

Sector Returns

Bloomberg Barclays Stable Income Market Index (SIMI)

March 2018

Total Return	Mar 2018	Feb	Jan	Dec 2017	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar 2017
Treasury	33	-13	-59	-1	-29	-10	-34	36	28	-16	24	33	6
Government-Related	24	-16	-42	0	-23	-4	-24	34	33	-9	28	34	12
Agency	22	-14	-36	1	-22	-4	-22	31	32	-8	26	30	9
Local Authority	26	-14	-50	3	-25	-3	-24	42	38	-15	35	39	19
Sovereign	22	-40	-43	-7	4	-3	-12	53	43	9	49	44	12
Supranational	26	-14	-50	-1	-30	-6	-30	36	32	-12	29	37	18
Corporate	4	-40	-43	13	-33	11	-11	32	54	0	43	50	6
Industrial	8	-39	-43	14	-38	10	-9	27	55	-4	44	50	5
Basic Industry	14	-39	-34	9	-26	17	-18	55	67	0	45	56	-7
Capital Goods	3	-39	-53	9	-38	9	-18	27	52	-5	40	45	2
Consumer Cyclical	8	-39	-47	12	-34	17	-8	29	52	6	37	43	5
Consumer Non-Cyclical	6	-38	-44	14	-38	-2	-7	16	58	-3	45	46	8
Energy	3	-45	-32	14	-31	25	-3	31	56	-15	46	53	-1
Technology	20	-34	-45	18	-49	3	-12	31	50	-4	41	55	7
Transportation	0	-29	-45	4	-28	12	-16	37	51	-4	43	46	10
Communications	2	-41	-40	20	-46	20	-3	25	59	-5	56	60	11
Utility	-7	-32	-41	5	-26	17	-15	38	58	0	41	45	2
Electric	-7	-33	-42	5	-26	17	-15	38	57	1	41	44	2
Natural Gas	-4	-21	-27	4	-25	24	-9	29	64	-9	39	46	4
Financial Institutions	0	-42	-44	11	-26	12	-13	39	53	5	41	50	8
Banking	0	-44	-45	11	-25	11	-12	38	52	5	40	48	9
Brokerage	3	-29	-36	3	-27	13	-11	36	54	5	36	49	16
Finance Companies	-5	-40	-43	7	-45	21	2	38	52	5	62	72	-14
Insurance	0	-37	-45	11	-31	14	-23	39	54	1	43	51	8
REITS	-5	-24	-46	14	-15	26	-16	59	64	3	49	58	8
Securitized	51	-46	-87	18	-32	-1	-34	55	39	-32	48	49	6
MBS Passthrough	62	-51	-100	22	-37	-5	-32	56	42	-40	49	53	2
ABS	17	-26	-28	1	-11	5	-20	35	25	-6	33	30	17
Credit Card	19	-31	-36	2	-14	4	-28	41	28	-11	40	39	17
Auto Loan	14	-20	-19	0	-8	6	-13	28	21	-1	26	21	17
CMBS	30	-38	-78	12	-29	15	-59	70	40	-16	60	48	12
Non Agency CMBS	27	-44	-69	12	-38	22	-59	75	49	-17	62	49	5
Agency CMBS	33	-31	-88	12	-20	7	-59	65	31	-14	58	47	17

Despite predominately positive returns for March, all sectors and subsectors of the SIMI posted negative returns for the 1st quarter.

Auto Loan Securitized bonds posted the highest return of the Index for the quarter at -25 bps, followed by Local Authority and Supranational Agency bonds at -38 bps each. Capital Goods and Banking, subsectors of Corporate bonds along with MBS Passthrough securities, were the worst performers for the quarter, each at -89 bps, closely followed by Finance Companies Corporate bonds at -88 bps.

Sector and subsector returns for January and February were negative, averaging -58 bps and -29 bps, respectively. Returns for March were predominantly positive, at an average of 28 bps. Negative returns for March, ranging from -4 bps to -7 bps, were limited to the Utility and Financial Institutions subsectors of Corporate bonds.

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Option Adjusted Spreads (OAS) by Sector

Bloomberg Barclays Stable Income Market Index (SIMI)

March 2018

OAS	Mar 2018	Feb	Jan	Dec 2017	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar 2017
Treasury	-1	0	0	1	0	0	0	0	0	1	0	1	1
Government-Related	22	22	19	22	21	21	22	24	24	25	25	27	29
Agency	20	20	18	21	20	20	21	22	22	24	24	25	26
Local Authority	37	37	38	40	39	41	44	47	46	48	46	49	50
Sovereign	57	53	38	39	34	44	46	52	57	61	66	72	81
Supranational	17	16	15	17	16	16	17	18	17	18	18	19	21
Corporate	75	64	52	56	58	55	61	67	63	70	73	76	79
Industrial	71	61	50	55	58	53	58	66	60	67	69	73	76
Basic Industry	75	67	58	66	65	66	72	77	80	88	89	93	96
Capital Goods	66	56	46	48	50	45	51	55	49	56	59	62	65
Consumer Cyclical	72	62	52	54	56	53	60	67	63	68	73	76	76
Consumer Non-Cyclical	69	59	47	54	56	51	53	61	52	60	62	66	68
Energy	81	69	55	60	66	61	69	77	75	80	78	83	89
Technology	61	56	46	50	54	47	50	57	52	58	61	62	65
Transportation	66	53	47	50	50	49	57	63	59	66	69	73	72
Communications	81	67	56	62	67	61	69	79	70	78	80	86	91
Utility	76	62	53	58	58	55	64	68	67	76	77	81	84
Electric	76	62	53	57	57	55	63	68	66	75	77	81	83
Natural Gas	77	64	57	64	62	59	71	75	73	87	82	88	93
Financial Institutions	80	68	55	57	59	58	64	69	67	73	78	80	83
Banking	79	67	53	55	57	56	61	67	65	71	76	78	80
Brokerage	74	62	55	60	60	59	65	71	69	77	84	86	92
Finance Companies	108	94	79	82	83	74	84	93	90	96	101	109	117
Insurance	75	63	54	59	60	59	66	66	63	68	72	75	79
REITS	89	74	68	74	74	77	87	91	91	98	96	102	105
Securitized	29	29	23	22	24	21	23	26	26	28	24	27	27
MBS Passthrough	21	23	18	16	18	13	14	19	18	22	16	18	17
ABS	44	42	30	32	31	34	39	36	40	39	39	46	48
Credit Card	43	40	30	31	30	32	38	36	39	39	39	45	47
Auto Loan	46	43	31	33	32	35	40	37	40	40	39	47	49
CMBS	52	47	42	45	46	46	52	49	51	51	51	56	55
Non Agency CMBS	65	58	52	58	59	56	64	61	63	65	65	69	68
Agency CMBS	38	34	32	31	33	36	41	38	39	38	39	45	45

The average spread of the primary SIMI sectors at the end of the 1st quarter was 37 bps, with Corporate bonds leading the way at 64 bps for the quarter. Finance Company Corporate bonds experienced the highest average spread of 94 bps, followed by Energy and Communications, each at 68 bps for the quarter.

Government-Related and Securitized bonds experienced an average spread of 21 and 27 bps for the quarter, respectively. Supranational and Agency, both subsectors of Government-Related bonds, had an average spread of 16 bps and 19 bps, respectively, the lowest of the Index for the quarter.

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Option Adjusted Spreads (OAS)

Monthly changes by sector

Bloomberg Barclays Stable Income Market Index (SIMI)

March 2018

OAS Change	Mar 2018	Feb	Jan	Dec 2017	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr 2017
Treasury	-2	0	0	1	0	0	0	0	0	0	0	0
Government-Related	0	2	-2	1	0	-2	-1	0	-1	0	-2	-2
Agency	0	2	-3	1	0	-1	-1	0	-2	0	-2	-1
Local Authority	0	-1	-2	0	-1	-4	-3	1	-2	1	-3	-1
Sovereign	4	16	-1	5	-10	-3	-6	-5	-4	-5	-6	-9
Supranational	0	1	-2	1	0	-1	0	0	-1	0	-2	-2
Corporate	11	11	-4	-2	3	-6	-7	4	-6	-3	-3	-3
Industrial	10	11	-5	-3	5	-5	-8	6	-7	-2	-4	-3
Basic Industry	9	8	-8	1	-1	-7	-5	-3	-8	-2	-4	-3
Capital Goods	10	10	-2	-2	5	-5	-4	5	-7	-3	-3	-3
Consumer Cyclical	10	10	-3	-2	4	-8	-7	5	-5	-5	-2	-1
Consumer Non-Cyclical	11	12	-7	-3	6	-2	-9	9	-8	-2	-4	-2
Energy	12	14	-5	-6	5	-8	-8	2	-5	3	-6	-5
Technology	5	9	-3	-4	8	-3	-7	4	-6	-3	-2	-3
Transportation	12	6	-3	0	1	-8	-6	3	-7	-3	-4	1
Communications	14	11	-6	-5	6	-9	-9	9	-8	-2	-7	-5
Utility	15	9	-5	0	2	-8	-5	1	-9	-1	-4	-3
Electric	15	9	-4	0	2	-8	-5	1	-9	-1	-4	-3
Natural Gas	13	7	-7	1	3	-11	-5	3	-14	4	-5	-5
Financial Institutions	12	12	-2	-2	1	-6	-5	2	-6	-5	-3	-3
Banking	12	13	-1	-2	1	-6	-6	2	-6	-5	-2	-3
Brokerage	12	7	-6	1	0	-5	-7	2	-8	-6	-2	-6
Finance Companies	13	15	-3	-1	8	-9	-9	3	-6	-5	-8	-8
Insurance	12	10	-5	-2	2	-7	0	3	-5	-4	-3	-4
REITS	15	6	-6	0	-3	-10	-4	-1	-7	1	-6	-3
Securitized	0	6	1	-2	4	-3	-3	0	-2	4	-3	0
MBS Passthrough	-2	5	3	-3	5	-1	-5	1	-4	6	-2	0
ABS	3	12	-2	1	-3	-5	3	-4	0	0	-7	-2
Credit Card	3	11	-2	1	-2	-5	2	-3	0	0	-7	-2
Auto Loan	3	12	-2	1	-3	-5	3	-4	0	1	-8	-2
CMBS	6	4	-2	-2	0	-6	3	-2	0	-1	-5	1
Non Agency CMBS	7	6	-5	-1	3	-8	3	-2	-2	0	-5	2
Agency CMBS	4	3	1	-2	-3	-5	3	-2	2	-1	-6	0

Spread changes were slightly wider with the primary SIMI sectors only widening by an average of 3 bps for the quarter. Over the quarter, the average spreads tightened in January by 2 bps, though widened in February and March by 6 bps and 4 bps, respectively. Corporate bonds widened by an average of 11 bps in both February and March which, along with the 12 bp widening of ABS Securitized Corporate bonds, were the primary drivers to the average spread of the Index widening by 3 bps for the quarter. Average spread changes over the quarter ranged from 9 bps to -1 bp across all the sectors and sub-sectors of the Index.

Local Authority Government-Related bonds was the only sub-sector in the Index to experience any tightening over the quarter, 1 bp, which was driven by slight tightening in January and February and offset by remaining flat in March. Finance Companies Corporate bonds experienced the highest average widening of the Index, 9 bps, followed by Banking and Energy Corporate bonds at 8 bps and 7 bps, respectively.

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