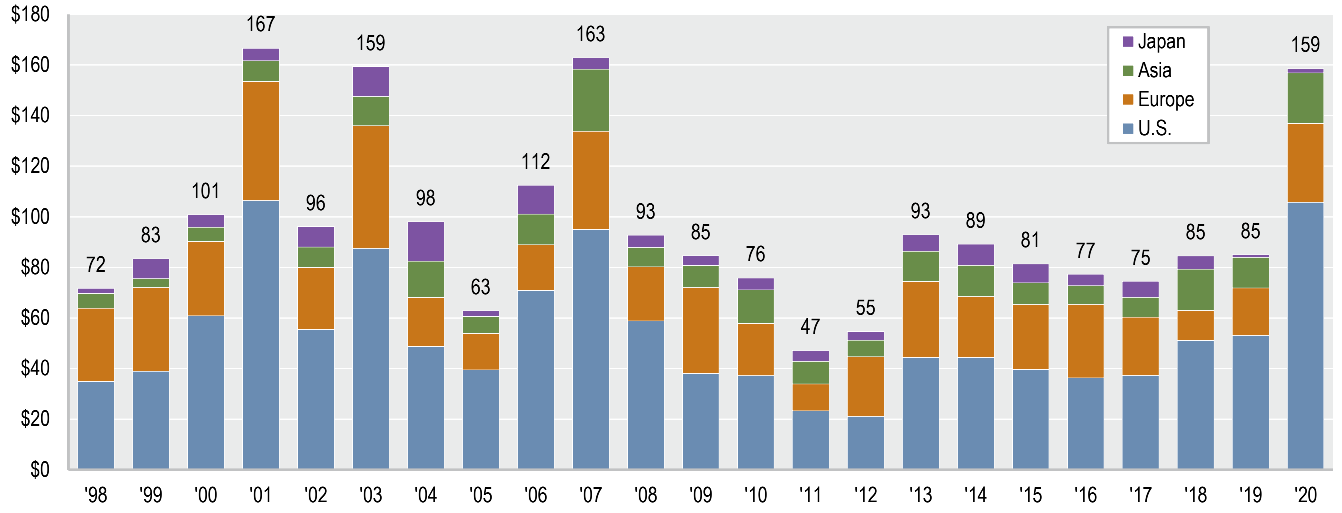
The year's dominant theme, and a strong source of alpha for investors, was the record level of new issuance of convertible securities. Globally, total new deal volume reached $158.6 billion in 2020—$32.9 billion of which was added in the fourth quarter—the highest level since 2007. The U.S. primary market accounted for $105.8 billion of new convertibles priced in full year 2020 and $17.6 billion priced in the fourth quarter. The U.S. was followed by Europe, with $31.3 billion for the full year and $8.4 billion in the fourth quarter; Asia, including U.S.-listed Chinese issuers, with $20.0 billion for the full year and $6.4 billion in the fourth quarter; and Japan, with $1.7 billion for the full year and $0.5 billion in the fourth quarter. The opportunity set for investors increased significantly, as the size of the global convertible market rose to $508.6 billion at year-end—up from $335.5 billion at the end of 2019 and representing the highest level since 2007.

In addition, it was a record quarter and year for SPAC issuance. The market has accepted SPACs as an alternative to IPOs or direct listings. The fourth quarter also witnessed the first European SPAC of the year.

The environment for convertible arbitrage investing remains very favorable, in our view. We expect equity market volatility to remain elevated while credit spreads continue to benefit from a strong technical backdrop, and the pipeline for ongoing new issuance appears solid. In this context, we are confident that there will continue to be ample opportunities to identify attractively valued convertibles with appealing risk/reward profiles.

Annual Convertible Issuance by Region

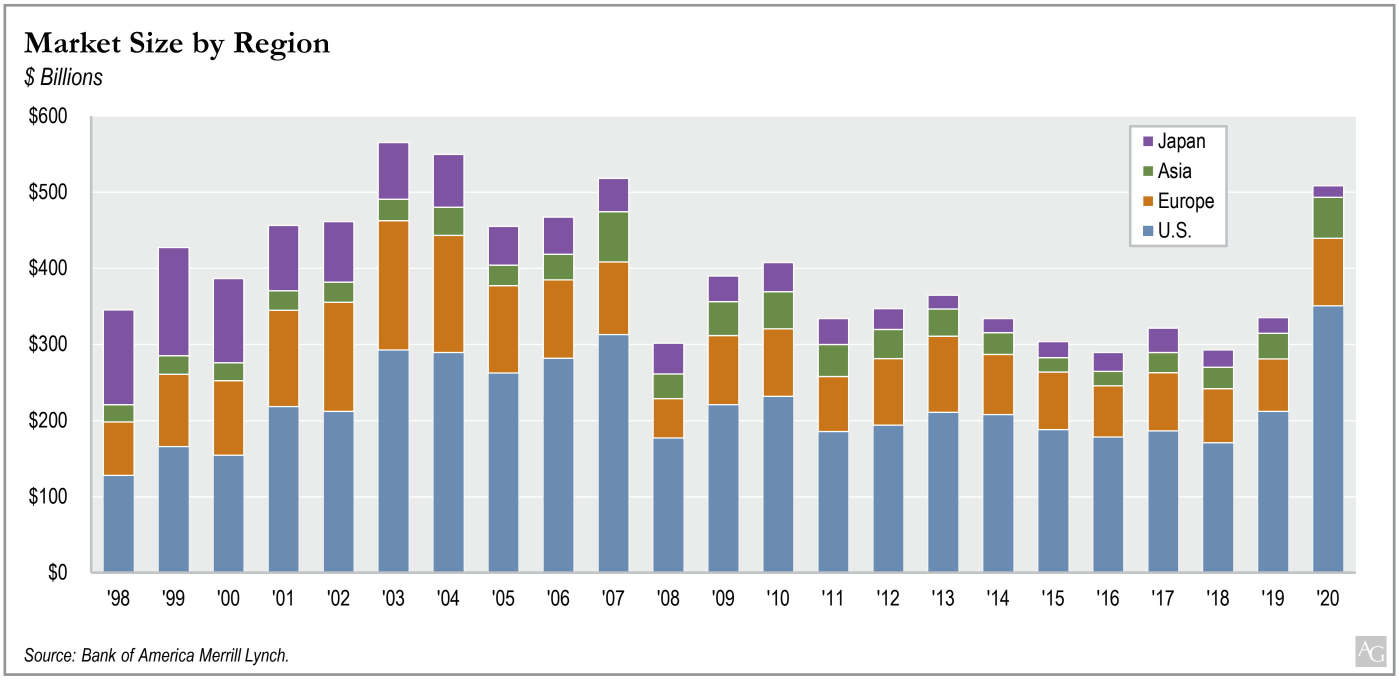
$ Billions



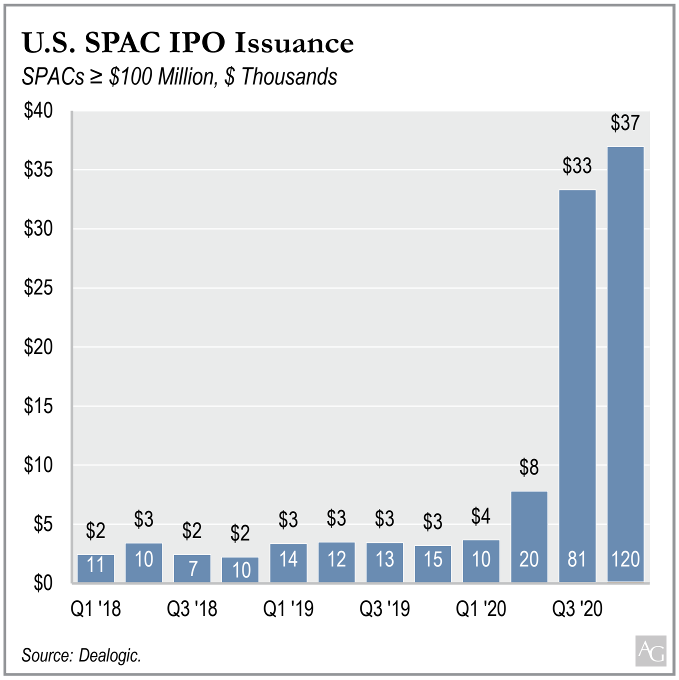
Source: Bank of America Merrill Lynch.

New issuance reached record levels in 2020, and the environment remains supportive of continued primary market activity.

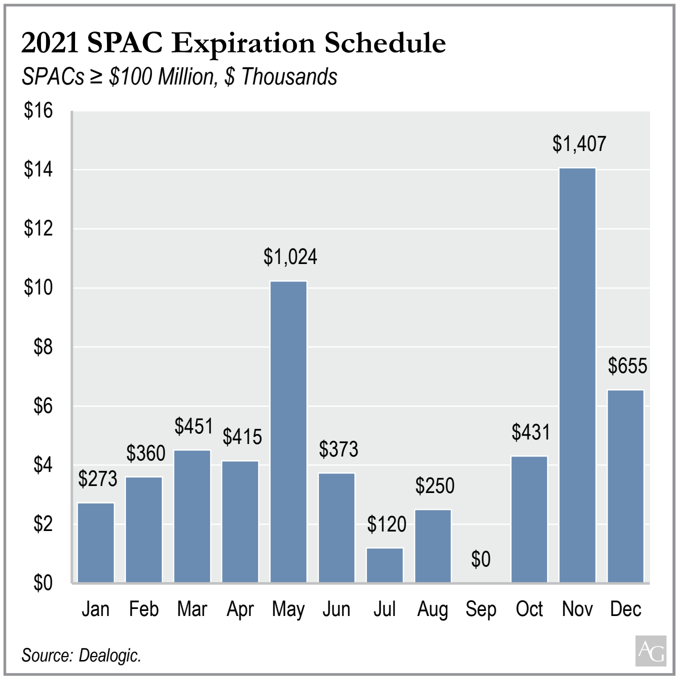
Convertible Arbitrage *(continued)*



The U.S. and Europe continue to make up the vast majority of the convert market.



Over $81.5 billion was raised in 2020.



Over $73.5 billion of unlevered capital was available for acquisitions.

Gary Wolf
Head of Convertible Arbitrage

For more information on Convertible Arbitrage, visit www.angelogordon.com/strategies/multi-strategy/arbitrage/convertible-arbitrage/

U.S. Real Estate

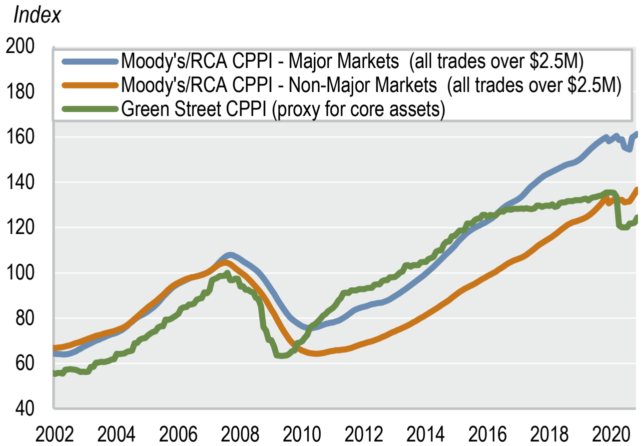
Commercial property transactions accelerated into year-end but still declined year-over-year—down 19% in the fourth quarter and 32% for full year 2020—as economic uncertainty continued to suppress the transaction market. Entity-level deals finally emerged, and although sales of individual properties were down 18% year-over-year, activity is picking up for property types that are less impacted on a relative basis, such as industrial and multifamily. Fourth quarter apartment deal volume was flat year-over-year, while industrial transactions fell only 2%. Both sectors posted volume growth in December, with industrial transactions setting a record for the month. Major gateway markets and central business districts are typically a driver of transaction volumes; however, investors are questioning the outlook of urban areas and the magnitude at which households and companies might abandon the large coastal markets for more affordable secondary and tertiary markets. For the full year, Manhattan was the fifth most active market, its lowest ranking on record. Refinancing activity accounted for 51% of all capital flows to commercial real estate in the first three quarters of 2020, yet financing markets are bifurcated by the haves and have-nots, with lenders hesitant to finance asset classes with less certain recovery profiles, including retail, hotel, and office.

The Trepp CMBS delinquency rate declined to 7.81% in December, down from a peak of 10.32% in June, though some of the decline is due to forbearance and the utilization of reserves to bring debt service payments current. Loans with a special servicer declined to 9.81%, while loans on servicer watchlists rose quarter-over-quarter to 21.4%, with 24.1% of lodging loans in special servicing at year-end. During the global financial crisis (GFC), the peak for newly troubled loans was seen in the fourth quarter of 2009, while distressed sales peaked a year later.

The decline in transaction volume is occurring against a backdrop of investor concern over rent collections, rental rates, and growth prospects in the intermediate and long term, compounded by the resurgence of COVID-19. However, unlike during the aftermath of the GFC, debt markets have been reasonably cooperative and generally reopened quickly, allowing for some modicum of deal activity and price transparency. The Federal Reserve Board has firmly anchored expectations for low interest rates, which will continue to be generally supportive for commercial real estate pricing, but the shock to demand has moved buyers and sellers apart on pricing.

On the valuation front, the Green Street Commercial Property Price Index declined 8% in 2020, but with significant variation by property type. The REIT market rallied after the announcement of two promising vaccines and continued as initial vaccination occurred, though company valuations still imply corrections in private market property valuations are to come. Listed REITs in core sectors ended the quarter at a discount to NAV of 15%. Green Street Advisor's model, which tracks the relative value relationship between private real estate and fixed income (investment grade and high yield), pegged real estate at 19% undervalued.

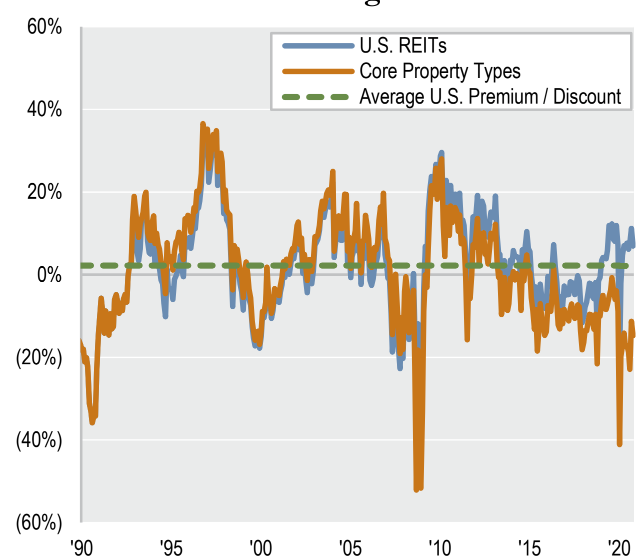
Commercial Real Estate Price Indices



Note: For this chart, Green Street CPPI was indexed to 100 at its 2007 peak (Aug 2007) and Moody's CPPI was indexed at 100 in Dec 2006. Major markets include Boston, Chicago, Washington D.C. Metro, Los Angeles Metro, New York City Metro, and San Francisco Metro. Sources: 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 May '19)

Private real estate pricing has begun to correct, but with significant variation by property type. Note, the Moody's CPPI Index reflects an upwards bias due to activity in property types that have been less impacted on a relative basis (e.g., industrial and multifamily).

Public-Private Price Divergence



Note: Core Property Types include Office, Retail, Apartment and Industrial. Source: Green Street Advisors.

Core property type valuations for U.S. REITs imply continued corrections in private market valuations as a whole, with significant variation by property types.

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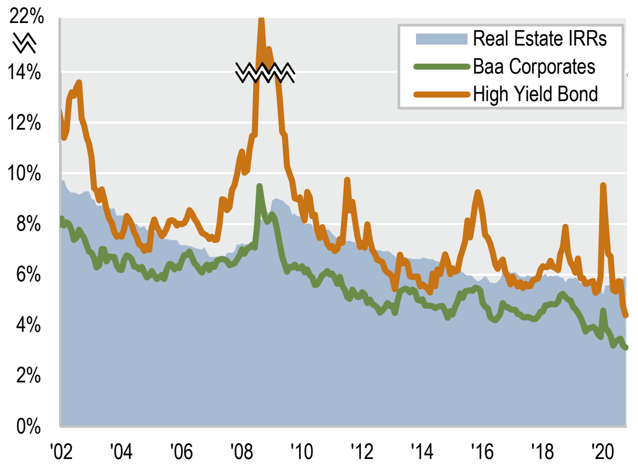
U.S. Real Estate *(continued)*

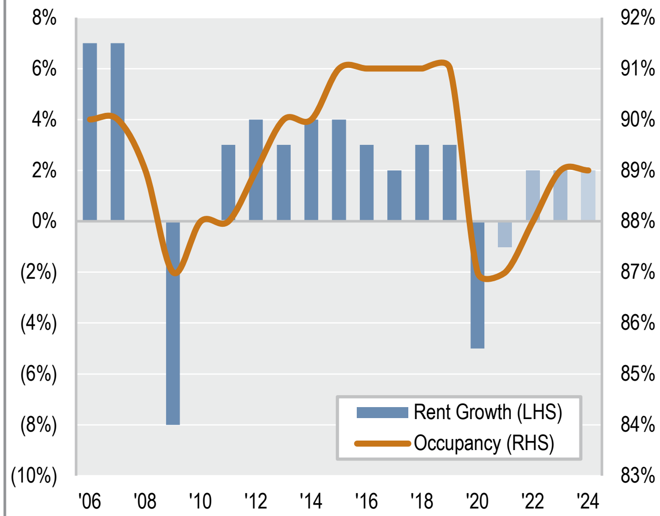
Unlevered Total Return Expectations on Real Estate vs. Corporate Bond Yields



Note: 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).
Sources: Green Street Advisors (October '20), Moody's (Baa Corporates), BAML (High Yield Bonds).

Unlevered real estate has historically offered a return between investment grade and high yield bonds. Real estate currently appears significantly undervalued on a relative basis compared to debt.

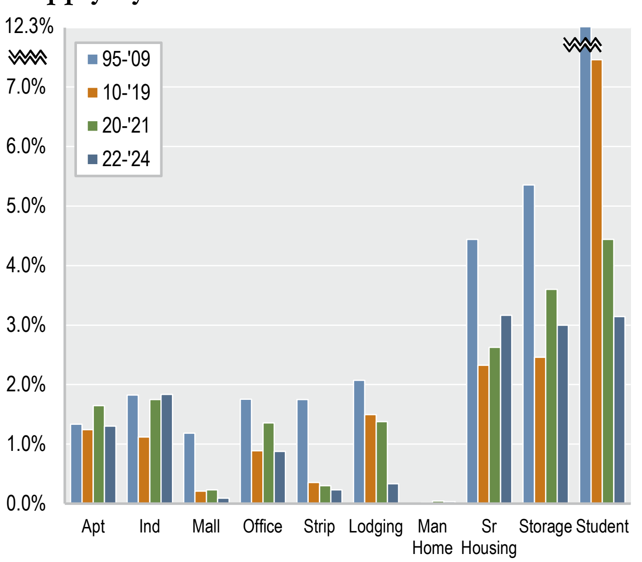
Occupancy and Rent Growth: Major Sector Average



Source: Green Street Advisors.

The combination of development deliveries and a demand shock is driving rent and occupancy declines.

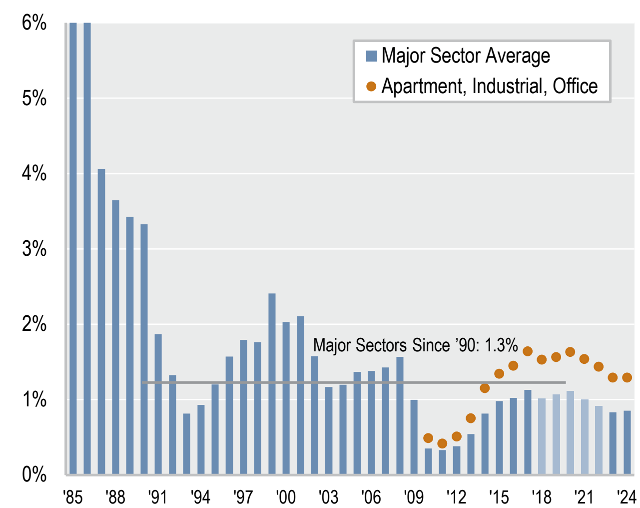
Supply by Sector



Note: Estimates are not shown because impact has not been quantified.
Source: Green Street Advisors.

New deliveries are generally at cycle peak and are expected to decline.

New Completions as a Percent of Existing Stock



Source: Green Street Advisors.

New deliveries for the major property types are generally at cycle peak, but apartment and industrial completions are expected to remain elevated.

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Co-Portfolio Manager
Head of U.S. Real Estate

Matt Jackson
Co-Portfolio Manager
U.S. Real Estate

For more information on U.S. Real Estate, visit www.angelogordon.com/strategies/real-estate/u-s-real-estate/

Europe Real Estate

The end of 2020 included another surge in COVID-19 cases followed by new lockdowns across Europe. As a result, Capital Economics estimates eurozone GDP likely contracted 3% quarter-over-quarter in the fourth quarter. Eurozone unemployment reached 8.5% in November, reversing some of the progress made in the third quarter. Throughout 2020, unemployment levels and business failures were softened by government furlough programs and massive government bond-buying programs, which provided corporate liquidity. Government support programs have been extended, but they will end in 2021, inevitably leading to business failures that will create downstream effects for business and commercial real estate loans. According to NPL Markets, non-performing loan (NPL) ratios across the continent are projected to double or triple, reaching up to €1.2 trillion.

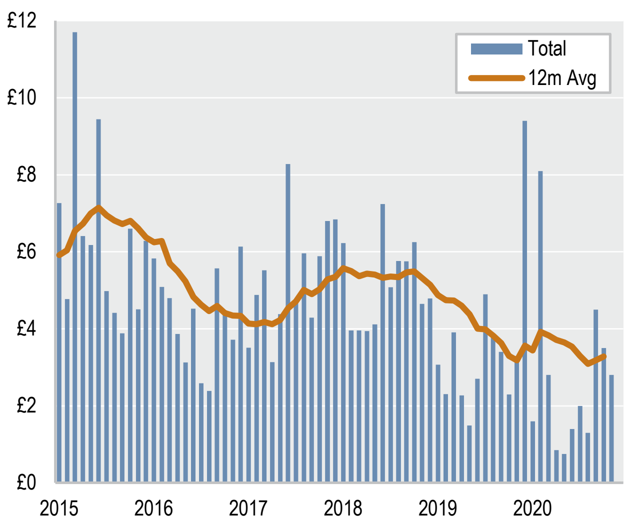
UK GDP increased by only 0.4% month-over-month in October, leaving the economy nearly 8% smaller than it was in February 2020. Pandemic-related restrictions in November closed almost all non-essential businesses and likely pushed 15% of the workforce—five million people—to furlough programs, according to Capital Economics. When government support runs out in the spring, the real unemployment rate will likely jump from 4.9% to nearly 7%. With these forecasts in mind, some UK lenders are reactivating 'workout departments' in preparation for new NPLs. While the pandemic dominated 2020, a Brexit deal was made in December, though details on financial services—a critical component—have been left for further negotiation during 2021.

Unsurprisingly, UK real estate investment fell 25% in 2020—totaling only £33.7 billion—even with a notable spike in transactions in the fourth quarter. Industrial assets fared best, with fourth quarter investments only dropping 4% compared to 2019 levels. Hotels saw the largest decline in investment, with activity down 69% since 2019. Central London office take-up was 130,000 square feet in November, down 30% from October. Vacancy rose from 7.0% to 7.7% over the same period, as sublease space reached 22 million square feet.

Like the UK, eurozone investment volume was down 20% year-over-year in 2020, with industrial assets holding up well compared to other property types. JLL estimates that European office take-up saw a 35% year-over-year decrease in the fourth quarter. Despite a 41% increase from the third quarter, only 25.8 million square feet were transacted in the fourth quarter. Office vacancy across Europe rose to 6.4% in the fourth quarter, although some cities—like Paris—saw decreases in vacancy. Despite low demand and increased vacancy, declines in prime office rents were modest, but more leasing must occur in a post-pandemic world before we can confidently forecast future office rents.

UK Investment Deals Completed

£ Billions

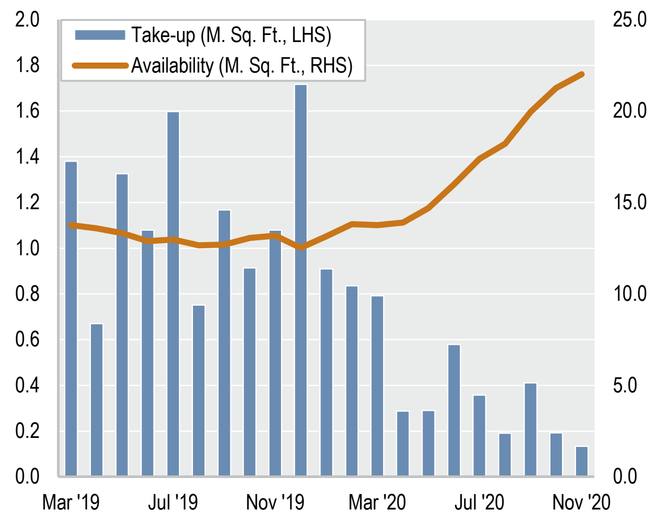


Source: Capital Economics.

Despite a flurry of activity in the fourth quarter, total 2020 investment is well below 2019 levels.

Central London Office Take-Up

Square Feet (Thousands)



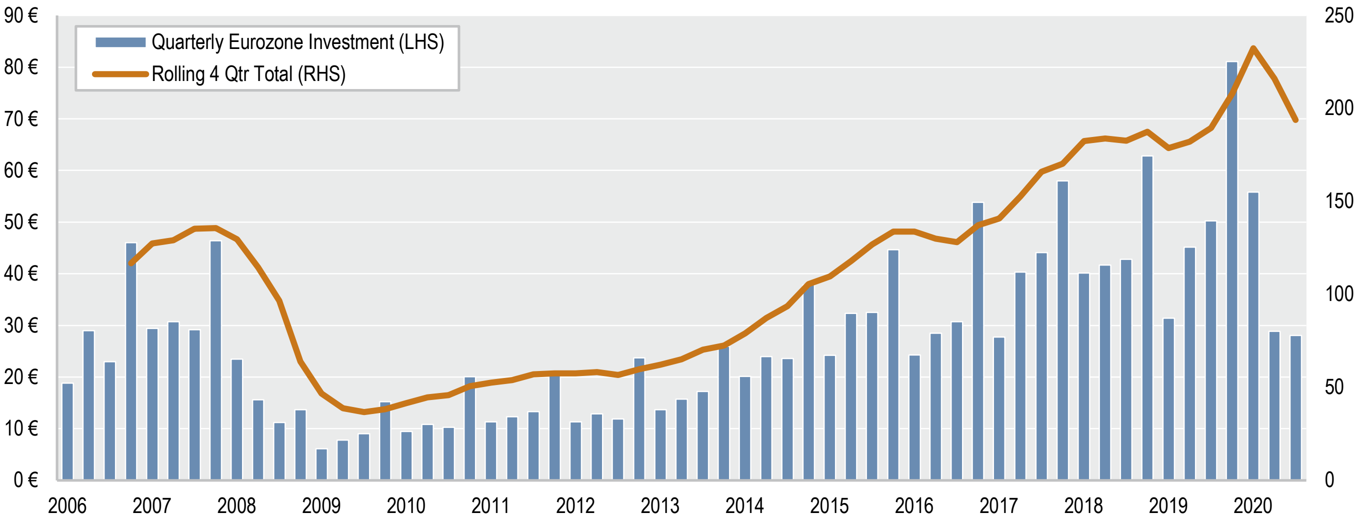
Source: Capital Economics.

Demand for office space has dropped, while supply continues to grow.

Europe Real Estate *(continued)*

European Office Investment Volume

€ Billions

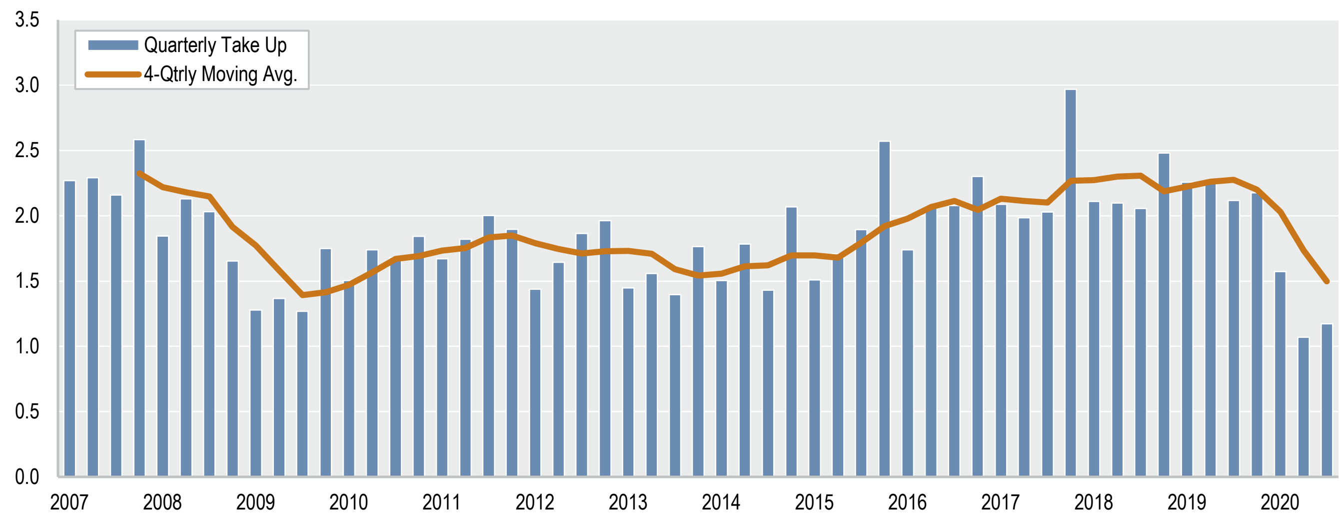


Source: Capital Economics.

Eurozone investment volume is down more than 20% from 2019.

Eurozone Office Take-Up

Square Meters (Thousands)



Source: Capital Economics.

While overall office take-up has dropped, rents in prime markets remain strong.

Anuj Mittal
Co-Portfolio Manager
Europe Real Estate

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Asia Real Estate

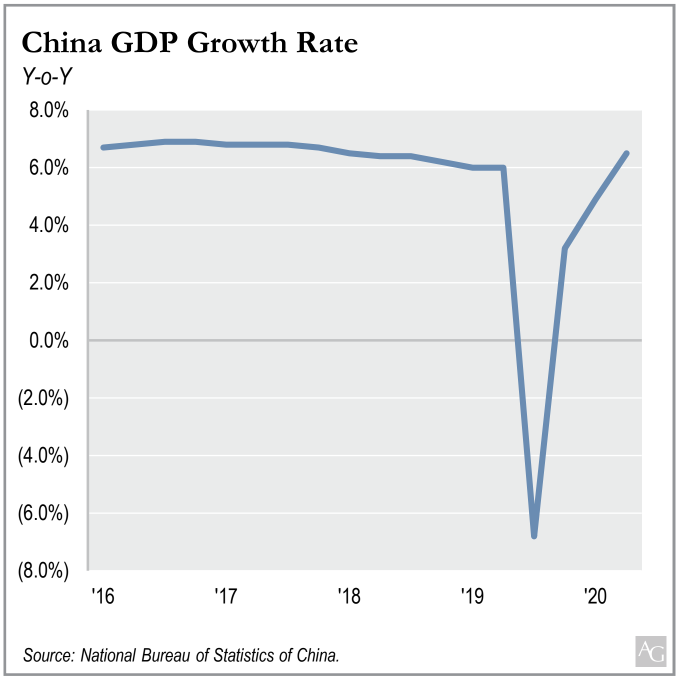
China

China's economy grew 4.9% year-over-year in the third quarter of 2020, representing further recovery as compared to the 3.2% year-over-year growth of the second quarter and bringing year-to-date growth into positive territory at 0.7%. The continued strong rebound was mainly driven by expansion in the manufacturing and service sectors, up 5.8% and 4.3% year-over-year, respectively, as production and business activities had nearly fully resumed and COVID-19 was brought under control nationwide. The IT, finance, and advanced manufacturing industries continued to outperform, recording year-over-year growth of 15.9%, 7.0%, and 5.9%, respectively. Supply and demand recovered simultaneously and led to improvement in trade flows, with total imports and exports reaching quarterly historical highs. Consumer confidence continued to recover, as retail sales growth turned positive—at 0.9% year-over-year in the third quarter—for the first time since the outbreak of COVID-19. Online retail sales of physical goods recorded 15.3% growth year-over-year for the first three quarters of 2020. The Chinese central bank maintained a prudent and neutral monetary policy, as the loan prime rate (LPR) remained stable for five consecutive months.

In Beijing, leasing activity remained subdued as tenants continued to seek cheaper alternatives, with only a few leasing transactions completed. Net absorption rebounded slightly, from 1,532 square meters in the second quarter to 8,832 square meters in the third quarter, largely driven by government-led demand. In the third quarter, 70% of the leasing transactions came from domestic tenants, as foreign tenants continued to exercise caution. Despite the market conditions, tenants from the IT and finance industries remained a steady source of demand, accounting for 26% and 25% of the leased space, respectively. Overall, rents decreased 7.1% year-over-year or 1.2% quarter-over-quarter, while vacancy edged down to 13.9%, down 0.1 percentage points quarter-over-quarter. In the Zhongguancun submarket of Beijing—also known as "China's Silicon Valley"—rents remained unchanged quarter-over-quarter and vacancy remained tight at 2.2%.

Industrial and logistics real estate remained resilient in major submarkets due to limited supply and strong leasing demand from third-party logistics companies. In Shanghai, industrial rents edged down 0.4% quarter-over-quarter but grew 2.8% year-over-year. Industrial vacancy declined a modest 0.2 percentage points to 7.3%, as the market absorbed newly completed facilities.

In terms of overall market activity, the commercial investment market recovered in the third quarter, with total transaction volume of RMB 42.4 billion ($6.5 billion)—up 9% quarter-over-quarter. Domestic investors dominated the market and accounted for 83% of the total transactions. However, there was an uptick in inquiries and site inspections by foreign investors despite ongoing travel restrictions. Total commercial real estate transactions in the first three quarters of 2020 amounted to approximately RMB 140 billion ($22 billion), down approximately 28% year-over-year.



China's economy exhibited a strong rebound in the fourth quarter, resulting in 2.3% GDP growth for 2020.

CNY continued to strengthen against the USD.

Asia Real Estate

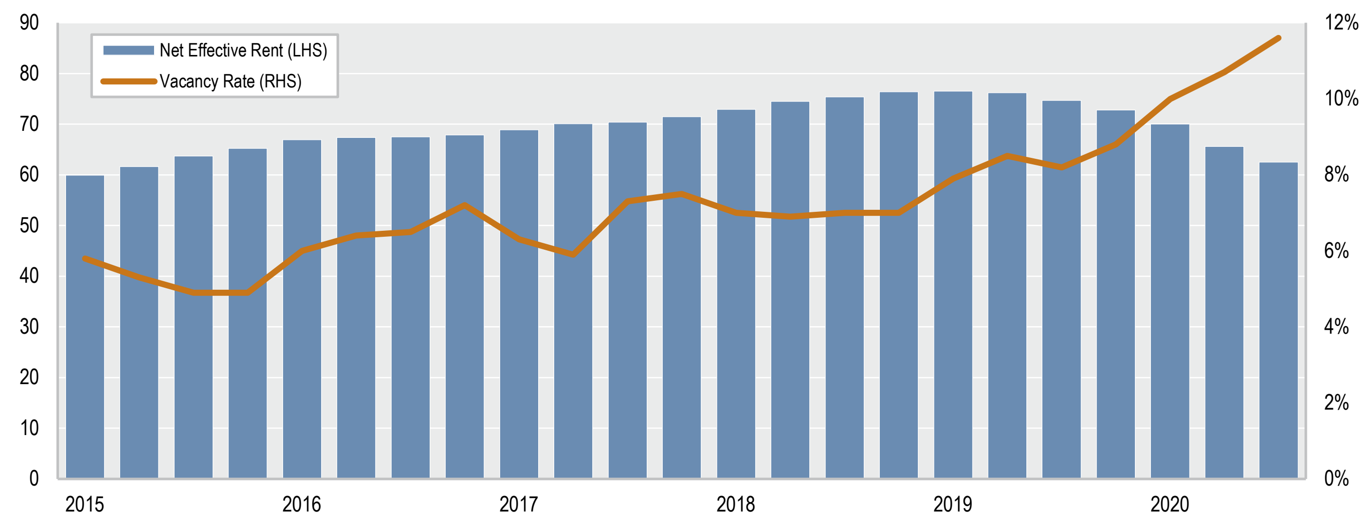
Hong Kong

Hong Kong's economy contracted by 3.5% year-over-year in the third quarter, a marked improvement from the 9% contraction in the second quarter. The improvement has been attributed to the local stabilization of COVID-19 and stronger financial market activity. Total exports of goods resumed moderate year-over-year growth of 3.9%, mainly underpinned by a sharp pickup in September and the recovery of import demand in major markets. Exports of services plummeted further by 34.6%, as inbound tourism remained at a standstill and cross-boundary transport and business services stayed sluggish. Private consumption expenditure posted a year-over-year decline of 8.2%, as local consumption sentiment was revived in the latter part of the quarter following the containment of a third resurgence of COVID-19 cases. The unemployment rate continued to deteriorate to 6.4%, the highest level in nearly 16 years and up moderately from 6.2% in the prior quarter.

With limited supply, residential prices remained firm and declined by only 1.6% year-over-year, while transaction volume fell by only 11% despite the border controls preventing Chinese buyers from entering Hong Kong easily. The commercial investment market continued to be anemic in the first three quarters of 2020 and totaled only HK$28.9 billion (US$3.7 billion), down 36% year-over-year. However, the industrial sector—which has generally been more resilient over the past year—saw total transaction volume jump by 5.6x on a quarterly basis to HK$2.64 billion (US$340 million). As of September, Hong Kong's office vacancy climbed to 11.6%, the highest level in 15 years. Office rents declined 15% year-over-year, driven by soft leasing demand in the core submarkets of Central and Tsim Sha Tsui, while decentralized submarkets such as Kowloon East and Kwai Chung experienced milder rental declines.

Hong Kong Overall Grade A Office Vacancy Rate & Net Effective Rent

HK$ psf



Note: Vacancy rate includes confirmed leasing stock that is currently vacant or becoming vacant over the next 12 months.
Source: Cushman (Q3 2020).

Hong Kong's office vacancy climbed to 11.6%, the highest level in 15 years.

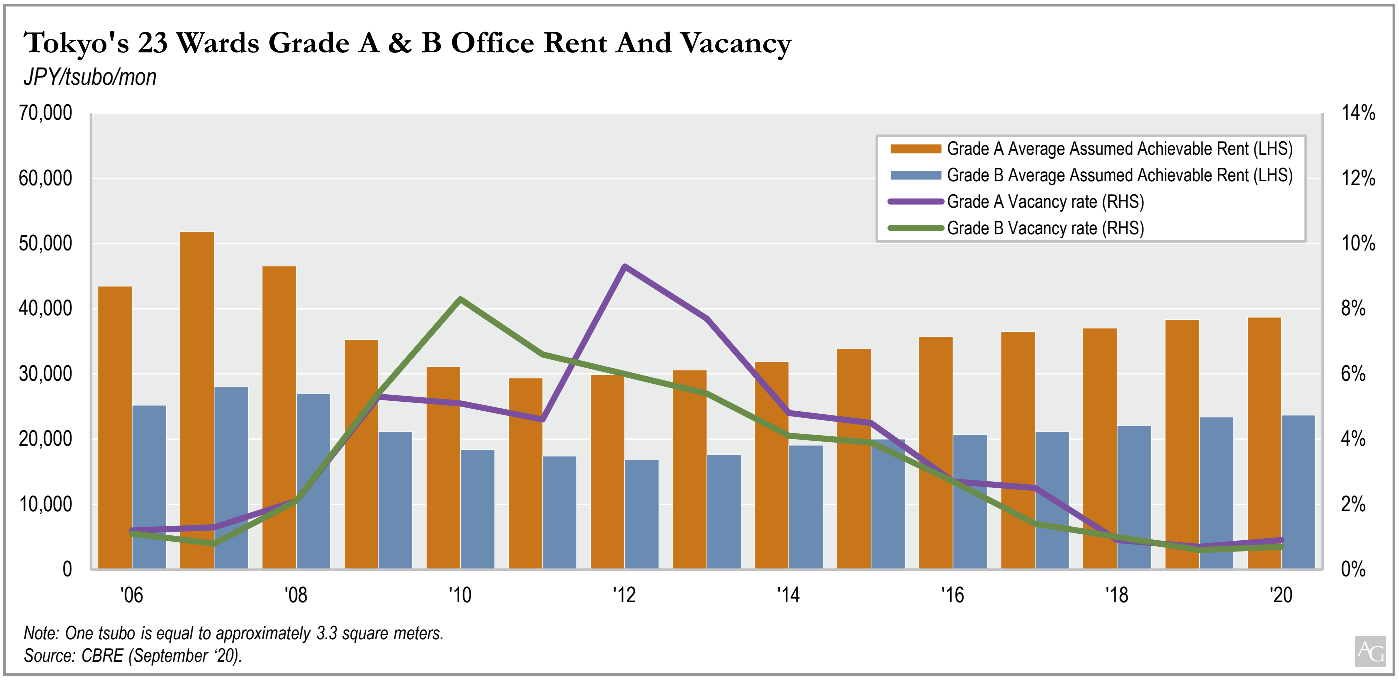
Asia Real Estate *(continued)*

Japan

In the third quarter of 2020, Japan's real GDP rebounded by 5.3% quarter-over-quarter, driven by a sharp jump in private consumption after the state of emergency that lasted from early April to late May 2020. To speed up the country's economic recovery, Prime Minister Suga announced a third stimulus package of ¥73 trillion ($700 billion) in December. The package includes extensions of subsidy programs to promote domestic travel, assist companies in maintaining employment, and incentivize digitalization and carbon reduction. The Japanese government already implemented record stimulus packages totaling ¥230 trillion ($2.1 trillion) last April and May. In January 2021, the government declared a second state of emergency in Tokyo and the three surrounding prefectures for one month—a response to surging COVID-19 cases in those areas. Interestingly, the Nikkei 225 Index reached a 30-year high as central banks around the world, including Japan's, have embarked on significant monetary easing.

Office real estate fundamentals remained relatively healthy during the third quarter of 2020. Tokyo office vacancy increased only marginally, from 0.7% to 0.9% for Grade A and from 0.6% to 0.7% for Grade B. Office rents declined fractionally, by 0.4% to ¥38,700 per tsubo for Grade A and by 1.3% to ¥23,700 per tsubo for Grade B. Vacancy rates are likely to rise modestly due to a slowdown of the economy and an increase in companies seeking to reduce expenses by adopting long-term work-from-home policies. That said, given the small size of most urban residences, the cultural importance of workplace attendance, and frequent job rotations, we expect the impact of the work-from-home trend will likely be subdued in Japan.

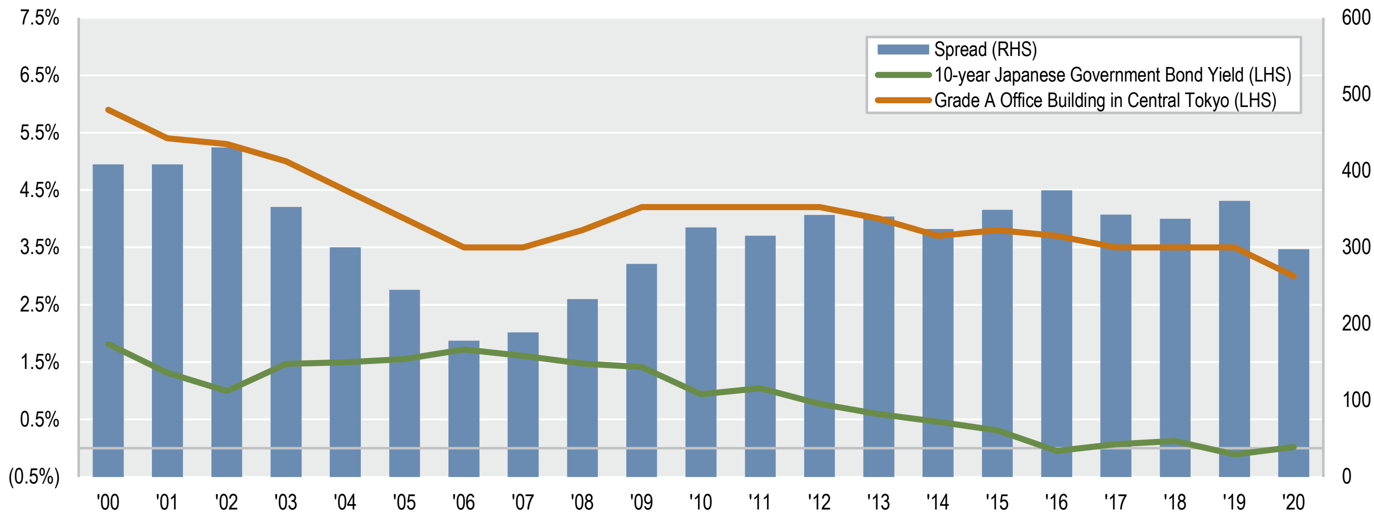
In the logistics sector, the e-commerce market continues to expand in response to COVID-19. The vacancy rate for large-scale, multi-tenant facilities in the Greater Tokyo area decreased from 0.6% to 0.5% in the third quarter of 2020. Rent increases in prime areas are driving tenants to newer, more affordable submarkets. Supported by robust fundamentals, investor interest in the logistics sector—from both domestic and international buyers—has continued to increase.



Office fundamentals remain strong, with limited initial impact from COVID-19.

Asia Real Estate *(continued)*

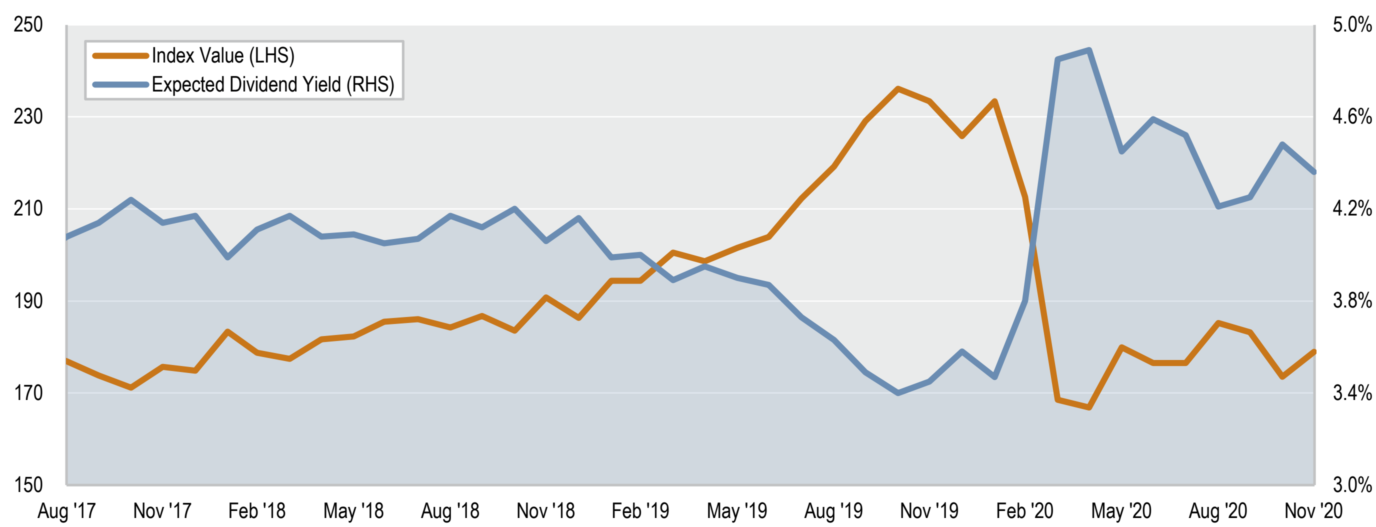
Tokyo Grade A Office Cap Rates vs. Borrowing Costs
bps



Source: Japan Real Estate Institute.

Cap rates have tightened as local institutions continue to drive down yields.

Japanese Real Estate Investment Trust (J-REIT) Index And Dividend Yield
Normalized at 100 - September 2001



Source: Sumitomo Mitsui Trust Research Institute Co.

J-REITs have begun to recover, but the recovery is uneven, with industrial REITs leading and hotel REITs lagging.

Asia Real Estate *(continued)*

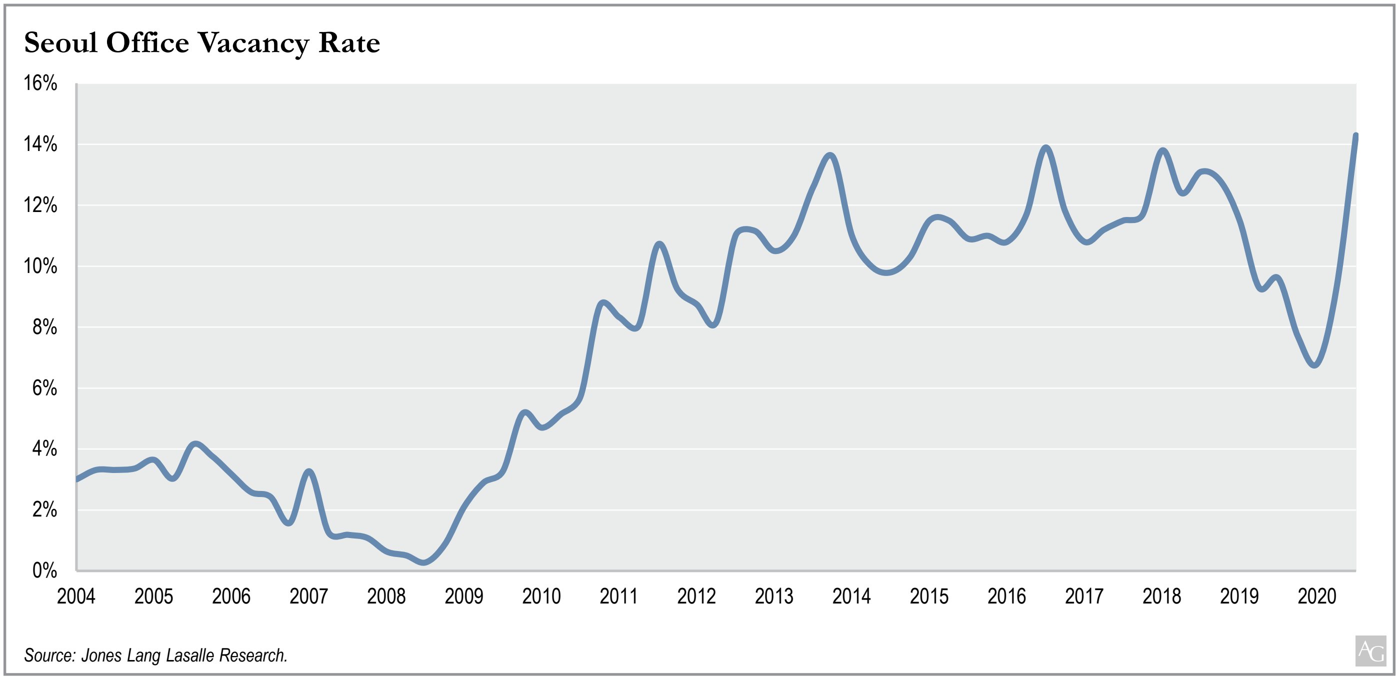
South Korea

In the third quarter of 2020, the Korean economy grew 2.1% quarter-over-quarter, driven by a sharp rebound in exports and investments. Due to the impact of the COVID-19 pandemic, the Korean economy faces headwinds, and the Bank of Korea (BoK) forecasts that the Korean economy will contract by 1.1% in 2020 but recover and grow by 3.0% the following year. The BoK maintained its accommodative monetary policy and its benchmark rate at 0.50%, the lowest it has ever been. Although the spread of COVID-19 in Korea has been relatively moderate, starting in December, daily new confirmed cases rose to over 1,000, and the Korean government raised social distancing rules to the second-highest level.

On the real estate front, the spread between prime office cap rates and Korean government bond yields (i.e., 5-year treasury bonds) remained at 320 basis points, which is above the 10-year average of approximately 260 basis points. Despite the pandemic, cap rates for prime office assets continued to compress and are at historic lows. Investment activity in the commercial office sector continued to be robust, driven by abundant liquidity in the Korean market and heightened investor demand for stable core assets. Year-to-date investment volume reached $8 billion in the third quarter of 2020, which is equivalent to 75% of the transaction volume level in 2019—a record year. Prime office vacancy in Seoul's major business districts was 14.3%, up five percentage points from the previous quarter. This sharp increase in the vacancy rate can be attributed to the completion of a few large office properties during the second and third quarters. Despite the increase in vacancy rate due to new supply, net absorption of existing office space in Seoul was positive throughout 2020, driven by the robust demand for office space. The vacancy rate is expected to stabilize, as there is limited new office supply in the near future.

Residential prices in Seoul continued to rise, with Seoul apartment prices rising 13.1% year-over-year as of December 2020. The current government has been and is continuing to implement tight regulations aimed at curbing speculative investments in the residential sector. The hotel and retail sectors continue to be impacted by the sharp decline in tourists visiting Korea. However, core retail areas have been less affected by these adverse macro conditions.

Leasing and investment momentum in the logistics sector remains robust, with the outbreak of COVID-19 catalyzing the continued growth of the e-commerce industry. Modern, efficient logistics facilities in the greater Seoul area have only frictional vacancy. Cap rates for logistics centers have continued to compress; however, logistics cap rates are still 100-150 basis points higher than prime office cap rates, suggesting further tightening is possible. In December, amid the growing demand for logistics assets, Korea's first-ever logistics REIT went public on the Korea Exchange.

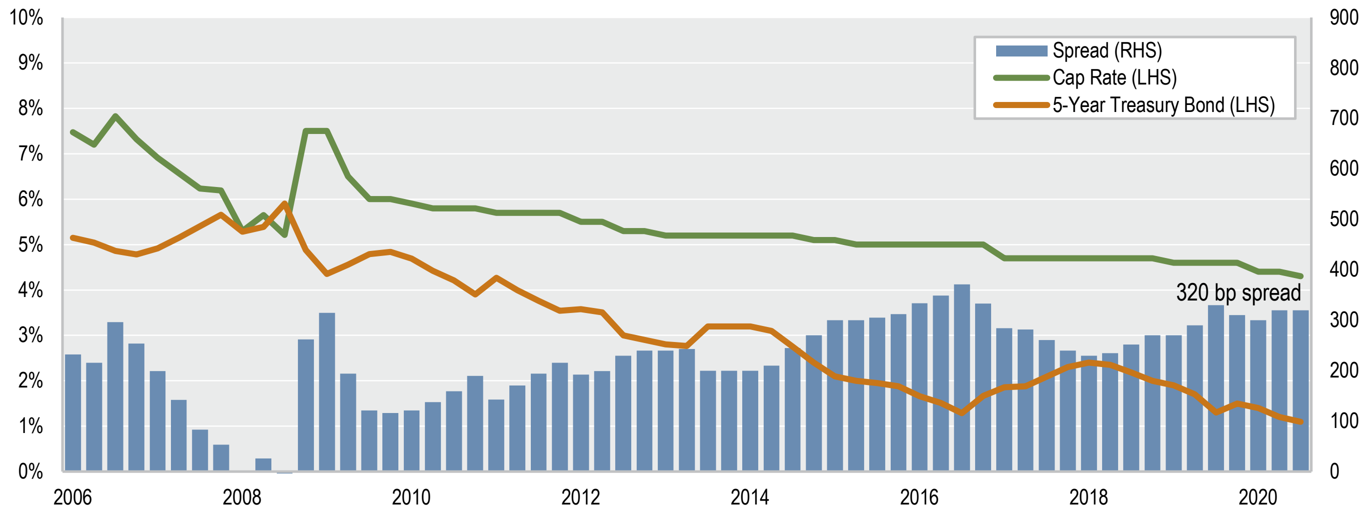


Seoul's office vacancy increased significantly, as new supply from a few large properties was added to the market.

Asia Real Estate *(continued)*

Seoul Prime Office Cap Rate and Spread Over 5-Year Treasury Yield

bps

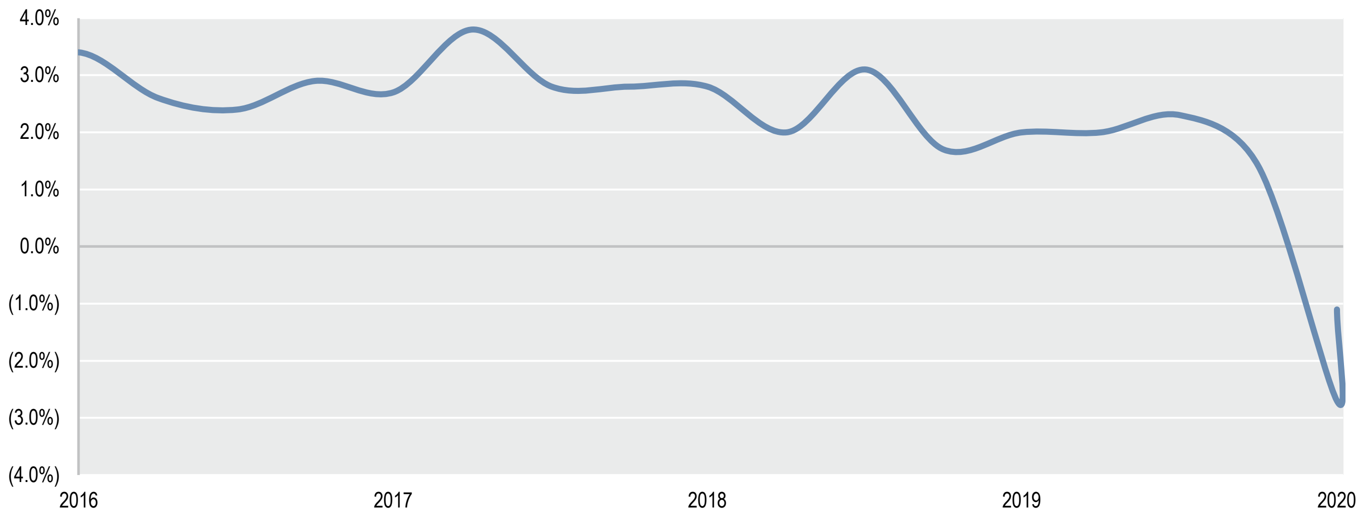


Note: 5-year Treasury is average for quarter.
Source: Savills Research.

Cap rates are wide, as the yield on the 5-year treasury bond remains low.

Korea GDP Growth

Y-o-Y



Source: Bank of Korea.

The Korean economy has seen early signs of a recovery, although GDP is still expected to contract by 1.1% in 2020.

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Head of Asia Real Estate

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Co-Portfolio Manager
Asia Real Estate

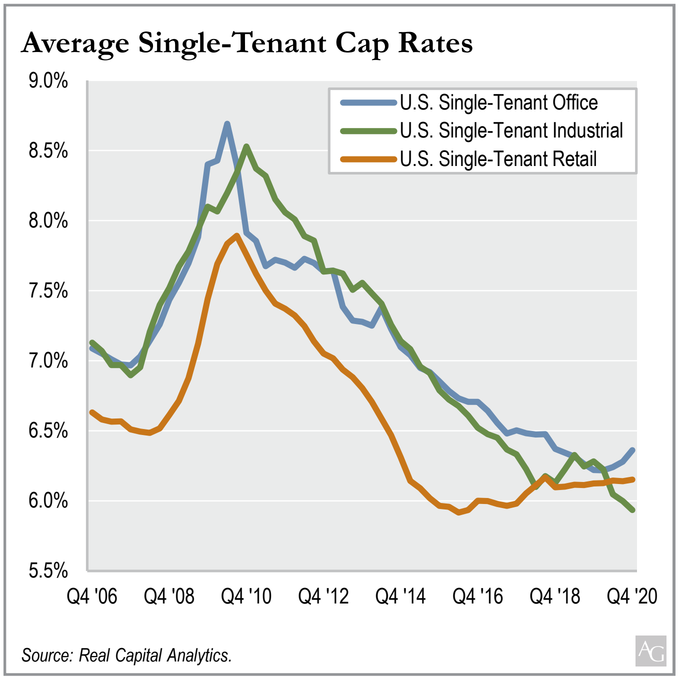
For more information on Asia Real Estate, visit www.angelogordon.com/strategies/real-estate/asia-real-estate/

Net Lease Real Estate

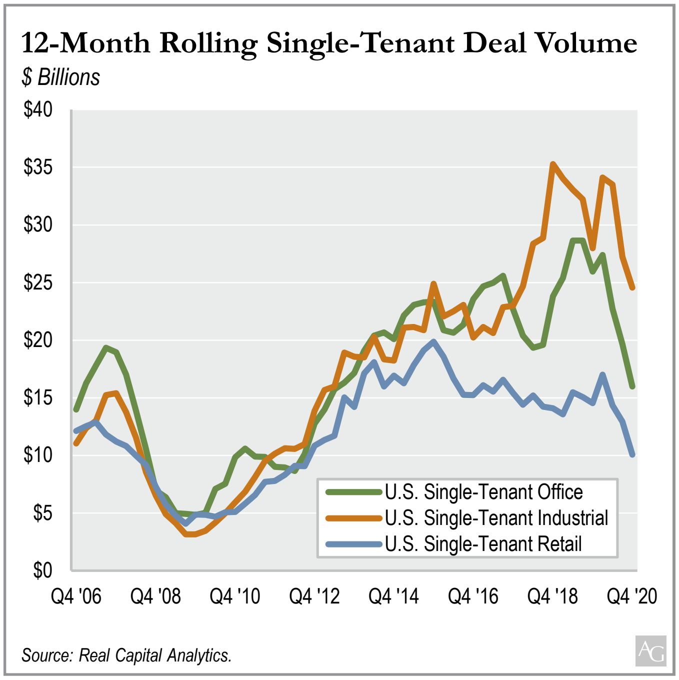
As of the fourth quarter of 2020, the trailing 12-month U.S. single-tenant transaction volume totaled $51 billion, according to Real Capital Analytics (RCA). Single-tenant volume increased at a steady pace for 10 years, from 2009 to 2019, but declined sharply in 2020 due to COVID-19.

The decline in volume can be seen across industrial, office, and retail assets, with fourth quarter single-tenant volume decreasing 36% year-over-year. This decline was led by office and retail, which were both down 44%; industrial was down 26% but continues to outperform the other categories. Investors' relative preference for industrial is also exhibited in cap rates, with office and retail cap rates widening, while industrial cap rates have continued to compress to levels below 6.0%.

With regard to the public markets, net lease REIT rent collections declined to 75% in April 2020, according to Green Street Advisors. Since April 2020, rent collections have improved and stood at 94% in October 2020.



Retail and office cap rates have remained flat or expanded, while industrial cap rates compressed.



After growing substantially for most of 2019, single-tenant volume declined in Q2, Q3, and Q4 2020.

Gordon Whiting
Portfolio Manager

For more information on Net Lease Real Estate, visit www.angelogordon.com/strategies/real-estate/net-lease-re/

Private Equity

2020 was a strong year for private equity, driven by robust activity in the third and fourth quarters. Despite the global economic challenges presented by the pandemic, private equity proved that it is a resilient asset class.

Although 2020 deal volume on both a global and North American basis declined year-over-year, the fourth quarter was particularly strong. In North America, there were $97.8 billion of transactions in the fourth quarter of 2020, as compared to $53.6 billion in the fourth quarter of 2019—a year-over-year increase of 82%. Global deal volume in the fourth quarter increased approximately 40% year-over-year to $153.8 billion. Given the significant weakness in deal volume experienced during the second quarter, full-year 2020 volume was lower on both a North American and global basis, with year-over-year declines of 4% and 7%, respectively. However, 2020 still represents one of the stronger deal environments since 2007.

Dry powder at December 31st set an all-time high of $865 billion, an increase of 4% from September 30th levels. Despite the market dislocation in early 2020, the quarterly trend of setting all-time records for dry powder continues. Transaction multiples paid also demonstrated strength, as average multiples paid in 2020 stood at 11.6x—a record, as it is slightly higher than full year 2019's level of 11.5x. Average leverage for buyouts in 2020 was 5.9x multiple of EBITDA, which is consistent with the prior three years. Equity contribution as a percentage of total capitalization was at 43%, again consistent with both 2018 and 2019. In full year 2020, the number of exits decreased approximately 11% year-over-year, though dollar volume increased by nearly 7%, reflecting larger monetizations.

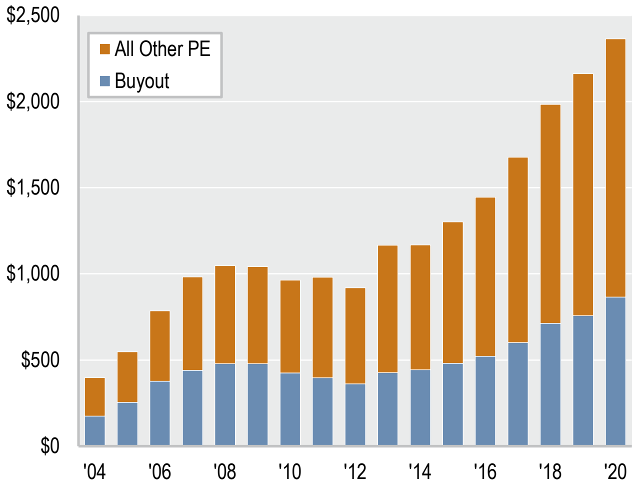
During the last six months of 2020, the private equity industry demonstrated dramatic strength coming off a particularly poor second quarter. While the pandemic has had a material adverse effect on the global economy, the dramatic rebound in deal volume from the second quarter has been striking. Further, the continued increase in dry powder will, in some ways, ensure that deal volume over the long term will carry on at a solid pace. However, as stated in previous updates, it is far too soon to declare stability in private equity. While it is encouraging that the COVID-19 vaccination process has begun across the U.S., there are many other factors that will impact the private equity industry, including the speed and effectiveness of the global rollout of the vaccines, socioeconomic considerations, geopolitical concerns, and corporate profits.

For full year 2020, year-over-year deal volume decreased 4% in North America and 7% globally.

Private Equity *(continued)*

Global Private Equity Dry Powder

$ Billions

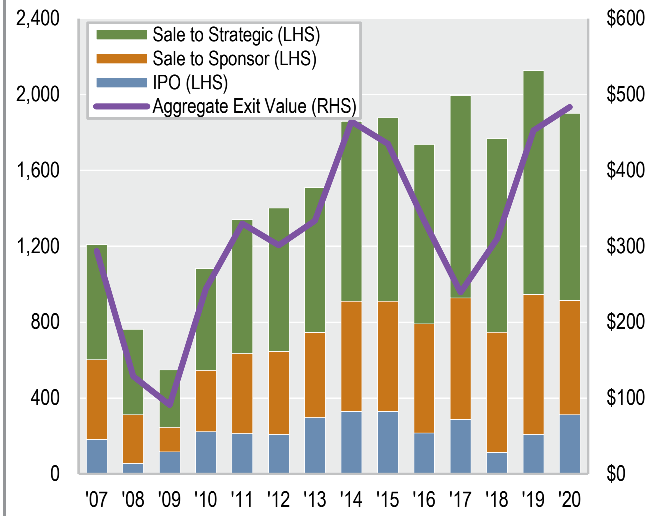


Note: All other PE Funds = Real Estate, Venture, Infrastructure, Growth, Distressed, Mezzanine, Other.
Source: Preqin.

Buyout dry powder at December 31, 2020 stood at $865 billion, an all-time record and a 4% increase from September 30th.

Private Equity Exits

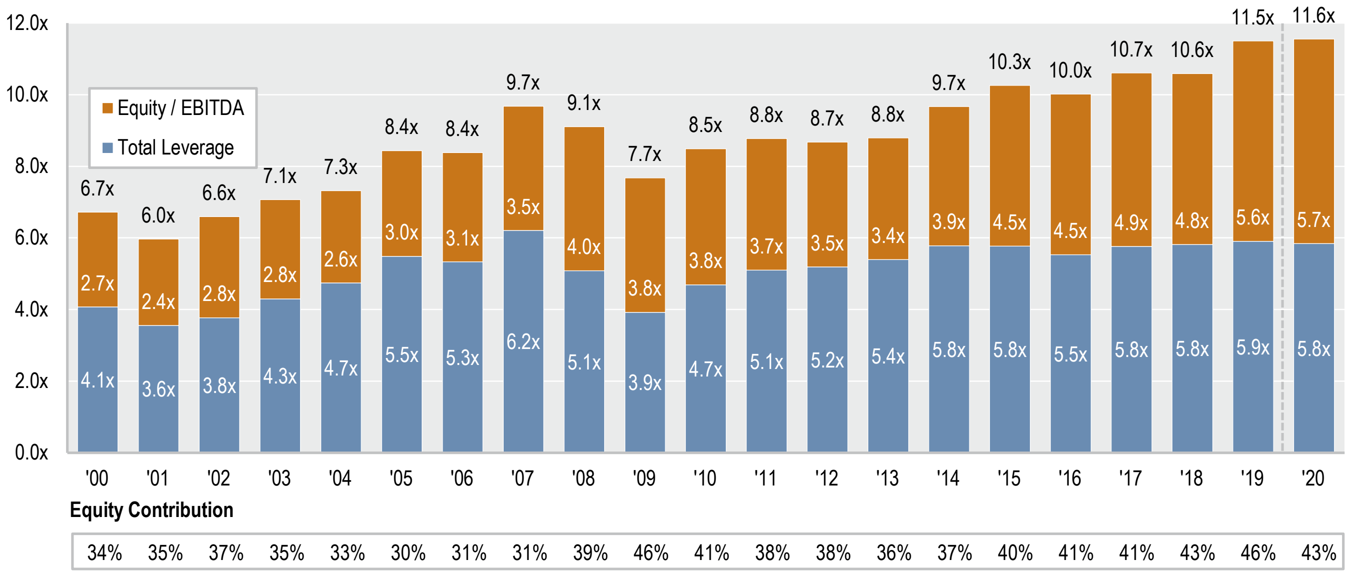
Number of Exits *Value of Exits ($ Billions)*



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

In 2020, the number of exits decreased approximately 11% year-over-year, while dollar volume increased by nearly 7%, reflecting larger monetizations.

LBO Purchase Price Breakdown



Source: S&P Capital IQ LCD.

LBO multiples for calendar 2020 averaged 11.6x, which eclipsed the prior record of 11.5x set in 2019.

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