


Fixed Income Sector Return
Stable Income Market Index

| Total Return |  | | | | | | | | | | | | |
|-------------------------------|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Jun-16 | May-16 | Apr-16 | Mar-16 | Feb-16 | Jan-16 | Dec-15 | Nov-15 | Oct-15 | Sep-15 | Aug-15 | Jul-15 | Jun-15 |
| Treasury | 99 | -15 | -1 | 23 | 25 | 109 | -14 | -30 | -22 | 52 | -1 | 18 | -9 |
| Government-Related | 79 | -7 | 10 | 36 | 24 | 84 | -23 | -23 | -6 | 13 | -3 | 16 | -12 |
| Agency | 73 | -6 | 7 | 34 | 21 | 83 | -23 | -21 | -8 | 2 | -5 | 14 | -9 |
| Local Authority | 97 | 10 | 16 | 40 | 22 | 108 | -9 | -16 | -20 | 41 | 7 | 23 | -21 |
| Sovereign | 112 | -13 | 34 | 99 | 66 | 51 | -47 | -30 | 74 | -22 | -4 | 20 | -24 |
| Supranational | 84 | -10 | 11 | 26 | 24 | 93 | -19 | -28 | -21 | 48 | 1 | 20 | -15 |
| Corporate | 92 | -6 | 52 | 126 | 5 | 44 | -37 | -8 | 8 | 54 | -16 | 20 | -43 |
| Industrial | 102 | -16 | 61 | 152 | 26 | 24 | -56 | -15 | 9 | 51 | -26 | 19 | -44 |
| Basic Industry | 138 | -18 | 100 | 194 | 274 | -125 | -155 | -93 | 61 | -14 | -53 | -47 | -56 |
| Capital Goods | 87 | -10 | 34 | 83 | 15 | 94 | -23 | -1 | 6 | 58 | -16 | 24 | -39 |
| Consumer Cyclical | 94 | -19 | 51 | 113 | 23 | 63 | -13 | -6 | 9 | 65 | -22 | 16 | -35 |
| Consumer Non-Cyclical | 92 | -22 | 33 | 93 | 16 | 107 | -27 | 1 | 10 | 63 | -14 | 29 | -50 |
| Energy | 131 | -4 | 152 | 398 | -25 | -223 | -164 | -57 | 2 | 21 | -58 | 5 | -39 |
| Technology | 92 | -13 | 36 | 105 | 11 | 89 | -34 | 5 | -26 | 73 | -19 | 28 | -42 |
| Transportation | 92 | -11 | 47 | 89 | 31 | 78 | -28 | -13 | 5 | 48 | -9 | 32 | -63 |
| Communications | 102 | -24 | 56 | 129 | 18 | 63 | -21 | 4 | 24 | 60 | -15 | 37 | -43 |
| Other Industrial | 92 | -1 | 10 | 51 | 128 | 60 | -3 | -5 | -7 | 68 | -19 | 41 | -41 |
| Utility | 88 | 36 | 32 | 60 | 36 | 90 | -29 | -14 | -8 | 46 | -6 | 16 | -52 |
| Electric | 88 | 36 | 31 | 58 | 37 | 93 | -29 | -14 | -6 | 45 | -5 | 16 | -53 |
| Natural Gas | 90 | 30 | 53 | 77 | 26 | 53 | -27 | -12 | -27 | 50 | -14 | 27 | -40 |
| Financial Institutions | 80 | 2 | 43 | 98 | -26 | 66 | -15 | 2 | 9 | 58 | -6 | 23 | -40 |
| Banking | 75 | 2 | 42 | 99 | -24 | 61 | -16 | 4 | 13 | 55 | -3 | 21 | -38 |
| Brokerage | 113 | 18 | 47 | 76 | -30 | 109 | -12 | -6 | 2 | 54 | -3 | 42 | -52 |
| Finance Companies | 67 | 19 | 53 | 189 | -51 | 62 | -22 | 0 | -21 | 108 | -12 | 34 | -61 |
| Insurance | 97 | -6 | 48 | 83 | -36 | 78 | -16 | -11 | 5 | 64 | -29 | 23 | -41 |
| REITS | 117 | 13 | 48 | 83 | -18 | 112 | 5 | -10 | -6 | 51 | -15 | 33 | -41 |
| Other Financial | 0 | 0 | 4 | 38 | 5 | 47 | 7 | 4 | 8 | 34 | 4 | 4 | 0 |
| Securitized | 81 | -1 | 21 | 27 | 35 | 118 | -25 | -14 | -1 | 57 | 10 | 32 | -49 |
| MBS Passthrough | 73 | -1 | 22 | 26 | 34 | 122 | -20 | -12 | 7 | 55 | 14 | 35 | -62 |
| ABS | 77 | 6 | 22 | 11 | 22 | 98 | -19 | -18 | -20 | 39 | 10 | 16 | -5 |
| Credit Card | 93 | 6 | 21 | 9 | 31 | 120 | -23 | -25 | -28 | 52 | 19 | 24 | -15 |
| Auto Loan | 62 | 6 | 22 | 12 | 13 | 76 | -14 | -10 | -13 | 26 | 1 | 8 | 4 |
| CMBS | 122 | -9 | 17 | 44 | 54 | 119 | -53 | -19 | -21 | 82 | -9 | 30 | -29 |
| Non Agency CMBS | 135 | -1 | 35 | 68 | 38 | 97 | -59 | -23 | -9 | 76 | -22 | 26 | -25 |
| Agency CMBS | 111 | -16 | 1 | 22 | 69 | 141 | -47 | -13 | -36 | 88 | 8 | 36 | -34 |

June 2016

- ▶ Every sector and subsector in the SIMI posted positive returns for the 2nd quarter, even after May showed mixed returns. Energy Corporate bonds lead the way, posting a return of 279 bps for the quarter.
- ▶ The average return for the primary SIMI sectors for the 2nd quarter was 101 bps, down 63 bps from last quarter.
- ▶ The lowest performing subsector for the 2nd quarter was Other Financial Corporate bonds at 4 bps, all of which was earned during April as the bonds exited the Index during the quarter.

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Option Adjusted Spreads by Sectors
Stable Income Market Index

| OAS | | | | | | | | | | | | | |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Jun-16 | May-16 | Apr-16 | Mar-16 | Feb-16 | Jan-16 | Dec-15 | Nov-15 | Oct-15 | Sep-15 | Aug-15 | Jul-15 | Jun-15 |
| Treasury | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Government-Related | 33 | 30 | 32 | 33 | 37 | 36 | 32 | 26 | 27 | 30 | 33 | 34 | 31 |
| Agency | 27 | 26 | 27 | 27 | 31 | 29 | 25 | 17 | 19 | 20 | 29 | 30 | 28 |
| Local Authority | 56 | 55 | 63 | 65 | 70 | 65 | 64 | 65 | 65 | 64 | 55 | 58 | 54 |
| Sovereign | 123 | 122 | 120 | 129 | 144 | 148 | 125 | 123 | 118 | 147 | 112 | 110 | 102 |
| Supranational | 22 | 17 | 18 | 21 | 22 | 22 | 20 | 15 | 16 | 16 | 14 | 16 | 17 |
| Corporate | 105 | 99 | 99 | 114 | 147 | 139 | 114 | 103 | 109 | 117 | 111 | 104 | 100 |
| Industrial | 101 | 97 | 94 | 111 | 154 | 157 | 125 | 109 | 114 | 123 | 114 | 104 | 98 |
| Basic Industry | 139 | 136 | 129 | 162 | 215 | 327 | 256 | 198 | 169 | 212 | 176 | 153 | 122 |
| Capital Goods | 75 | 69 | 69 | 78 | 96 | 91 | 83 | 78 | 86 | 95 | 91 | 84 | 80 |
| Consumer Cyclical | 93 | 89 | 88 | 101 | 126 | 120 | 99 | 97 | 103 | 110 | 107 | 97 | 88 |
| Consumer Non-Cyclical | 80 | 75 | 70 | 79 | 100 | 94 | 89 | 82 | 90 | 100 | 97 | 91 | 89 |
| Energy | 149 | 155 | 156 | 203 | 346 | 342 | 220 | 165 | 167 | 171 | 148 | 128 | 119 |
| Technology | 104 | 92 | 85 | 94 | 116 | 113 | 102 | 91 | 101 | 94 | 94 | 87 | 83 |
| Transportation | 86 | 83 | 81 | 94 | 115 | 111 | 102 | 94 | 106 | 115 | 107 | 101 | 103 |
| Communications | 101 | 97 | 91 | 108 | 139 | 128 | 108 | 102 | 111 | 124 | 118 | 111 | 110 |
| Other Industrial | 67 | 61 | 63 | 63 | 69 | 82 | 60 | 61 | 70 | 77 | 74 | 68 | 70 |
| Utility | 96 | 93 | 108 | 113 | 125 | 124 | 116 | 109 | 112 | 115 | 107 | 105 | 101 |
| Electric | 94 | 90 | 106 | 111 | 122 | 121 | 115 | 109 | 111 | 115 | 107 | 105 | 100 |
| Natural Gas | 118 | 114 | 125 | 139 | 155 | 148 | 121 | 113 | 118 | 114 | 105 | 100 | 98 |
| Financial Institutions | 111 | 102 | 105 | 117 | 140 | 118 | 100 | 95 | 104 | 110 | 108 | 105 | 101 |
| Banking | 108 | 98 | 101 | 112 | 136 | 114 | 95 | 90 | 100 | 108 | 105 | 103 | 98 |
| Brokerage | 129 | 128 | 134 | 138 | 152 | 128 | 118 | 116 | 120 | 127 | 118 | 115 | 122 |
| Finance Companies | 184 | 159 | 170 | 184 | 225 | 190 | 150 | 102 | 116 | 94 | 113 | 107 | 107 |
| Insurance | 103 | 102 | 103 | 119 | 138 | 120 | 108 | 105 | 113 | 120 | 115 | 112 | 109 |
| REITS | 135 | 133 | 139 | 150 | 166 | 141 | 133 | 130 | 134 | 135 | 129 | 120 | 119 |
| Other Financial | 0 | 0 | 0 | 24 | 102 | 93 | 106 | 105 | 115 | 115 | 118 | 116 | 111 |
| Securitized | 43 | 33 | 35 | 42 | 42 | 40 | 38 | 33 | 37 | 45 | 40 | 41 | 39 |
| MBS Passthrough | 36 | 21 | 22 | 28 | 28 | 26 | 22 | 19 | 24 | 33 | 27 | 30 | 26 |
| ABS | 50 | 51 | 58 | 63 | 59 | 57 | 65 | 58 | 62 | 61 | 52 | 56 | 53 |
| Credit Card | 48 | 48 | 54 | 59 | 54 | 53 | 59 | 52 | 55 | 60 | 48 | 54 | 51 |
| Auto Loan | 52 | 54 | 61 | 67 | 64 | 62 | 71 | 64 | 69 | 63 | 56 | 58 | 55 |
| CMBS | 72 | 74 | 78 | 86 | 95 | 96 | 91 | 76 | 80 | 84 | 90 | 84 | 93 |
| Non Agency CMBS | 96 | 106 | 116 | 130 | 152 | 147 | 140 | 117 | 118 | 125 | 134 | 121 | 131 |
| Agency CMBS | 53 | 47 | 46 | 46 | 44 | 50 | 44 | 34 | 40 | 38 | 38 | 39 | 38 |

June 2016

- The average spread of the primary SIMI sectors at the end of the 2nd quarter was 60 bps, down 3 bps from the end of last quarter.
- Finance Company Corporate bonds ended the 2nd quarter with the same spread as the 1st quarter, 184 bps, after dropping in May to 159 bps.
- After experiencing the highest average spread, 297 bps, for the 1st quarter, Energy Corporate bonds were below the average spread of 171 bps for the 2nd quarter at 153 bps.
- Other Financial Corporate bonds exited the Index in May, reflected by an average spread of 0 bps at the end of the 2nd quarter.

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Option Adjusted Spreads – monthly changes
Stable Income Market Index

June 2016

| OAS Change | OAS Change | | | | | | | | | | | | |
|-------------------------------|------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | QoQ change | Jun-16 | May-16 | Apr-16 | Mar-16 | Feb-16 | Jan-16 | Dec-15 | Nov-15 | Oct-15 | Sep-15 | Aug-15 | Jul-15 |
| Treasury | 0 | 0 | 0 | 0 | -1 | 1 | -1 | 1 | 0 | 0 | 0 | -1 | 0 |
| Government-Related | -1 | 2 | -1 | -2 | -4 | 1 | 4 | 6 | -1 | -3 | -3 | -1 | 2 |
| Agency | 0 | 2 | -1 | -1 | -3 | 2 | 4 | 8 | -1 | -2 | -9 | -1 | 3 |
| Local Authority | -9 | 2 | -8 | -3 | -5 | 5 | 1 | -1 | 0 | 1 | 9 | -3 | 4 |
| Sovereign | -6 | 1 | 2 | -9 | -15 | -4 | 23 | 3 | 5 | -29 | 35 | 2 | 8 |
| Supranational | 1 | 5 | -1 | -3 | -2 | 0 | 2 | 5 | -1 | 1 | 1 | -2 | 0 |
| Corporate | -9 | 6 | 0 | -15 | -33 | 8 | 25 | 11 | -7 | -8 | 6 | 7 | 5 |
| Industrial | -10 | 4 | 3 | -18 | -42 | -3 | 32 | 16 | -5 | -9 | 9 | 10 | 6 |
| Basic Industry | -23 | 3 | 7 | -34 | -53 | -113 | 71 | 58 | 29 | -43 | 37 | 23 | 31 |
| Capital Goods | -3 | 6 | 1 | -9 | -18 | 5 | 7 | 5 | -8 | -9 | 5 | 7 | 4 |
| Consumer Cyclical | -8 | 4 | 1 | -13 | -25 | 5 | 22 | 1 | -6 | -7 | 3 | 10 | 8 |
| Consumer Non-Cyclical | 2 | 5 | 5 | -8 | -22 | 7 | 5 | 8 | -8 | -10 | 3 | 6 | 2 |
| Energy | -54 | -6 | -1 | -47 | -143 | 4 | 122 | 55 | -2 | -5 | 23 | 20 | 9 |
| Technology | 10 | 13 | 7 | -9 | -22 | 3 | 11 | 11 | -10 | 8 | 0 | 7 | 4 |
| Transportation | -8 | 4 | 2 | -13 | -20 | 4 | 10 | 8 | -12 | -9 | 8 | 6 | -2 |
| Communications | -7 | 4 | 6 | -17 | -31 | 11 | 20 | 6 | -9 | -13 | 6 | 8 | 0 |
| Other Industrial | 4 | 6 | -2 | -1 | -6 | -14 | 23 | -2 | -9 | -7 | 3 | 6 | -1 |
| Utility | -17 | 4 | -15 | -6 | -12 | 1 | 9 | 7 | -3 | -3 | 8 | 2 | 4 |
| Electric | -17 | 4 | -15 | -5 | -11 | 1 | 7 | 6 | -3 | -4 | 8 | 2 | 4 |
| Natural Gas | -21 | 4 | -12 | -13 | -16 | 7 | 27 | 8 | -5 | 4 | 10 | 5 | 3 |
| Financial Institutions | -6 | 9 | -3 | -12 | -23 | 23 | 18 | 5 | -9 | -6 | 2 | 3 | 4 |
| Banking | -4 | 10 | -3 | -12 | -24 | 22 | 19 | 5 | -10 | -8 | 3 | 3 | 4 |
| Brokerage | -9 | 1 | -6 | -4 | -14 | 24 | 10 | 2 | -4 | -8 | 9 | 2 | -6 |
| Finance Companies | 0 | 25 | -10 | -14 | -41 | 35 | 41 | 48 | -14 | 22 | -19 | 6 | 0 |
| Insurance | -16 | 1 | -1 | -16 | -19 | 18 | 12 | 4 | -8 | -7 | 5 | 4 | 3 |
| REITS | -15 | 2 | -6 | -11 | -16 | 25 | 8 | 3 | -4 | -1 | 6 | 8 | 1 |
| Other Financial | -24 | 0 | 0 | -24 | -78 | 10 | -13 | 1 | -11 | 0 | -3 | 2 | 5 |
| Securitized | 2 | 11 | -3 | -6 | 0 | 2 | 2 | 5 | -5 | -7 | 5 | -2 | 2 |
| MBS Passthrough | 8 | 15 | -2 | -6 | 1 | 2 | 4 | 3 | -5 | -10 | 6 | -3 | 4 |
| ABS | -13 | -1 | -6 | -5 | 4 | 2 | -8 | 7 | -4 | 1 | 10 | -4 | 3 |
| Credit Card | -11 | 0 | -6 | -5 | 5 | 2 | -6 | 7 | -3 | -5 | 12 | -6 | 3 |
| Auto Loan | -15 | -2 | -7 | -6 | 3 | 2 | -9 | 7 | -5 | 6 | 7 | -2 | 3 |
| CMBS | -14 | -2 | -5 | -8 | -9 | -1 | 5 | 15 | -4 | -4 | -6 | 6 | -9 |
| Non Agency CMBS | -34 | -10 | -10 | -14 | -22 | 5 | 7 | 22 | -1 | -6 | -9 | 13 | -10 |
| Agency CMBS | 7 | 6 | 1 | 0 | 2 | -5 | 6 | 10 | -5 | 2 | 0 | -1 | 2 |

➤ Spread tightening was predominant during the 2nd quarter, especially during April and May, though some subsectors experienced modest widening over the quarter. Corporate bonds experienced the most change with Technology widening by 10 bps and Energy tightening by 54 bps since last quarter.

➤ Spreads in Energy and Basic Industry Corporate bonds have been the most volatile over the last year. Energy bonds have experienced the highest and lowest monthly spread changes during the last 12 months, 122 bps and -143 bps, respectively.

➤ The average spread change of the primary SIMI sectors for the 2nd quarter was -3 bps, tighter by 5 bps than last quarter and 10 bps than one year ago.

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