First Quarter 2018 Bond Market Review and Outlook

CAM

Cincinnati Asset Management, Inc.

Investment Grade & High Yield Bond Specialists

Our Broad Market Strategic Income Fund: CAMBX

"If you don't have the law, argue the facts; and if you don't have the facts, argue the law; and if you don't have either, attack your opponent" anonymous cited by Joyce Lee Malcolm in National Review 4/16/18

A changing sentiment is enveloping the bond markets, spooking investors. The 10-year Treasury began 2018 at 2.40%, below its 2017 March high of 2.63% (source: *Bloomberg*). This year its yield moved as high as 2.95% on 2/21/18, but finished the quarter at 2.74%. The Federal Reserve's more aggressive tone regarding Federal Fund's Overnight Rate target is unnerving some investors, causing them to exit the bond market. Others seek more protection in shorter maturity bonds. The chart on the top right shows shorter maturity bonds (e.g. loans) beating all other bonds <u>and</u> the S&P 500 equity index this past quarter. Similarly, our short duration strategy was our best performing strategy last quarter, as the chart on page 2 illustrates.

However, the inflation outlook appears to remain favorable, given the flattening of the yield curves depicted in the chart on the bottom right. Generally short-term Treasuries trade based on nearer term expectations for interest rates set by the Fed (currently 1.5% - 1.75%). But longer-term bonds, such as those over 7-years, are more sensitive to the outlook for inflation. The curve flattening trend continues into its 5th year and shows no signs of reversing. The chart shows prolonged periods of flattening of yield curves and flat curves. This may well be the case for some time, given the combination of the Fed's signaling to raise rates 2 more times this year (*Wall Street Journal 4/17/18*) and the benign inflation outlook.

(Continues on Page 3)

Annual Relative Total Return Ranking - USD Markets

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD
S&P 500 28.7%	EM Sov 11.8%	EM Sov 12.0%	S&P 500 15.8%	US Gov't 9.1%	US Gov't 14.0%	High Yield 57.5%	High Yield 15.2%	Munis 11.2%	EM Sov 18.3%	S&P 500 32.4%	S&P 500 13.7%	Munis 3.6%	High Yield 17.5%	S&P 500 22.3%	Loans 1.5%
High Yield 28.1%	S&P 500 10.9%	Loans 5.3%	High Yield 11.8%	Mtges 7.0%	Mtges 8.3%	Loans 52.5%	S&P 500 15.1%	US Gov't 9.8%	S&P 500 16.0%	High Yield 7.4%	Munis 9.8%	Mtges 1.5%	S&P 500 12.0%	EM Sov 10.0%	S&P 500 -0.8%
EM Sov 27.6%	High Yield 10.9%	S&P 500 4.9%	EM Sov 10.6%	EM Sov 6.4%	Munis -4.0%	EM Sov 27.2%	EM Sov 12.5%	EM Sov 8.2%	High Yield 15.6%	Loans 5.4%	High Grade 7.5%	S&P 500 1.4%	Loans 10.4%	High Yield 7.5%	High Yield -0.9%
Loans 9.8%	Munis 5.5%	Munis 3.9%	Loans 6.9%	S&P 500 5.6%	High Grade -6.8%	S&P 500 26.4%	Loans 10.4%	High Grade 7.5%	High Grade 10.4%	Mtges -1.4%	EM Sov 7.3%	US Gov't 0.8%	EM Sov 9.5%	High Grade 6.5%	Munis -1.2%
High Grade 8.3%	High Grade 5.4%	US Gov't 2.8%	Mtges 5.3%	High Grade 4.6%	EM Sov -10.2%	High Grade 19.8%	High Grade 9.5%	Mtges 6.1%	Loans 9.8%	High Grade -1.5%	Mtges 6.1%	EM Sov 0.6%	High Grade 6.0%	Munis 5.4%	US Gov't -1.2%
Munis 6.2%	Loans 5.3%	High Yield 2.7%	Munis 5.0%	Munis 3.3%	High Yield -26.4%	Munis 14.5%	US Gov't 5.9%	High Yield 4.4%	Munis 7.3%	Munis -2.9%	US Gov't 6.0%	Loans 0.1%	Mtges 1.7%	Loans 4.6%	Mtges -1.2%
Mtges 3.3%	Mtges 4.7%	Mtges 2.6%	High Grade 4.4%	High Yield 2.2%	Loans -29.3%	Mtges 5.8%	Mtges 5.7%	S&P 500 2.1%	Mtges 2.6%	US Gov't -3.3%	High Yield 2.5%	High Grade -0.6%	US Gov't 1.1%	Mtges 2.4%	EM Sov -1.9%
US Gov't 2.3%	US Gov't 3.5%	High Grade 2.0%	US Gov't 3.1%	Loans 2.0%	S&P 500 -37.0%	US Gov't -3.7%	Munis 2.3%	Loans 1.5%	US Gov't 2.2%	EM Sov -5.8%	Loans 1.8%	High Yield -4.6%	Munis 0.4%	US Gov't 2.4%	High Grade -2.2%

Source: CreditSights, BofA/ML, S&P/LSTA, Bloomberg EM Sov is USD EM Sovereign BBB & lower index
YTD calculated as of Mar 30, 2018

Treasury yield spreads are the lowest since before rececssion began

Source: Bloomberg

<u>Yields to Maturity * on 3/31/2018</u>	YTW
CAM Broad Market (corporate core plus) Strategy (7.5 year maturity; 5.9 duration)	4.31%
CAM Investment Grade (100% corporate bonds) Strategy (7.8 yr maturity; 6.5 dur)	3.76%
CAM High-Yield Strategy (only BB & B rated purchased) (7.2 year mat; 5.0 dur)	5.47%
CAM Short Duration Strategy (3.9 year maturity; 3.2 duration, 50% IG & 50% HY)	3.97%
CAM Short Duration Investment Grade Strategy (3.6 year maturity; 3.3 duration)	3.15%
Tax Equivalent Muni GO Bond (7 yr. = 2.43%. Bloomberg Barclays Institutional Index. To right shows after 40% tax equivalency & 3-point retail price mark-up for small buys under $1 M)	3.14%
U.S. Treasury** (10 year maturity)	2.74%
U.S. Treasury** (5 year maturity)	2.56%
U.S. Treasury** (2 year maturity)	2.27%

* yield is to maturity or the "worst" call date, that producing the lower yield. ** Source: Bloomberg Barclays.

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CAM's Key Strategic Elements

- Bottom-up credit analysis determines value and risk.
- Primary objective is preservation of capital.
- Larger, more liquid issues preferred.
- Target is always intermediate maturity.
- No interest rate forecasting.
- <u>All</u> clients benefit from institutional trading platform & multi-

CAM returns are after CAM's average management fee & all transaction costs but before any broker, custody or consulting fees.	Total Return (%)	Annualized Returns (%)			
	1Q '18	1-YEAR	3-YEARS	5-YEARS	10-YEARS
CAM Broad Market Strategy—Net 1/3 high yield, 2/3 Investment grade	-2.33	1.41	1.09	2.17	4.89
CAM High Yield "Upper Tier" Strategy—Net only purchase BB & B no purchases of CCC & lower	-1.92	2.49	0.41	1.72	4.94
Lipper High Yield Mutual Funds Average	-0.93	3.20	3.93	3.77	6.36
CAM Investment Grade Strategy—Net 100% corporate bonds	-2.56	1.00	1.35	2.34	4.80
Lipper A-rated Bond Funds Average	-2.05	2.74	1.93	2.90	4.52
CAM Short Duration Strategy—Net 1/2 investment grade, 1/2 high yield	-0.78	1.39	-0.10	0.95	3.46
CAM Short Duration Investment Grade Strategy—Net 100% corporate bonds	-1.16	0.32	1.04	1.45	7-YEARS 3.06

Performance Review 3/31/18

Our **Investment Grade Corporate Strategy (IG)** trailed the Bloomberg Barclays Corporate Index for 1Q2018 (-2.50% vs. -2.32%) and for the 12 months ending March 31 (1.24% vs. 2.69%). We lagged the Index performance for the 3-years, 5-years, and 10-years. Our 3-month performance did not capture the strong results of Index constituents with maturities shorter than **IG's** 5-10 year focus. The twelve-month performance was impacted negatively by our policy-underweight of the BBB credit sector (we limit exposure to no more than 30% versus the Index's weighting of more than 50%) which outperformed the Index as a whole. Finally, 12-month performance was adversely affected by significant cash contributions to **IG**, which can take 6-12 weeks to fully invest. **IG** includes only corporate bonds and resulted in our being in the bottom quartile of the General Bond Intermediate Term peer group (Morningstar data, NY Times, April 15, 2018) for the quarter, below the median for the 12-month period, and in the top quartile for the 5-years.

The **High Yield Strategy (HY)** trailed the Bloomberg Barclays High Yield Index during 1Q2018 (-1.83% vs. –0.86%) and for the 12-months (2.84% vs. 3.78%). **HY** portfolio quality is generally superior to the Index's B1/B2 median. Almost 15% of the Index is rated CCC or lower. As a matter of policy, **HY** does not invest in the securities of these lowest credit segments of the Index believing their risk profiles and higher volatility are inappropriate for many clients. **HY's** performance lagged the Index as a result. The lowest credit sectors of the Index achieved the best performance over the twelve months, and **HY's** determination to avoid CCC and lower Index constituents brought adverse divergence. Portfolio cash lowered HY performance relative to the Index. Cash flowing into accounts and our heightened investment selection standards raised levels of cash-held pending investments. The Index's long-term component (about 5% of the Index) with an average maturity exceeding 18 years, and outside the HY strategy, underperformed the intermediate portion of the Index by 176 basis points. CAM's **HY** strategy is underweight the long portion of the Index, and consequently, this positively impacted CAM. We ranked in the bottom quartile of the High Yield Bond Funds for the quarter, in the bottom quartile for the 12-months, and in the bottom quartile for the 5-year period (*Morningstar*).

Our **Broad Market Strategy** offers a corporate core plus blend of **IG** and **HY**. Performance trailed the Weighted Index benchmark for 1Q2018 (-2.26% vs. -1.83%) and for the 12-months (1.70% vs. 3.06%). These and longer period performance shortfalls relative to the Weighted Index arose when the lowest rated components in both the high yield and investment grade sectors outperformed their respective indices over multi-year periods. It ranked in the bottom quartile of General Bond Funds for the 3-months and above the median for the 12-months and for the 5-years (*Morningstar*).

The **Short Duration Strategy (SD)** blends shorter maturity IG and HY positions. Performance in 1Q2018 slightly trailed its Bloomberg Barclays Weighted Intermediate benchmark (-0.70 vs. -0.73%). Twelve-month performance lagged the benchmark (1.73% vs. 2.16%). The benchmark generally derived superior performance from the weakest credits of the underlying indices. Please see IG and HY comments (above) for additional details. SD performance in 3-year and longer periods was similarly affected. SD's performance relative to the Short-Term Bond Funds ranked in the bottom quartile for 1Q2018, in the top quartile for the 12-months, and below the median for 5-years (*Morningstar*).

The **Short Duration Investment Grade Strategy (SD-IG)** trailed the Bloomberg Barclays US Credit 1-5 Index for 1Q2018 (-1.10% vs. -0.71%) and for the 12-month period (0.57% vs. 0.70%. Three-year performance was 1.32% (**SD-IG**) versus the benchmark's 1.36%. **SD-IG** outperformed its benchmark for longer periods. It ranked in the bottom quartile of the Short-Term Bond Funds for the 3-months, below the median for the 12-months, and in the top quartile for 5-*years (Morningstar).*

Bloomberg Barclays Bond Indices Returns vs. CAM Gross

Periods ending 3/31/2018	10-yrs	20-yrs
U.S. Aggregate	**3.63%**	**4.83%**
U.S. Corporate	**5.42%**	**5.60%**
CAM Investment Grade Strategy	**5.06%**	**5.60%**

Better Asset Allocation Might Result from More Exacting Analysis

The chart to the right shows that BB rated bonds returned approximately 30% of S&P 500 stocks for the 5-year period, almost 95% over 10 years, and exceeded the returns of the S&P 500 over the last 20-years. Lower rated CCC bonds have consistently underperformed the S&P 500, while the lowest rated (CC & D) have produced negative returns. Both BB and B rated bonds outperformed the Bloomberg Barclays US Aggregate Index for all periods.

The chart also indicates that CCC rated securities underperformed BB rated and B rated bonds for the 20-year period. For shorter 5-year and 10-year periods the lower credit CCC cohort outperformed. Not shown in the table is the pronounced and extreme volatility that has characterized the CCC sector. For example, during 2008, when the High Yield Index was down 26%, CCC rated bonds were down 44%, and during 2009, the Index was up 58% while CCC bonds were up 91%. In each calendar year since 1997, CCC rated bonds ranked either best or worst in Annual Excess Return Rankings for US corporate credit tiers, a trend that continued in 1Q2018. The CCC longer term results were achieved with significantly volatility than the Index.

Finally, not only have BB rated bonds approximated the S&P 500 for the 10- and 20-year periods, but they have done so with about half the volatility of that Index (Ibbotson), suggesting that better credit quality high yield bonds deserve consideration as a core holding in an investor's portfolio allocation.

Performance of High-Yield Bonds by Credit Quality
(periods ending 3/31/2018) Source: Credit Suisse First Boston

High-Yield Bond Sectors	5-years	10-years	20-years
BB-rated bonds	**4.84%**	**7.88%**	**7.61%**
B-rated bonds	**4.21%**	**6.70%**	**6.26%**
CCC-rated bonds	**5.61%**	**8.38%**	**4.98%**
CC & D-rated bonds	**-9.33%**	**-5.26%**	**-6.79%**

Performance of Other Asset Classes
(periods ending 3/31/2018) Source: Barclays & Lipper

	5-years	10-years	20-years
S & P 500 Stocks	**13.30%**	**9.44%**	**6.44%**
Bloomberg Barclays U.S. Aggregate	**1.83%**	**3.63%**	**4.83%**

Yield Spreads Over U.S. Treasuries:

Absolute spreads for all credit subsectors remain below the long-term averages, but have risen from the lows of 1Q2018. Spreads ended March 2018 above year-end 2017 levels. These wider/widening spreads enhance the compelling value of corporate bonds versus U.S. Treasuries. The 10-year U.S. Treasury ended the quarter at 2.74% compared to 2.45% (2016) and 2.40 (2017) at previous year-ends. With the yield curve flatter as the Federal Reserve removes monetary policy accommodation, active corporate bond managers may find opportunistic value in wider credit spreads relative to U.S. Treasuries.

*1981-2017 Average for A and BBB

Credit Rating	**1987–2017 average spread**	3/31/18	12/31/17	12/31/16	12/31/15	Tightest this decade
A*	1.20%	0.90%	0.73%	1.01%	1.22%	N/A
BBB*	1.87%	1.38%	1.24%	1.60%	2.24%	N/A
BB	3.56%	2.37%	2.11%	2.70%	4.17%	1.30%
B	5.35%	3.64%	3.43%	3.82%	6.54%	2.28%
CCC	10.26%	6.44%	6.15%	8.07%	13.51%	3.78%

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD
US CCC 58.5%	US CCC 13.2%	US B 1.7%	US CCC 15.2%	US AAA -2.3%	US AAA -9.3%	US CCC 97.4%	US CCC 13.2%	US AAA -2.2%	US CCC 18.7%	US CCC 14.4%	US BB 0.7%	US AAA 0.0%	US CCC 35.2%	US CCC 9.6%	US CCC 0.9%
High Yield 25.6%	High Yield 7.9%	US BB 0.8%	High Yield 8.3%	US AA -4.4%	US AA -14.0%	High Yield 58.7%	High Yield 9.8%	US BB -2.5%	High Yield 13.6%	High Yield 9.5%	US A 0.0%	US AA 0.0%	High Yield 16.2%	High Yield 6.1%	US B 0.2%
US B 23.5%	US B 7.5%	High Yield 0.6%	US B 7.8%	High Grade -5.0%	High Grade -21.3%	US B 48.7%	US B 9.0%	US B -2.6%	US B 13.2%	US B 9.2%	High Grade 0.0%	US A -0.3%	US B 15.7%	US BB 5.6%	High Yield -0.1%
US BB 16.9%	US BB 6.0%	US AA 0.1%	US BB 6.5%	US BBB -5.4%	US A -22.4%	US BB 46.8%	US BB 8.9%	High Yield -3.3%	US BB 12.2%	US BB 7.8%	US AA -0.1%	High Grade -1.6%	US BB 11.9%	US B 5.4%	US BBB -0.5%
US BBB 9.1%	US BBB 2.3%	US AAA 0.1%	US BBB 1.6%	US A -5.5%	US BBB -25.6%	US BBB 35.0%	US BBB 4.0%	US AA -3.6%	US BBB 9.4%	US BBB 3.3%	US BBB -0.1%	US BB -2.4%	US BBB 6.9%	US BBB 4.6%	US AA -0.6%
High Grade 5.9%	High Grade 1.7%	US A -0.2%	High Grade 1.3%	US B -6.4%	US BB -31.5%	High Grade 23.5%	High Grade 2.8%	High Grade -4.1%	High Grade 7.9%	High Grade 2.8%	US AAA -0.4%	US BBB -3.2%	High Grade 4.7%	High Grade 3.8%	US AAA -0.7%
US A 3.6%	US A 1.4%	High Grade -0.8%	US A 1.2%	US BB -7.3%	High Yield -38.1%	US A 20.0%	US A 2.3%	US BBB -4.3%	US A 7.5%	US A 2.2%	High Yield -1.3%	High Yield -5.9%	US A 3.2%	US AAA 3.3%	High Grade -0.7%
US AAA 2.6%	US AAA 1.1%	US BBB -2.0%	US AAA 1.1%	High Yield -7.3%	US B -39.6%	US AA 12.4%	US AA 1.5%	US A -4.3%	US AA 5.3%	US AA 1.9%	US B -2.0%	US B -6.3%	US AA 2.4%	US A 3.1%	US BB -0.7%
US AA 2.0%	US AA 1.0%	US CCC -2.4%	US AA 1.0%	US CCC -9.2%	US CCC -48.7%	US AAA 4.1%	US AAA 1.3%	US CCC -7.6%	US AAA 2.1%	US AAA 1.0%	US CCC -5.2%	US CCC -16.2%	US AAA 2.3%	US AA 2.4%	US A -0.9%

Source: CreditSights, ICE BofAML Indexes data through 03/31/2018 (Excess return = the total return of the asset class minus the total return of a duration matched basket of government securities. Essentially the excess return metrics remove the yield curve

(Continued from page 1)

The April 11th issuance of the March CPI showed continuing moderate inflation. Bloomberg (4/11/18) reports that "While the Fed's preferred gauge of inflation has missed the 2% goal in most months since 2012, policy makers anticipate gradual improvement and have projected 1.9% inflation in 2018". *Trading Economics* consensus estimates inflation trending to 2.5% in 2019 and 2020 (*Trading Economics* website 4/17/18).

For investors who fear higher than anticipated inflation and resulting higher bond yields and lower bond prices, CAM's short duration strategy is an appropriate investment. The portfolio's duration of 3.15 is very short and implies a 3.15% change in the portfolio's market value for each 100 basis point move in market yields at it's average maturity of 3.94 years. For a comparison of performance by varying maturities in this past quarter over rising longer term rates, the 1-3 year Treasury total return was –0.38%, and the 7-10 year Treasury return was –2.65% (Credit Sights 4/3/18) (see chart on page one for statistics on all the CAM bond strategies).

As the chart to the left illustrates, riskier sectors of the bond market continue to provide the best performance. Historically, these sectors provide better performance than the higher quality investment grade sectors in periods of rising interest rates. Notice that in 9 out of 15 years high yield has outperformed the high grade sector. Also, the high grade sector has outperformed the U.S. Government sector in 11 out of 15 years, as the chart on page one illustrates.

Looking forward, even with subdued inflation projections, the IMF is forecasting global growth of 3.9% this year, following 3.8% in 2017. The IMF considered 2017 "remarkable in its breadth, with more than two-thirds of all countries accelerating, the fastest pace since 2011. Furthermore, the IMF considers 2018 growth will be "supported by strong momentum, favorable market conditions, and the domestic and international repercussions of expansionary fiscal policy in the United States [which is largely comprised of the new tax cuts recently enacted]" (*Wall Street Journal* 4/17/18). The IMF also forecast 3.9% growth in 2019.

In our previous report we opened noting certain market conditions. From discussions with well over 40 bond dealers we regularly engage, CAM's seven bond traders

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Footnotes and disclosure Cincinnati Asset Management, Inc., ("CAM") an independent privately held corporation established in 1989, is registered with the United States Securities and Exchange Commission as an investment advisor. The CAM High Yield, Investment Grade, Broad Market, and Short Duration composites consist of all discretionary portfolios under management, including all securities and cash held in the portfolios, and have been appropriately weighted for the size of the account. All accounts are included after they are substantially invested.

Returns are calculated monthly in U.S. dollars and include reinvestment of dividends and interest. Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Past performance is no guarantee of future results.

When compared to mutual funds' performance, CAM results are after deduction of all transaction costs and CAM advisory fees. CAM advisory fees used are the composite averages. Accounts managed through brokerage firm programs usually will include additional fees. "Net of fees" herein refers only to CAM's management fee. Returns audited annually. Most recent audit available upon request.

Mutual fund averages and S&P 500, as published quarterly in Barron's as supplied by Lipper Analytics.

The indices and information shown for comparative purposes are based on or derived from information generally available to the public from sources believed to be reliable. No representation is made to its accuracy or completeness.

High yield bonds may not be suitable investments for all individuals. Before investing a thorough reading of all materials and consultation with an independent third party financial consultant may be appropriate.

This material was not intended or written to be used, and it cannot be used, by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws.

This information is intended solely to report on investment strategies and opportunities identified by CAM. Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. This material is not intended as an offer or solicitation to buy, hold or sell of any financial instrument. References to specific securities and their issuers are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations to purchase or sell such securities.

Fixed Income securities may be sensitive to changes in prevailing interest rates. When rates rise the value generally declines. For example, a bond's price drops as interest rates rise. For a depository institution, there is also risk that spread income will suffer because of a change in interest rates. The Indices are referred to for informational purposes only and the composition of the Index is different from the composition of the accounts included in the performance shown above. Index returns do not reflect the deduction of fees, trading costs or other expenses.

CAM Investment Grade Strategy 0.95
Bloomberg Barclays U.S. Corp 0.91

CAM High Yield Strategy 0.54
Bloomberg Barclays High Yield Bond 0.51

CAM Broad Market Strategy 0.79
Bloomberg Barclays Weighted (2/3 Corporate and 1/3 High Yield) 0.80

CAM Short Duration 0.51
Bloomberg Barclays(1/2 Int HY & 1/2 U.S. Credit 1-5) 0.37

CAM Short Duration IG Strategy 1.01
Bloomberg Barclays U.S. Credit 1-5 0.98

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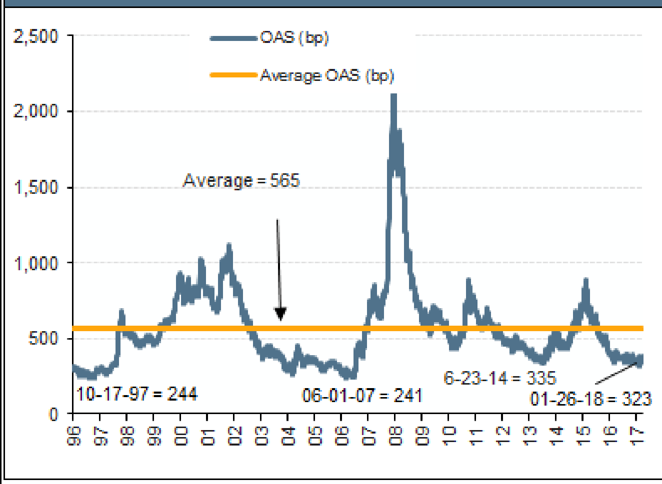
report a reversal of the previous strong demand for US corporate debt of all stripes from US and foreign investors. However, foreign demand remains strong for U.S. Treasuries given the rise in geopolitical tensions, very low and, in many cases, negative interest rates available on higher quality sovereigns (e.g. on 4/17/18 the German 10-year bund yielded 0.53% and the 10-year Japanese bond yielded 0.04% (source *Trading Economics 4/18/18*)). This demand has held back Treasury yields that many Wall Street forecasters including Goldman Sachs see rising to 3.25% by year end (Goldman Sachs, *Global Markets Daily* 3/22/18). Furthermore, speculative bets on falling 10-year Treasury futures (rising yields) is near a record as of 4/3/18, according to the CFTC (*MarketWatch* 4/11/18). However, many forecasters caution the "safe haven" status of U.S. Treasuries can drive demand higher, resulting in lower yields.

In closing, please study the two charts to the right showing the historical yield pick up over Treasuries for IG and HY corporates. We are well above the lows.

We appreciate your confidence, please contact us anytime we may be of service.

One measure of our conservative philosophy is the Sharpe Ratio (from Strategy inception through 3/31/18) that measures total return per unit of risk assumed. This relative return measure is as important as, if not more important than, absolute return comparisons. Our constant objective is to deliver a good return with much less risk. These relative values measure the performance of our strategies against the benchmarks for Investment Grade, High Yield, Broad Market (corporate core plus), and Short Duration Strategies. The Broad Market Strategy has produced a Sharpe Ratio about equivalent to the Index, while the Investment Grade Strategy exceeded its benchmark by 4%, and the High Yield Strategy produced exceeded its benchmark by 6%. The Short Duration Strategy's ratio has exceeded its benchmark by 33%, and Short Duration Investment Grade exceeded its benchmark by 3%.

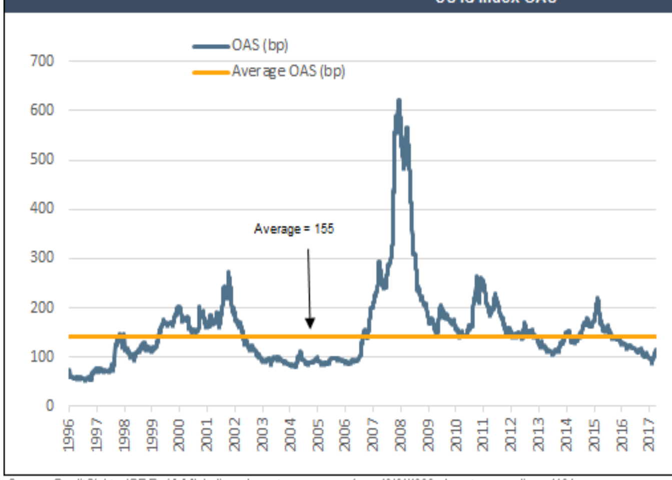
US HY Index OAS



Index OAS Metrics		
Latest 3/31/2018		372
End prior week		374
End prior month		347
Weekly Change		(2)
MTD Change		25
YTD Change		9
Historic Ranges		
All-time High	12/15/2008	2,147
All-time Low	6/01/2007	241
52-week High	4/18/2017	407
52-week Low	1/26/2018	323
Latest Spread by Rating		
BB		244
B		392
CCC		794

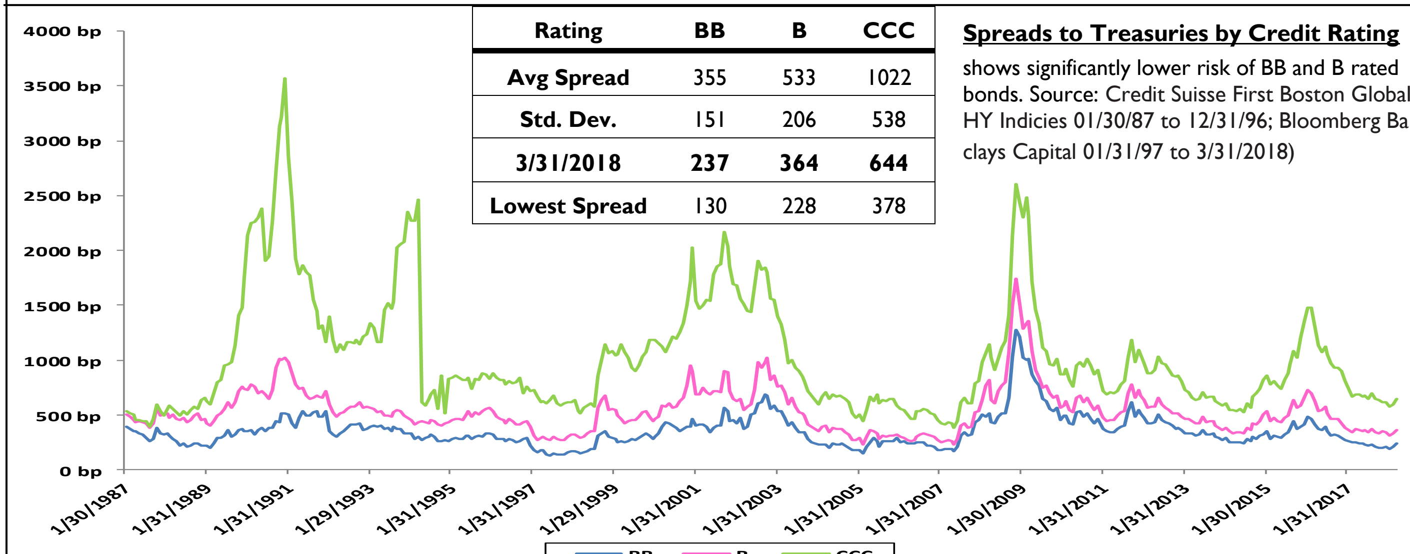
Source: CreditSights, ICE BofA ML Indices long term average from 12/31/1996 long term median = 501

US IG Index OAS



Index OAS Metrics		
Latest	3/31/2018	116
End prior week		115
End prior month		101
MTD Change		15
YTD Change		18
Historic Ranges		
All-time High	12/5/2008	622
All-time Low	10/3/1997	53
52-week High	4/13/2017	125
52-week Low	2/1/2018	90
Latest Spread by Rating		
AAA		64
AA		72
A		94
BBB		144

Source: CreditSights, ICE BofA ML Indices Long term average from 12/31/1996 long term median = 142 bp



Rating	BB	B	CCC
Avg Spread	355	533	1022
Std. Dev.	151	206	538
3/31/2018	**237**	**364**	**644**
Lowest Spread	130	228	378

Spreads to Treasuries by Credit Rating shows significantly lower risk of BB and B rated bonds. Source: Credit Suisse First Boston Global HY Indicies 01/30/87 to 12/31/96; Bloomberg Barclays Capital 01/31/97 to 3/31/2018)