Quarterly Commentary

First Quarter 2018

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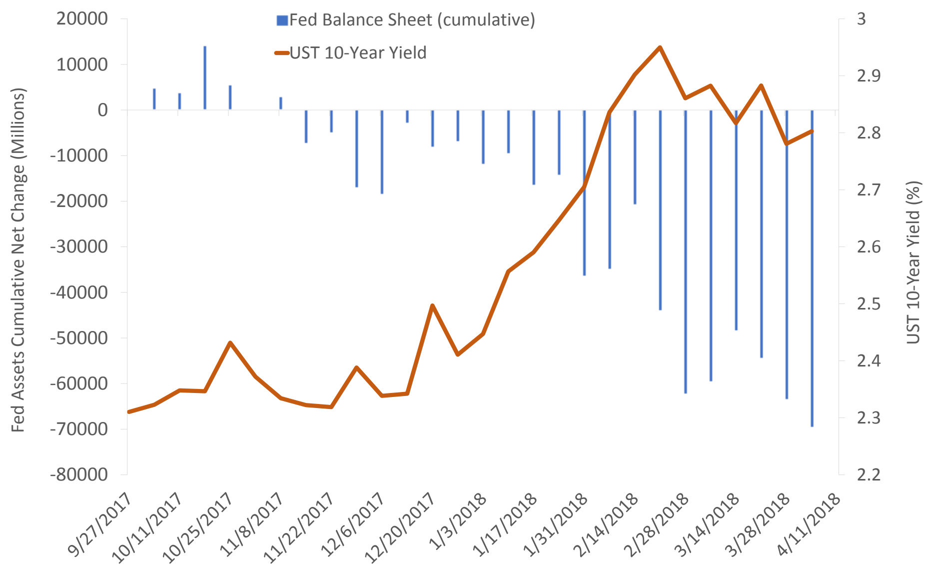
Overview

U.S. Treasury 10-Year Yield vs. Cumulative Fed Assets Since Taper
September 27, 2017 to March 28, 2018



Source: DoubleLine, Bloomberg

March marked the third consecutive month of heightened market volatility to round out an incredibly volatile first quarter to the start of 2018. Volatility, as measured by the Chicago Board Options Exchange SPX Volatility Index (VIX), spiked 80.89% during the first quarter. Additionally, in the month of March the U.S. equity market, as measured by the S&P 500, saw more trading days in which the market closed up or down by 1% or more than we saw in the entire calendar year of 2017 (9 versus 8 trading days).

February's wage growth print of 2.9% year-over-year (YoY), up from 2.5%, instilled fear that accelerating inflation could rapidly lead interest rates higher. That fear tapered when the March print showed gradual wage growth at 2.6% YoY. As a result, markets calmed down and grabbed ahold of the fact that companies are showing strong earnings and the economy looks healthy. Subsequently following a brief calm in markets, global equities continued their bout of volatility when talks of a potential global trade war hit headlines. The U.S. initially announced tariffs on steel and aluminum imports on March 2nd, which was followed by a 25% tariff on \$60 billion worth of Chinese imports on March 20th. China responded by adding tariffs on \$3 billion worth of U.S. imports.

While market volatility has been heightened in 2018, DoubleLine's economic indicators currently do not portend recession as economic data remains supportive of risk assets over the near to medium term. Economic data in March was mostly positive. U.S. Gross Domestic Product (GDP) was revised to 2.9% from 2.5% quarter-over-quarter (QoQ) for the fourth quarter of 2017. GDP is up to 2.6% year-over-year for 2017 compared to 1.8% at year-end 2016. While the U.S. Consumer Confidence Index declined in March for the first time this year to 127.7 from a revised 130 in February, it is still near its highest level since late 2000. On the employment front, 313,000 jobs were added in February with another 39,000 added on to a previously strong January report. March payrolls maintained their track record of falling shy of consensus estimates, as well as coming in weak relative to the underlying trend. The underlying details showed robust gains continuing in the manufacturing sector, while service payrolls were soft and construction hiring slipped, probably in response to inclement weather during the month. Lastly, the Conference Board U.S. Leading Economic Index (LEI), meant to give a sense of the future state of the economy and a lagging indicator, remains positive. Recessions have historically come when LEI is negative YoY and as of February 28th 2018 LEI YoY percent change was well above 0 at 6.5%. This is a level that has not been seen since late 2014 and suggests little chance of a recession in the near to medium term. After analyzing February and March's economic data the Federal Reserve felt comfortable raising the Federal Funds rate by 25 bps.

Longer term, we believe volatility will remain higher than 2017 as investors continue to digest news of Central Bank quantitative tightening, an increasing fiscal deficit, rising bond yields, implications of the new tax plan, the introduction of tariffs and ongoing trade wars, and an expected increase inflation, especially given historically high valuations across asset classes.

U.S. Government Securities

- The Bloomberg Barclays U.S. Treasury Index posted a gain of 0.94%, paring its first quarter loss to 1.18%. The loss was caused by higher yields across the curve, spurred by upside surprises in wage growth and inflation, as well as anticipation of increased Treasury issuance.
- In March, U.S. Treasuries (UST) benefited from the risk-off sentiment, which was exemplified by a selloff in U.S. large-cap stocks amid tariff talks and White House staff turnover.

U.S. Treasury Yield Curve

	2/28/2018	3/30/2018	Change
3 month	1.65%	1.70%	0.05%
6 month	1.85%	1.91%	0.06%
1 year	2.06%	2.08%	0.02%
2 year	2.25%	2.27%	0.02%
3 year	2.41%	2.38%	-0.03%
5 year	2.64%	2.56%	-0.08%
10 year	2.86%	2.74%	-0.12%
30 year	3.12%	2.97%	-0.15%

Source: Bloomberg

- As expected, the Fed raised the Fed Funds target range to 1.5%-1.75% on March 21st. As the Fed raised rates, 2-year yields remained elevated near year-to-date (YTD) highs. The yield spread between 5-year and 30-year bonds narrowed to 41 bps, the lowest since 2007.
- Supported by higher-than-expected January and February inflation releases and strong Energy prices, breakevens were bid up from the beginning of the year to early March. Two-year breakevens had the most phenomenal run, up nearly 60 bps before inflation jitters waned.
- Another widely observed phenomenon in March was the sharp rise in LIBOR-OIS spread. Instead of a sign of deteriorating bank credit, we think the spike is most likely the byproduct of the altered supply and demand needs in the short-term funding market, which is attributable to the Tax Cuts and Jobs Act.

Agency Mortgage-Backed Securities

- For the month of March, aggregate prepayment speeds slightly increased month-over-month (MoM) largely due to extra day counts relative to the prior month; however, as reported in prior periods, overall speeds have stayed fairly consistent and have not materially changed in either direction since the end of 2016. For the month, speeds increased across the coupon stack with a slight uptick in current coupon and below, indicating an uptick in housing turnover for more recent vintage collateral. Aggregate prepayment speeds for the trailing 3-month period were 10.3 Conditional Prepayment Rate (CPR), 9.5 CPR and 10.6 CPR for January, February, and March, respectively. Over the course of the quarter, most of the prepayment activity came from higher coupon, more seasoned collateral as they have been more callable than their lower coupon counterparts.
- There was roughly $90 billion in gross issuance for the Agency MBS market in March, bringing the first quarter's issuance to around $316 billion. This represents roughly a 9% decline from last year's issuance levels for the same time period. This trend has been consistent with where refinancing and housing turnover activity have been. Based on Mortgage Bankers Asso-

Conditional Prepayment Rates (CPR) 2017-2018	Mar	Apr	May	June	July	Aug	Oct	Nov	Dec	Jan	Feb	Mar
Fannie Mae (FNMA)	9.7%	11.5%	12.3%	11.4%	12.4%	11.2%	12.1%	10.9%	10.6%	9.4%	8.9%	10.2%
Freddie Mac (FHLMC)	12.5%	14.5%	15.4%	14.8%	16.0%	14.6%	15.7%	15.3%	14.3%	12.9%	11.5%	12.1%
Ginnie Mae (GNMA)	9.6%	11.3%	12.1%	11.3%	12.2%	11.0%	11.8%	10.7%	10.1%	9.0%	8.4%	9.5%

Bloomberg Barclays Capital U.S. MBS Index	1/31/2018	2/28/2018	3/31/2018	MoM Change
Average Dollar Price	$101.64	$100.69	$101.50	$0.81
Duration	4.99	5.25	5.05	-0.20

Bloomberg Barclays Capital U.S. Index Returns	1/31/2018	2/28/2018	3/31/2018
Aggregate	-1.15%	-0.95%	0.64%
MBS	-1.17%	-0.66%	0.64%
Corporate	-0.93%	-1.51%	0.31%
Treasury	-1.36%	-0.75%	0.94%

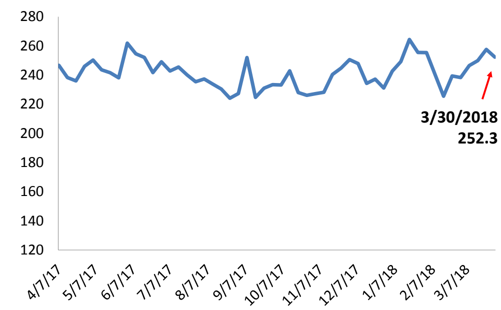
Source: eMBS, Barclays Capital

Non-Agency MBS

ciation (MBA) Refinancing data, refinancing activity was flat over the first quarter while purchasing activity increased by about 9%.

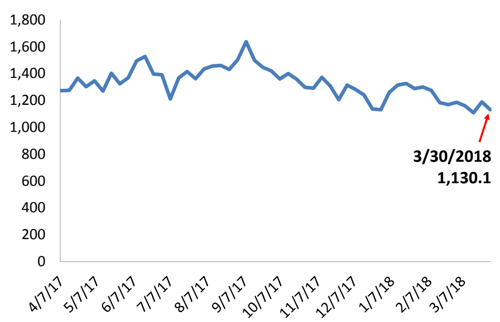
- For March, 30-year current coupon spreads against 5/10 Treasury blends widened slightly by about 3 bps. For the quarter, spreads widened by about 11 bps.

Mortgage Bankers Association (MBA) Purchase Index
As of March 30, 2018



Source: Bloomberg

MBA Refinance Index
As of March 30, 2018



Source: Bloomberg

- The Bloomberg Barclays U.S. MBS Index returned 0.64% for the month of March and -1.19% for the first quarter. The Index ended the period with a duration of 5.05 years, which has compressed from the prior's month duration of 5.25 years, but extended from 2017's year-end duration of 4.43 years.
- Spreads tightened 25 bps across the credit spectrum during the quarter as bids for legacy bonds remained strong – despite rising market volatility and a sell-off in rates. The sector remains attractive during this market environment due to its shorter duration and relatively benign credit fundamentals.
- There was $800 million in rep and warranty payouts for Long Beach/ Washington Mutual Trusts during February. These distributions help create reinvestment demand within the sector which support spread and bid volumes.
- New issuance was approximately $18 billion this quarter with continued growth in Jumbo 2.0 and non-qualified mortgage securitizations. This is beneficial for investors looking to redeploy paydowns from a shrinking legacy universe.
- Spreads were unchanged across the non-Agency credit spectrum – outperforming corporates which widened during March. Strong fundamentals continue to support the residential mortgage market as the latest S&P CoreLogic Case-Shiller Home Price Index was up 6.2% annually.

Commercial MBS

- March private-label Commercial Mortgage-Backed Securities (CMBS) issuance totaled $9.1 billion, bringing total YTD issuance to $19 billion (64% above the same period in 2017). Five conduit deals totaling $4.6 billion and four single-asset single-borrower (SASB) deals totaling $4.5 billion priced during the month. SASB deals continued to be the driver of new issuance, up about 220% over the same time period in 2017 versus conduit deals, which were up about 11%. Due to the rising rate environment, there is continual strong demand for short-duration, floating-rate investments over fixed-rate which is one of the reasons for the robust issuance of SASB-over-conduit CMBS.
- The Moody's/RCA U.S. All-Property Commercial Property Price Index (CPPI) increased by 1.0% on the national level, as compared to 0.5% over the same period in 2017. Despite the increase in CPPI, we see potential headwinds in the horizon due to a pullback in foreign investment, which represents 16% of market share (down from the peak of 18% in 2015), and a slowdown in transaction volume, which fell to its lowest monthly level in nearly five years in February. For office properties, price growth for Central Business Districts (CBD) has slowed, declining 1.3% YTD versus suburban office properties which increased by 0.7%. Commercial Real Estate (CRE) fundamentals remain steady and, despite higher rates, the All-Property cap rate spread to UST yield narrowed in February by 22 bps.
- Secondary Principal & Interest CMBS trading totaled $22.7 billion in March, increasing 14% MoM and 21% above the 2017 monthly average of $18.8 billion. Secondary

market cash spreads widened alongside broader equity and debt indices in March with AAA last cash flows (LCF) widening to swaps +82 bps, an increase of 15 bps, and BBBs widening to swaps +330 bps, an increase of 33 bps. Through the first quarter, secondary market cash spreads were mixed with AAA LCFs ending the month wider by 7 bps and BBBs ending the month tighter by 30 bps. CMBX spreads widened in March, with AAA 2012-2016 reference indices widening by an average of 2 bps, and BBBs by an average of 6 bps.

- The outstanding private label CMBS universe increased for both conduit and SASB, increasing by 1% to $467 billion in March and up nearly 2% since 2017. The CMBS delinquency rate posted the first increase since June 2017, moving up 4 bps to 4.55% and 82 bps lower than the same period in 2017.

Asset-Backed Securities

- Asset-Backed Securities (ABS) ended the quarter with $66 billion in gross new issuance over the first quarter of 2018. Spreads were moderately wider due to the increase in supply from both primary and secondary markets.
- Mostly attributable to increased macro volatility, secondary trading was generally lighter in the first few months of 2018. Demand for esoteric sectors such as Aviation and Whole Business, however, remained high. Most names have traded well on secondary bid lists while performance has remained strong.
- More traditional ABS sectors, such as Credit Cards, Autos, and Student Loans, experienced softening in valuations as secondary supply out of Europe pushed spreads a touch wider.
- The Bloomberg Barclays U.S. ABS Index returned 0.18% for the month of March and -0.39% for the first quarter.

Investment Grade Credit

- After months of low volatility and tighter credit spreads, the Bloomberg Barclays U.S. Credit Index experienced some volatility in the first quarter. Spreads touched a 13-year low on February 1st at 81 bps over duration-matched UST, and gradually widened to end the quarter at 103 bps. Spread widening resulted in 81 bps and 66 bps of negative excess returns, for March and YTD, respectively. The yield-to-worst (YTW) rose during the quarter, from a low of 3.23% on January 3rd, to end the quarter at 3.68%. Total return in March was positive 31 bps with the rally in the UST market. The market returned -2.13% YTD with higher rates and wider spreads.
- While fundamentals across corporate credit remain intact, the market is arguably closer to the end of the credit cycle than the beginning. It is not surprising that spreads widened given that the market started the year at a multi-year low in spreads. Macro factors, including less accommodative monetary policy coupled with increased government spending, concerns over higher inflation and possible trade wars all contributed to the increase in volatility. In addition, currency-

Bloomberg Barclays U.S. Credit Index Option-Adjusted Spread
March 29, 2010 to March 29, 2018

Source: Bloomberg, DoubleLine

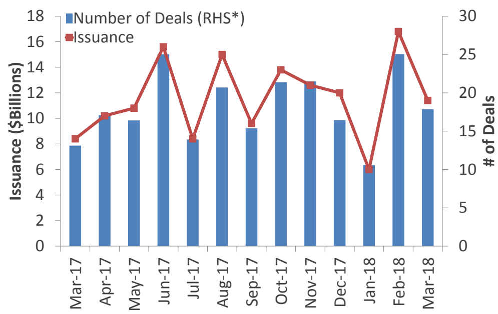
hedging costs have increased, leading to less demand from the European and Asian investor base. Within this backdrop, fund flows decelerated notably in March and over the quarter. March had the lowest inflows in over two years, at $123 million. Inflows were down from the fourth quarter 2017 about 50%, at $42 billion.

- The new issue market remained active but slowed from the brisk pace in 2017. Gross new issuance in March was down 15% from March 2017, to $121.8 billion while net new issuance was down 43% to $21 billion. For the quarter, gross and net new issuance were down 11% and 26%, respectively, to end the quarter at $393.8 billion of gross and $141.6 billion of net new issuance.

Collateralized Loan Obligations

- On February 9th, the Loan Syndications & Trading Association (LSTA) was able to successfully get Collateralized Loan Obliations (CLO) exempt from risk retention requirements. This repeal of risk retention will provide more supply of CLOs to the market, as managers will no longer be required to take down 5% of deal and hold on to their balances sheet until maturity.
- The first quarter typically starts off slow, but 2018 started off strong. In total, $32 billion was issued in the first quarter across 57 deals. March saw $10.71 billion in issuance across 19 deals. Although a strong showing for monthly issuance, it was $5 billion behind February's issuance of $15.03 billion.

U.S. CLO Monthly Issuance
March 2017 to March 2018



Source: S&P Capital IQ
*RHS = Right Hand Side

- In addition to the supply from the new issue market, managers are now able to refinance older deals that were not risk retention compliant when originally issued. This will also add more supply to the market. There was almost $25 billion in reset volume over the first quarter.
- With an influx of supply hitting the CLO markets, spreads are slightly wider but still near their post-crisis tights.

Bank Loans

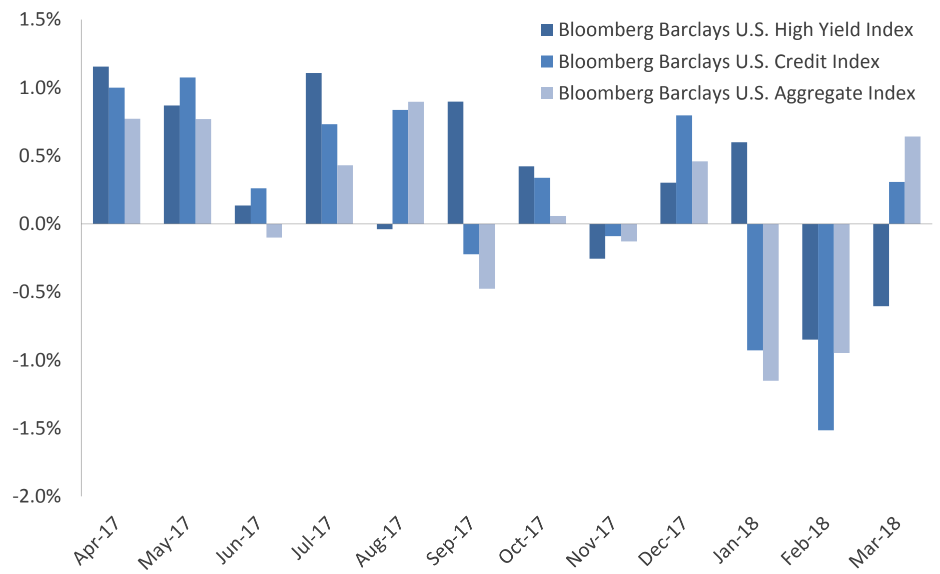
- The S&P/LSTA Leveraged Loan Index returned 0.28% in March, with prices declining 0.14% and interest contributing 0.42%. The weighted average bid price of the Index declined 0.11% sequentially to $98.42. The percentage of loans trading above par rose to 72.01% from 70.65% in February. The Index returned 1.45% in the first quarter, with returns of 0.96% in January, 0.20% in February, and 0.28% in March. This was the highest quarterly reading since the fourth quarter 2016.
- New issue activity was robust in March as 131 loans allocated, worth $44.7 billion. January was a relatively light month for new issue, but February and March represented an all-time high for the number of new issues in a two-month period. Not all of this was new money as a portion of those were related to loan re-pricings.
- Rising interest rates prompted loan retail fund flows to turn positive beginning in January and to gather steam in February and March. In the four weeks ending March 29th, loan funds recorded $2 billion of inflows. For the first quarter, inflows were $3 billion.
- The default rate ticked modestly higher in the first quarter. Although the default rate by issuer remained below 2%, the default rate by principal amount rose to 2.42% in March from 2.05% in December 2017 due in part to the default of iHeartCommunications.
- Lower credit quality loans underperformed in March, with CCC-rated loans returning 0% relative to single-B rated loans, which returned 0.26% and BB-rated loans, which returned 0.36%. In the first quarter, CCC-rated loans outperformed, rising 2.75% relative to single-B rated loans, which returned 1.49% and BB-rated loans, which returned 1.17%.
- The best performing sectors in March were Beverage & Tobacco, Retailers and Telecom with returns

of 0.63%, 0.59%, and 0.56%, respectively, while the worst performing sectors were Home Furnishings, Food and Drug Retailers, and Radio & Television with returns of -2.58%, -0.38%, and -0.17%, respectively. In the first quarter, the best performing sectors were Food and Drug Retailers, Retailers, and Cosmetics-Toiletries with returns of 3.28%, 2.62%, and 2.60%, respectively. The lowest performers were Aerospace & Defense, Containers & Glass Products, and Lodging & Casinos with returns of 0.45%, 0.95%, and 1.06%, respectively.

High Yield

- In March, the High Yield (HY) market posted its second consecutive monthly decline driven by a Federal Open Market Committee (FOMC) decision interpreted as mildly hawkish, modestly weaker global growth data, and concerns over the potential for a trade war with China. In general, the quarter was marked by higher volatility across many asset classes.
- The Bloomberg Barclays High Yield Index's -0.60% return for March was driven by lower-rated assets, along with the Supermarkets, Restaurants, Consumer Products, and Cable sectors. The first quarter return was -0.86% and the weakest sectors were Restaurants, Wireless and Supermarkets. Most sectors were in the red during the quarter, while higher-quality HY underperformed.

Performance of Select Bloomberg Barclays Indices
March 31, 2017 to March 31, 2018



Source: Barclays Live

- According to JP Morgan, default activity increased during the quarter as the U.S. HY default rate increased 93 bps to 2.21%, but still below the long-term average. Two of the four defaults in March were in the Retail sector, including fashion accessories retailer Claire's Stores. The increase in the default rate for the quarter was also driven by select large defaults, including iHeartCommunications, which accounted for over half of the default volume.

Commodities

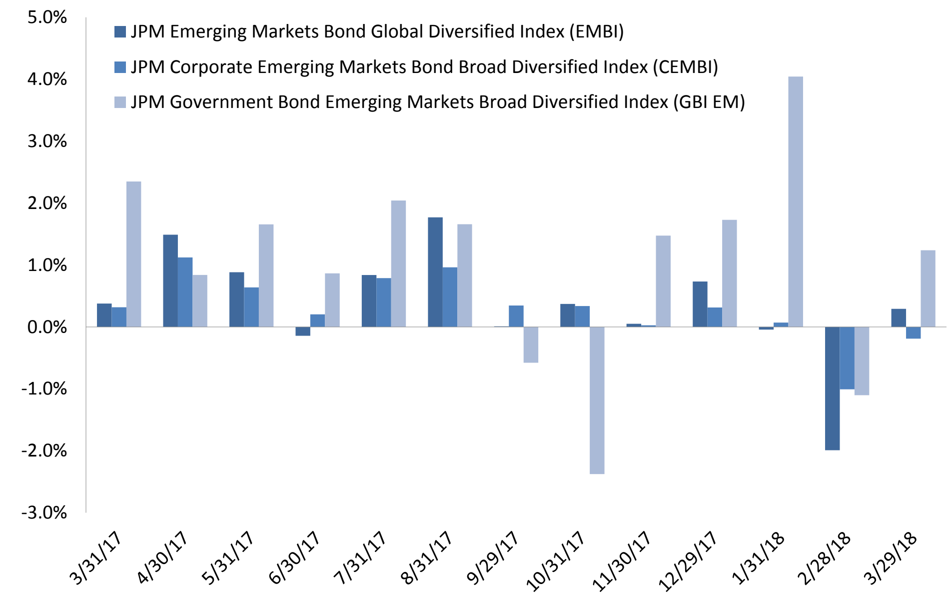
- The broad commodity market was mixed in the first quarter as the Bloomberg Commodity Index (BCOM) declined by 0.79% while the S&P Goldman Sachs Commodity Index (GSCI) increased by 1.79%.
- The best performing sector in the first quarter was Energy, with a return of 4.72% as measured by the S&P GSCI Energy Index, as Brent crude and WTI crude both rallied strongly with returns of 5.20% and 8.11%, respectively.
- The Precious Metals sector returned -0.08% as measured by the S&P GSCI Precious Metals Index, as Gold increased 0.56% and Silver declined 5.59%.
- Industrial Metals, as measured by the S&P GSCI Industrial Metals Index, declined 7.51% as Aluminum and Copper declined 12.42% and 7.90%, respectively, while Nickel rallied 3.78%.
- The Agriculture sector increased by 2.88%, as measured by the S&P GSCI Agriculture Index, with Corn, Soybeans and Cocoa rallying 8.30%, 7.46%, and 33.07%, respectively.

- Livestock was the worst performing sector in the first quarter, with a return of -10.11% as measured by the S&P GSCI Livestock Index, as Lean Hogs and Live Cattle declined by 11.08% and 10.76%, respectively.

Emerging Markets

- Emerging Market (EM) sovereign and corporate external bonds posted negative performance in the first quarter against a backdrop of rising global interest rates, heightened trade tensions and elevated market volatility.
- The JP Morgan Emerging Market Bond Index (EMBI) Global Diversified's negative return during the quarter was driven primarily by rising UST yields and spread performance, with the spread over UST widening 19 bps to 3.04%, and 7-year and 10-year UST yields rising 35 bps and 33 bps to 2.68% and 2.74%, respectively.
- The Middle East was the best performing region during the quarter, driven in part by rising Commodity prices, while Asia and Latin America were the worst performing regions.
- Over 2018, we see the potential for higher volatility, possibly driven by inflation surprises or the withdrawal of developed market central bank liquidity, which could cause a sell-off in global rates. We also see the potential for geopolitical and policy risks, and a heavy election calendar across EM where negative surprises may drive credit spreads wider.

JP Morgan Emerging Markets Bond Index Performance
March 31, 2017 to March 31, 2018



Source: JP Morgan

International Sovereign

- Global government bonds posted positive returns in the first quarter against a backdrop of heightened trade tensions and elevated market volatility. Returns were driven primarily by foreign currency gains versus the U.S. Dollar (USD).
- The USD, as measured by the U.S. Dollar Index (DXY), fell during the quarter, the fifth consecutive quarterly drop, while the UST curve continued to bear-flatten, with the spread between the 2-year and 10-year UST falling to its narrowest level since 2007. The Trump Administration enacted protectionist policy measures, but economic data was generally positive, and the Fed raised rates in March in its first hike of the year.
- The Euro rose against the USD over the quarter despite softer economic data, as market participants continued to expect the European Central Bank (ECB) to end its asset purchase program this year. The ECB kept interest rates unchanged this quarter and remained supportive of its Quantitative Easing (QE) program until September. However, the ECB dropped its pledge to increase asset purchases if needed, which was seen as mildly hawkish.
- The Japanese Yen was the best performing G-10 currency during the quarter, benefitting from its safe-haven status as concerns about global trade and protectionism picked up. Prime Minister Abe's involvement in a high-profile land scandal raised concerns about the survival of his administration and

his reflationary 'Abenomics' policies. Market participants continue to watch for signs of an exit from extremely accommodative Bank of Japan (BoJ) monetary policy.

- The U.K. Pound rallied strongly during the quarter as the U.K. government and the European Union reached an agreement on the broad terms of a Brexit transition deal, with the transition period running until December 2020.

Infrastructure

- Infrastructure performance was mixed in the first quarter as interest rates increased across every tenor of the U.S. yield curve QoQ. Infrastructure ABS was the best performing sector generating positive total returns due to strong carry and a short duration profile. Utilities were the largest detractor given a 34 bps increase in 10-year UST yields and the subsectors sensitivity to interest rates.
- Despite increased interest rate volatility, financing for infrastructure assets remained robust. In the primary market, debt issues related to Transportation, Telecom, and Renewable Energy were met with strong investor demand. Meanwhile, secondary trading continues to be very competitive.
- In February, the Trump Administration released their $1.5 trillion Infrastructure plan. The proposal pledges $200 billion in federal funding in order to stimulate additional financing from state and local governments as well as private entities. Additionally, the plan aims to streamline the federal permitting process for Infrastructure projects.

U.S. Equities

- The fifteen-month winning streak in the S&P 500 quickly came to an end in the first quarter of 2018. February saw the first monthly decline in the benchmark since October 2016. February's decline of 3.69% was immediately followed by a 2.54% decline in March. The S&P 500 closed the quarter down 0.76% from the end of 2017, and 7.72% off the all-time highs of late January 2018. At its intra-day low on February 9th, the S&P 500 had entered "correction" territory having lost 10% of its peak value.
- These declines came despite strong corporate earnings. The fourth quarter 2017 corporate earnings, which were reported during the first quarter, were unusually strong with earnings growth of 14.8% (the highest since 2011) on revenue growth of 8.2% (also the highest since 2011). These strong results do not include the benefit from the Tax Cuts and Jobs Act, which is expected to provide a step-up in earnings in 2018.
- For 2018, FactSet forecasts the S&P 500 to grow earnings and revenues by 18.4% and 6.6%, respectively. We estimate approximately seven points of this earnings growth will result from the new tax legislation.
- Commensurate with the sharp declines in equity prices, volatility reasserted itself in early February. As measured by the VIX, equity market volatility had remained unusually low throughout 2017, reaching an all-time closing low of 9.14. Similarly, volatility began 2018 very muted, with a closing low of 9.15 in the first few days of the year. A month later, the VIX had reached intra-day levels above 50. The VIX closed out the quarter at 20.

Global Equities

- Global Equities, as measured by the MSCI All-Country World Index (ACWI), returned -2.09% during March, ending the quarter down 0.85%. U.S. equities generally declined during the month with the S&P 500 down 2.54% and Dow Jones Industrial Average down 3.59%. NASDAQ declined 2.79% while the Russell 2000 outperformed the broader market returning 1.29%. For the quarter, S&P 500 returned -0.76%, Dow Jones Industrial Average returned -1.96%, the NASDAQ returned 2.59%, and Russell 2000 returned -0.08%.
- In Europe, regional equities declined in March with the Eurostoxx 50 down 2.15%, DAX down 2.73%, CAC down 2.70%, FTSEMIB down 0.86%, and IBEX down 2.35%. For the quarter, European equities were mixed with the Eurostoxx 50 down 3.71%, DAX down 6.35%, CAC down 2.51%, FTSEMIB up 2.84%, and IBEX down 3.92%. U.K.

equities declined with FTSE 100 down 2.03% in March and down 7.20% for the quarter.

- Asian equities were mixed during the month with the Nikkei down 3.47%, Shanghai Composite down 3.03%, Hang Seng down 2.33%, and Kospi up 0.37%. For the quarter, Asian equities were generally lower, with Nikkei down 6.36%, Shanghai Composite down 4.42%, Hang Seng up 0.92%, and Kospi down 1.26%.
- EM equities declined in March with the MSCI EM Index down 1.87%, but outperformed DM equities during the quarter posting a 1.38% return. Russian equities declined in March with the MSCI Russia Index down 3.74%, ending the quarter up 9.38%. Brazilian equities, as measured by the Bovespa, rallied 0.01% in March and 11.73% for the quarter. Indian equities declined, with the Sensex down 3.46% for the month and down 2.42% during the quarter.

Basis Point -A basis point (bps) equals to 0.01%.

"ABS" Bloomberg Barclays U.S. ABS Index - The ABS component of the Bloomberg Barclays U.S. Aggregate Index. It includes securities whose value and income payments are derived from and collateralized ('or backed") by a specified pool of underlying assets including credit cards, auto loans, etc.

Bloomberg Barclays U.S. Credit Index—The US Credit component of the U.S. Government/Credit Index. This index consists of publically-issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered. The US Credit Index is the same as the former US Corporate Investment Grade Index.

"IG" - Bloomberg Barclays U.S. Aggregate Corporate Index - An index that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities.

"Agency MBS" Bloomberg Barclays Global Agg US MBS Total Return Index - An index that measures the global investment grade debt from 24 local currency markets and includes treasury, government-related, corporate and securitized fixed-rate bonds from both Developed and Emerging Markets.

"CMBS" Bloomberg Barclays Global Aggregate Securitized - CMBS TR Index - An index that measures the securitized CMBS universe from 24 local currency markets and includes both Developed and Emerging Markets.

"HY" Bloomberg Barclays U.S. Corporate High Yield Index - A market value-weighted index which covers the U.S. non-investment grade fixed-rate debt market. The index is composed of U.S. dollar-denominated corporate debt in Industrial, Utility, and Finance sectors with a minimum $150 million par amount outstanding and a maturity greater than 1 year. The index includes reinvestment of income.

"EM Corporate" Bloomberg Barclays Emerging Markets Corporates TR Index - An index designed to be a broad-based measure of the investment grade fixed-rate taxable bond market, including Treasuries, government-related and corporate securities in Emerging Markets.

"Converts" Bloomberg Barclays Global Convertibles Index - A market cap-weighted index that covers U.S. convertible securities with an outstanding issue size greater than $500 million.

"EM Sov/Quasi-Sov" Bloomberg Barclays Emerging Markets Sovereign TR Index - A hard currency EM debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign and corporate EM issuers.

Bloomberg Barclays U.S. MBS Index—An index that measures the performance of investment grade fixed-rate mortgage-backed pass-through securities of the Government-Sponsored Enterprises (GSEs): Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

"Municipals" Bloomberg Barclays Municipal Bond Index Total Return Index -An index that is representative of the broad market for investment grade, tax-exempt bonds with a maturity of at least one year.

"U.S. Govt" Bloomberg Barclays U.S. Treasury Index -The Barclays Capital U.S. Treasury Index is the U.S. Treasury component of the U.S. Government Index. Public obligations of the U.S. Treasury with a remaining maturity of one year or more.

"International Govt" Bloomberg Barclays Global Treasury x US Total Return Index - An index that Includes sovereign debt for Australia, Belgium, Brazil, Canada, Cyprus, Czech Republic, Germany, Denmark, France, Hungary, Israel, Ireland, Italy, Japan, Luxembourg, Mexico, Malaysia, Morocco, Korea, Netherlands, Norway, New Zealand, Portugal, Poland, Austria, Finland, Russia, South Africa, Sweden, Singapore, Slovak Republic, Spain, and Switzerland.

Bloomberg Commodity Index (BCOM) - An index calculated on an excess return basis that reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification. Roll period typically occurs from 6th-10th business day based on the roll schedule.

Bloomberg World Interest Rate Probability (WIRP) - A Bloomberg function based on futures trading data that gives probabilities of rate increases by central bank meeting date.

Chicago Board Options Exchange (CBOE) Volatility Index (VIX) - An index that represents the cash-pay securities of the Citigroup High-Yield Market Capped Index, a modified version of the High Yield Market Index, by delaying the entry of fallen angel issues and capping the par value of individual issuers at $5 billion par amount outstanding.

Citi High-Yield Cash-Pay Capped Index -This index represents the cash-pay securities of the Citigroup High-Yield Market Capped Index, which represents a modified version of the High Yield Market Index by delaying the entry of fallen angel issues and capping the par value of individual issuers at $5 billion par amount outstanding.

Cotation Assistee en Continu 40 (CAC) - The CAC 40 Index which is a French stock market index. It tracks 40 of the largest French stocks on the Paris Bourse, or stock exchange.

Deutsche Borse AG German Stock Index (DAX) - The German stock index, which represents 30 of the largest and most liquid German companies that trade on the Frankfurt Exchange.

Dow Jones Industrial Average (DJIA) - A price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

Eurostoxx 50 Index - A stock index of Eurozone stocks designed by STOXX, an index provider owned by Deutsche Borse Group and SIX group, with the goal of providing a blue-chip representation of Supersector leaders in the Eurozone.

Financial Times Stock Exchange 100 (FTSE 100) - A capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange.

An investment cannot be made in an index.

Financial Times Stock Exchange Milano Italia Borsa (FTSE MIB) - The benchmark stock market index for the Borsa Italiana, the Italian national stock exchange, which superseded the MIB-30 in September 2004. The index consists of the 40 most-traded stock classes on the exchange.

G-10 - A grouping of 10 countries identified by the World Trade Organization which are "vulnerable" to imports due to ongoing reform in the agricultural sector. This grouping includes Switzerland, Japan, South Korea, Taiwan, Liechtenstein, Israel, Norway, Iceland, Bulgaria and Mauritius.

Hang Seng Index - A free-float capitalization-weighted index of a selection of companies from the Stock Exchange of Hong Kong. The components of the index are divided into four subindices: Commerce and Industry, Finance, Utilities, and Properties.

Ibovespa - This accumulation index represents the present value of a portfolio begun on 2 January 1968, with a starting value of 100 and taking into account share price increases plus the reinvestment of all dividends, subscription rights and bonus stocks received.

Indice Bursatil Espanol (IBEX) - The official index of the Spanish Continuous Market. The index is comprised of the 35 most liquid stocks traded on the Contin uous market. It is calculated, supervised and published by the Sociedad de Bolsas.

JP Morgan Corporate Emerging Markets Bond Broad Diversified Index (CEMBI) -This index is a market capitalization weighted index consisting of US-denominated Emerging Market corporate bonds. It is a liquid global corporate benchmark representing Asia, Latin America, Europe and the Middle East/Africa.

JP Morgan Government Bond Emerging Markets Broad Diversified Index (GBI EM) -This index is the first comprehensive, global local Emerging Markets index, and consists of regularly traded, liquid fixed-rate, domestic currency government bonds to which international investors can gain exposure.

JP Morgan Emerging Markets Bond Global Diversified Index (EMBI) -This index is uniquely-weighted version of the EMBI Global. It limits the weights of those index countries with larger debt stocks by only including specified portions of these countries' eligible current face amounts of debt outstanding. The countries covered in the EMBI Global Diversified are identical to those covered by EMBI Global.

Korea Composite Stock Price Index (Kospi) - A market capitalization weighted index of all common stocks traded on the Stock Market Division—previously, Korea Stock Exchange—of the Korea Exchange. It is the representative stock market index of South Korea, similar to the Dow Jones Industrial Average or S&P 500 in the United States.

Last Cash Flow (LCF) – The last revenue stream paid to a bond over a given period.

Markit CMBX Index (CMBX) - A synthetic tradable index with 6 subindices referencing a basket of 25 commercial mortgage-backed securities offerings issued in 2012.

"non-Agency MBS" Markit iBoxx Broad US Non-Agency RMBS USD Index -An index made up of 27 subindices designed to measure the performance of RMBS from non-governmental issuers and special purpose entities. Subindices are categorized by prime, subprime, Alt-A and option ARM.

"Bank Loan/CLOs" Markit iBoxx USD Liquid Leveraged Loans Total Return Index –An index designed to measure the performance of approximately 100 of the most liquid, tradable loans on the USD leveraged loan market.

Moody's/RCA Commercial Property Price Index -The Moody's/RCA Commercial Property Price Index (CPPI) describes various non-residential property types for the U.S. (10 monthly series from 2000). The Moody's/RCA Commercial Property Price Index is a periodic same-property round-trip investment price change index of the U.S. commercial investment property market. The dataset contains 20 monthly indicators.

Morgan Stanley Capital International All Country World Index (MSCI ACWI) -A market-capitalization-weighted index designed to provide a broad measure of stock performance throughout the world, including both developed and emerging markets.

Mortgage Bankers Association (MBA) Purchase Index - An index that includes all mortgage applications for purchases of single-family homes. It covers the entire market, both conventional and government loans and all products.

Mortgage Bankers Association (MBA) Refinance Index - An index that covers all mortgage applications to refinance an existing mortgage. It includes conventional and government refinances.

"EM" MSCI Emerging Markets (MSCI EM)- An index that covers 23 Emerging Market countries and is designed to capture the large and mid-cap representation across those countries.

"U.S." MSCI USA Price Return USD Index -An index designed to capture large and mid cap segments of the U.S. market. With 633 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the U.S.

"Europe ex—U.K." MSCI Europe Excluding United Kingdom Index - An index designed to capture large and mid cap segments across 14 Developed Market countries in Europe. With 343 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across European Developed markets excluding the UK.

"U.K." MSCI United Kingdom Index - An index designed to measure the performance of the large and mid cap segments of the UK market. With 92 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the UK.

"Japanese" MSCI Japan Index - MSCI Japan Index is a free-float weighted equity JPY index.

"Canadian" MSCI Canada Index - An index designed to measure the performance of the large and mid cap segments of the Canadian market. With 92 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Canada.

"Brazil" MSCI Brazil Index - An index designed to measure the performance of the large and mid cap segments of the Brazilian market. With 75 constituents, the index covers about 85% of the Brazilian equity universe.

An investment cannot be made in an index.

“China” MSCI China Index - An index designed the measure the performance of the large and mid cap segments of the Chinese market. With 152 constituents, the index covers about 85% of the China equity universe.

“Indian” MSCI India Index - An index designed to measure the performance of the large and mid cap segments of the Indian market. With 69 constituents, the index covers approximately 85% of the Indian equity universe.

“Russia” MSCI Russia Index - A free-float capitalization-weighted index used to track the equity market performance of Russian securities on the MICEX Stock Exchange.

NASDAQ - A stock market index of the common stocks and similar securities (e.g. ADRs, tracking stocks, limited partnership interests) listed on the NASDAQ stock market with over 3,000 components. This index is highly followed in the U.S. as an indicator of the performance of stocks of technology companies and growth companies. Since both U.S. and non-U.S. companies are listed on the NASDAQ stock market, the index is not exclusively a U.S. index.

Nikkei 225 Index - A price-weighted index comprised of Japan's top 225 blue-chip companies on the Tokyo Stock Exchange. The Nikkei is equivalent to the Dow Jones Industrial Average Index in the U.S.

Russell 2000 Index - A subset of the Russell 3000 Index representing approximately10% of the total market capitalization and measuring the performance of the small-cap segment of the U.S. equity universe.

Shanghai Composite Index - A capitalization-weighted index that tracks the daily performance of all A-shares and B-shares listed on the Shanghai Stock Exchange. The index was developed on December 19, 1990 with a base value of 100.

S&P/Case-Shiller 20-City Composite Home Price Index - An index that measures the value of residential real estate in 20 metropolitan areas of the U.S. It is included in the S&P/Case-Shiller Home Price Index Series which seeks to measure changes in the total value of all existing single-family housing stock.

S&P Goldman Sachs Commodity Index (GSCI) - Standard & Poor’s Goldman Sachs Commodity Index, or GSCI, is a composite index of commodity sector returns which represents a broadly diversified, unleveraged, long-only position in commodity futures.

“Precious Metals” S&P GSCI Precious Metals - A sub-index of the S&P GSCI that represents the Precious Metals sector, currently comprised of gold and silver.

“Industrial Metals” S&P GSCI Industrial Metals - A sub-index of the S&P GSCI that represents the Industrial Metals sector, currently comprised of aluminum, copper, zinc, nickel and lead.

“Energy” S&P GSCI Energy - A sub-index of the S&P GSCI that represents the Energy sector, currently comprised of West Texas Intermediate (WTI) light sweet crude oil, brent crude oil, gas oil, heating oil, RBOB gasoline and natural gas.

“Livestock” S&P GSCI Livestock - A sub-index of the S&P GSCI that represents the Livestock sector.

“Agriculture” S&P GSCI Agriculture - A sub-index of the S&P GSCI that represents the Agriculture sector, currently comprised of wheat, Kansas wheat, corn, sugar, soybean, coffee, cocoa, and cotton.

S&P 500 Index - Standard & Poor’s US 500 Index, a capitalized-weighted index of 500 stocks.

S&P/LSTA Leveraged Loan Index - An index designed to track the market-weighted performance of the largest institutional leveraged loans based on the market weightings, spreads and interest payments.

Spread - The difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings and risk.

U.S. Dollar Spot Index (DXY) -A weighted geometric mean of the United States dollar's value relative to a basket of 6 major foreign currencies, including the Euro, Japanese yen, Pound sterling, Canadian dollar, Swedish krona and Swiss franc.

An investment cannot be made in an index.

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