

Sector Returns

Bloomberg Barclays Stable Income Market Index (SIMI)

June 2017

| Total Return | Jun 2017 | May | Apr | Mar | Feb | Jan | Dec 2016 | Nov | Oct | Sep | Aug | Jul | Jun 2016 |
|-------------------------------|----------|-----|-----|-----|-----|-----|----------|------|-----|-----|-----|-----|----------|
| Treasury | -16 | 24 | 33 | 6 | 15 | 18 | 1 | -98 | -22 | 17 | -32 | -4 | 99 |
| Government-Related | -9 | 28 | 34 | 12 | 23 | 25 | 2 | -85 | -17 | 16 | -15 | 2 | 79 |
| Agency | -8 | 26 | 30 | 9 | 21 | 26 | 3 | -76 | -12 | 16 | -13 | 1 | 73 |
| Local Authority | -15 | 35 | 39 | 19 | 24 | 21 | -2 | -87 | -24 | 27 | -23 | 7 | 97 |
| Sovereign | 9 | 49 | 44 | 12 | 58 | 42 | 23 | -127 | -15 | 8 | 36 | 6 | 112 |
| Supranational | -12 | 29 | 37 | 18 | 20 | 22 | -4 | -96 | -27 | 18 | -30 | 5 | 84 |
| Corporate | 0 | 43 | 50 | 6 | 48 | 40 | 16 | -93 | -4 | 10 | 2 | 41 | 92 |
| Industrial | -4 | 44 | 50 | 5 | 47 | 41 | 18 | -98 | -7 | 11 | 2 | 43 | 102 |
| Basic Industry | 0 | 45 | 56 | -7 | 74 | 61 | 17 | -101 | -6 | 37 | 1 | 76 | 138 |
| Capital Goods | -5 | 40 | 45 | 2 | 42 | 44 | 7 | -90 | -6 | 9 | -8 | 27 | 87 |
| Consumer Cyclical | 6 | 37 | 43 | 5 | 56 | 41 | 18 | -102 | -9 | 4 | -3 | 35 | 94 |
| Consumer Non-Cyclical | -3 | 45 | 46 | 8 | 41 | 38 | 14 | -102 | -15 | 8 | -15 | 38 | 92 |
| Energy | -15 | 46 | 53 | -1 | 35 | 51 | 41 | -78 | 21 | 24 | 53 | 47 | 131 |
| Technology | -4 | 41 | 55 | 7 | 49 | 34 | 18 | -105 | -4 | 10 | -2 | 52 | 92 |
| Transportation | -4 | 43 | 46 | 10 | 39 | 37 | 4 | -94 | -1 | 22 | 3 | 19 | 92 |
| Communications | -5 | 56 | 60 | 11 | 53 | 36 | 15 | -105 | -31 | 3 | -10 | 51 | 102 |
| Other Industrial | -3 | 36 | 43 | 27 | 41 | 55 | -2 | -101 | -27 | 14 | -9 | 9 | 92 |
| Utility | 0 | 41 | 45 | 2 | 31 | 38 | 6 | -93 | 1 | 22 | -6 | 16 | 88 |
| Electric | 1 | 41 | 44 | 2 | 31 | 37 | 5 | -94 | 2 | 20 | -7 | 15 | 88 |
| Natural Gas | -9 | 39 | 46 | 4 | 33 | 49 | 12 | -84 | -13 | 46 | 1 | 24 | 90 |
| Financial Institutions | 5 | 41 | 50 | 8 | 51 | 39 | 15 | -87 | 0 | 7 | 3 | 41 | 80 |
| Banking | 5 | 40 | 48 | 9 | 50 | 35 | 15 | -85 | 0 | 1 | 4 | 41 | 75 |
| Brokerage | 5 | 36 | 49 | 16 | 44 | 55 | 6 | -99 | 10 | 43 | 2 | 32 | 113 |
| Finance Companies | 5 | 62 | 72 | -14 | 100 | 75 | 27 | -83 | 1 | 12 | 4 | 121 | 67 |
| Insurance | 1 | 43 | 51 | 8 | 46 | 50 | 12 | -94 | -5 | 22 | -6 | 35 | 97 |
| REITS | 3 | 49 | 58 | 8 | 42 | 48 | 9 | -103 | 2 | 54 | -5 | 31 | 117 |
| Securitized | -32 | 48 | 49 | 6 | 34 | 18 | 1 | -133 | -24 | 25 | -5 | 18 | 81 |
| MBS Passthrough | -40 | 49 | 53 | 2 | 44 | 13 | 12 | -156 | -28 | 27 | -3 | 22 | 73 |
| ABS | -6 | 33 | 30 | 17 | 10 | 21 | -17 | -46 | -5 | 25 | 0 | -10 | 77 |
| Credit Card | -11 | 40 | 39 | 17 | 13 | 25 | -23 | -66 | -15 | 23 | 1 | -9 | 93 |
| Auto Loan | -1 | 26 | 21 | 17 | 6 | 17 | -10 | -26 | 5 | 26 | -1 | -10 | 62 |
| CMBS | -16 | 60 | 48 | 12 | 12 | 41 | -34 | -102 | -19 | 14 | -20 | 27 | 122 |
| Non Agency CMBS | -17 | 62 | 49 | 5 | 13 | 49 | -32 | -94 | -8 | 1 | -13 | 40 | 135 |
| Agency CMBS | -14 | 58 | 47 | 17 | 10 | 34 | -36 | -109 | -27 | 24 | -25 | 17 | 111 |

Despite predominately negative and flat returns for the month of June, all the sectors and subsectors of the SIMI posted solid positive returns for the 2nd quarter, ranging from 41 to 139 bps.

Finance Company Corporate bonds posted the highest return of the Index for the second consecutive quarter at 139 bps. Likewise, Treasury securities and Auto Loan Securitized bonds again posted the lowest returns for the quarter at 41 and 46 bps, respectively.

Securitized bonds, which posted the highest average return for the combined months of April and May, was the worst performer of the primary SIMI sectors in June at -32 bps, followed by Treasury securities at -16 bps.

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Option Adjusted Spreads (OAS) by Sector

Bloomberg Barclays Stable Income Market Index (SIMI)

June 2017

OAS

Jun 2017 May Apr Mar Feb Jan Dec 2016 Nov Oct Sep Aug Jul Jun 2016



| | Jun 2017 | May | Apr | Mar | Feb | Jan | Dec 2016 | Nov | Oct | Sep | Aug | Jul | Jun 2016 |
|-------------------------------|----------|-----|-----|-----|-----|-----|----------|-----|-----|-----|-----|-----|----------|
| Treasury | 1 | 0 | 1 | 1 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 |
| Government-Related | 25 | 25 | 27 | 29 | 29 | 31 | 34 | 32 | 30 | 29 | 30 | 33 | 33 |
| Agency | 24 | 24 | 25 | 26 | 25 | 26 | 30 | 28 | 26 | 26 | 26 | 28 | 27 |
| Local Authority | 48 | 46 | 49 | 50 | 58 | 62 | 60 | 57 | 56 | 52 | 54 | 55 | 56 |
| Sovereign | 61 | 66 | 72 | 81 | 72 | 87 | 93 | 97 | 84 | 84 | 106 | 126 | 123 |
| Supranational | 18 | 18 | 19 | 21 | 25 | 27 | 29 | 26 | 23 | 21 | 20 | 20 | 22 |
| Corporate | 70 | 73 | 76 | 79 | 76 | 86 | 91 | 92 | 89 | 92 | 86 | 94 | 105 |
| Industrial | 67 | 69 | 73 | 76 | 73 | 81 | 87 | 89 | 84 | 86 | 81 | 89 | 101 |
| Basic Industry | 88 | 89 | 93 | 96 | 86 | 103 | 109 | 111 | 107 | 110 | 112 | 119 | 139 |
| Capital Goods | 56 | 59 | 62 | 65 | 62 | 70 | 76 | 71 | 68 | 70 | 64 | 68 | 75 |
| Consumer Cyclical | 68 | 73 | 76 | 76 | 72 | 84 | 90 | 91 | 85 | 86 | 79 | 84 | 93 |
| Consumer Non-Cyclical | 60 | 62 | 66 | 68 | 67 | 75 | 79 | 81 | 74 | 74 | 68 | 69 | 80 |
| Energy | 80 | 78 | 83 | 89 | 83 | 88 | 97 | 107 | 103 | 115 | 109 | 137 | 149 |
| Technology | 58 | 61 | 62 | 65 | 63 | 72 | 76 | 79 | 78 | 81 | 80 | 89 | 104 |
| Transportation | 66 | 69 | 73 | 72 | 69 | 76 | 80 | 80 | 70 | 74 | 74 | 81 | 86 |
| Communications | 78 | 80 | 86 | 91 | 89 | 97 | 101 | 100 | 93 | 88 | 80 | 85 | 101 |
| Other Industrial | 53 | 58 | 58 | 52 | 70 | 77 | 84 | 79 | 74 | 69 | 62 | 65 | 67 |
| Utility | 76 | 77 | 81 | 84 | 80 | 84 | 91 | 89 | 84 | 89 | 88 | 93 | 96 |
| Electric | 75 | 77 | 81 | 83 | 79 | 83 | 89 | 87 | 82 | 88 | 86 | 91 | 94 |
| Natural Gas | 87 | 82 | 88 | 93 | 88 | 94 | 106 | 106 | 96 | 96 | 104 | 111 | 118 |
| Financial Institutions | 73 | 78 | 80 | 83 | 81 | 91 | 96 | 97 | 96 | 99 | 93 | 100 | 111 |
| Banking | 71 | 76 | 78 | 80 | 78 | 89 | 93 | 94 | 93 | 97 | 89 | 96 | 108 |
| Brokerage | 77 | 84 | 86 | 92 | 94 | 103 | 113 | 111 | 109 | 114 | 114 | 122 | 129 |
| Finance Companies | 96 | 101 | 109 | 117 | 110 | 134 | 145 | 149 | 156 | 160 | 155 | 162 | 184 |
| Insurance | 68 | 72 | 75 | 79 | 74 | 82 | 91 | 91 | 87 | 89 | 87 | 94 | 103 |
| REITS | 98 | 96 | 102 | 105 | 105 | 110 | 118 | 114 | 109 | 114 | 122 | 128 | 135 |
| Securitized | 28 | 24 | 27 | 27 | 27 | 27 | 26 | 26 | 28 | 30 | 32 | 40 | 43 |
| MBS Passthrough | 22 | 16 | 18 | 17 | 15 | 18 | 15 | 19 | 18 | 21 | 22 | 31 | 36 |
| ABS | 39 | 39 | 46 | 48 | 53 | 50 | 53 | 42 | 46 | 47 | 52 | 57 | 50 |
| Credit Card | 39 | 39 | 45 | 47 | 51 | 48 | 52 | 41 | 46 | 46 | 48 | 55 | 48 |
| Auto Loan | 40 | 39 | 47 | 49 | 56 | 52 | 53 | 44 | 46 | 49 | 56 | 60 | 52 |
| CMBS | 51 | 51 | 56 | 55 | 56 | 50 | 54 | 44 | 57 | 62 | 60 | 66 | 72 |
| Non Agency CMBS | 65 | 65 | 69 | 68 | 66 | 60 | 66 | 57 | 71 | 79 | 77 | 83 | 96 |
| Agency CMBS | 38 | 39 | 45 | 45 | 47 | 42 | 45 | 35 | 46 | 49 | 47 | 52 | 53 |

The average spread of the primary SIMI sectors at the end of the 2nd quarter was 42 bps with Corporate bonds leading the way at 73 bps. Finance Company Corporate bonds experienced the highest average spread of 102 bps for the quarter, with REITs not far behind at 99 bps.

Government-Related and Securitized bonds both experienced an average spread of 26 bps for the quarter. Subsectors of these primary sectors, Supranational and MBS Passthrough bonds, respectively, both had an average spread of 18 bps, the lowest of the Index.

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Option Adjusted Spreads (OAS)

Monthly changes by sector

Bloomberg Barclays Stable Income Market Index (SIMI)

June 2017

| OAS Change | Jun 2017 | May | Apr | Mar | Feb | Jan | Dec 2016 | Nov | Oct | Sep | Aug | Jul 2016 |
|-------------------------------|----------|-----|-----|-----|-----|-----|----------|-----|-----|-----|-----|----------|
| Treasury | 0 | 0 | 0 | 0 | 0 | -1 | 0 | 1 | 0 | 0 | 0 | 0 |
| Government-Related | 0 | -2 | -2 | 0 | -2 | -3 | 2 | 3 | 1 | -1 | -3 | 0 |
| Agency | 0 | -2 | -1 | 2 | -1 | -4 | 2 | 2 | 0 | 1 | -3 | 1 |
| Local Authority | 1 | -3 | -1 | -8 | -4 | 2 | 4 | 0 | 5 | -2 | -1 | -2 |
| Sovereign | -5 | -6 | -9 | 9 | -14 | -6 | -4 | 13 | -1 | -21 | -20 | 3 |
| Supranational | 0 | -2 | -2 | -4 | -2 | -2 | 3 | 2 | 3 | 1 | 0 | -2 |
| Corporate | -3 | -3 | -3 | 3 | -9 | -5 | -2 | 4 | -3 | 5 | -8 | -11 |
| Industrial | -2 | -4 | -3 | 3 | -9 | -5 | -2 | 5 | -2 | 5 | -8 | -12 |
| Basic Industry | -2 | -4 | -3 | 10 | -17 | -5 | -2 | 4 | -3 | -3 | -7 | -20 |
| Capital Goods | -3 | -3 | -3 | 2 | -7 | -7 | 5 | 4 | -2 | 6 | -4 | -7 |
| Consumer Cyclical | -5 | -2 | -1 | 4 | -12 | -6 | -1 | 6 | 0 | 7 | -5 | -9 |
| Consumer Non-Cyclical | -2 | -4 | -2 | 2 | -8 | -5 | -2 | 7 | 0 | 6 | -1 | -11 |
| Energy | 3 | -6 | -5 | 6 | -6 | -9 | -10 | 4 | -11 | 6 | -29 | -12 |
| Technology | -3 | -2 | -3 | 2 | -9 | -3 | -3 | 1 | -3 | 1 | -9 | -15 |
| Transportation | -3 | -4 | 1 | 3 | -7 | -4 | 0 | 10 | -4 | 0 | -7 | -6 |
| Communications | -2 | -7 | -5 | 2 | -8 | -4 | 1 | 7 | 5 | 8 | -5 | -15 |
| Other Industrial | -6 | 0 | 6 | -18 | -7 | -6 | 4 | 5 | 5 | 8 | -3 | -2 |
| Utility | -1 | -4 | -3 | 4 | -4 | -6 | 2 | 5 | -5 | 1 | -5 | -3 |
| Electric | -1 | -4 | -3 | 4 | -4 | -6 | 2 | 5 | -6 | 2 | -4 | -3 |
| Natural Gas | 4 | -5 | -5 | 5 | -6 | -12 | 0 | 9 | 0 | -8 | -6 | -7 |
| Financial Institutions | -5 | -3 | -3 | 2 | -10 | -5 | -1 | 2 | -4 | 6 | -7 | -11 |
| Banking | -5 | -2 | -3 | 2 | -10 | -4 | -2 | 2 | -4 | 8 | -7 | -12 |
| Brokerage | -6 | -2 | -6 | -2 | -9 | -10 | 2 | 3 | -6 | 0 | -8 | -8 |
| Finance Companies | -5 | -8 | -8 | 7 | -24 | -11 | -4 | -7 | -4 | 6 | -8 | -22 |
| Insurance | -4 | -3 | -4 | 5 | -8 | -9 | 0 | 4 | -2 | 2 | -7 | -9 |
| REITS | 1 | -6 | -3 | -1 | -4 | -8 | 4 | 5 | -5 | -8 | -6 | -7 |
| Securitized | 4 | -3 | 0 | 1 | 0 | 1 | 0 | -2 | -3 | -2 | -8 | -3 |
| MBS Passthrough | 6 | -2 | 0 | 2 | -2 | 2 | -4 | 1 | -2 | -2 | -9 | -5 |
| ABS | 0 | -7 | -2 | -5 | 3 | -3 | 10 | -4 | -2 | -5 | -5 | 7 |
| Credit Card | 0 | -7 | -2 | -4 | 3 | -3 | 11 | -5 | 0 | -2 | -6 | 6 |
| Auto Loan | 1 | -8 | -2 | -6 | 4 | -2 | 9 | -2 | -3 | -7 | -4 | 8 |
| CMBS | -1 | -5 | 1 | 0 | 5 | -4 | 10 | -13 | -5 | 2 | -5 | -7 |
| Non Agency CMBS | 0 | -5 | 2 | 2 | 6 | -6 | 10 | -15 | -8 | 2 | -6 | -13 |
| Agency CMBS | -1 | -6 | 0 | -2 | 5 | -3 | 10 | -11 | -3 | 2 | -5 | -2 |

Spread changes were slightly tighter for the 2nd quarter with the primary SIMI sectors only tightening by an average of 1 bp. Spreads were tighter in April and May by 2 bps to 3 bps, while June was flat as Securitized bonds widened slightly by 4 bps countering other sector tightening. Average spread changes over the quarter ranged from 1 bp to -7 bps across all the sectors and subsectors of the Index.

MBS Passthrough Securitized bonds was subsector in the Index to experience any widening over the quarter, 1 bp which was driven by 6 bps of tightening in June. Sovereign Government-Related and Finance Companies Corporate bonds experienced the highest average tightening of the Index, 7 bps each, followed by Communications and Brokerage Corporate bonds at 5 bps each.

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