Quarterly Commentary

Fourth Quarter 2017

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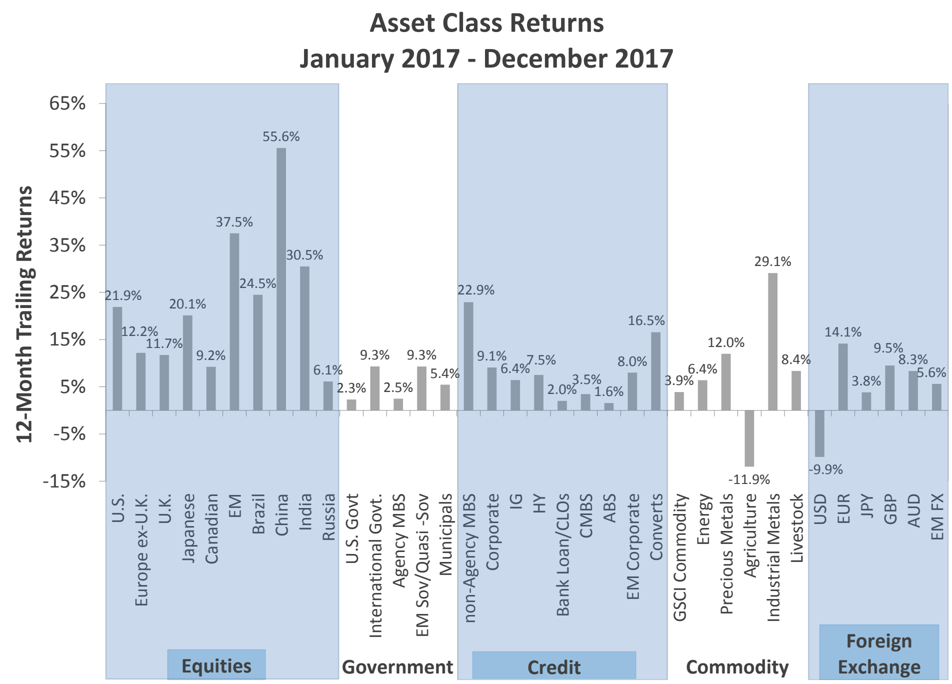
Overview



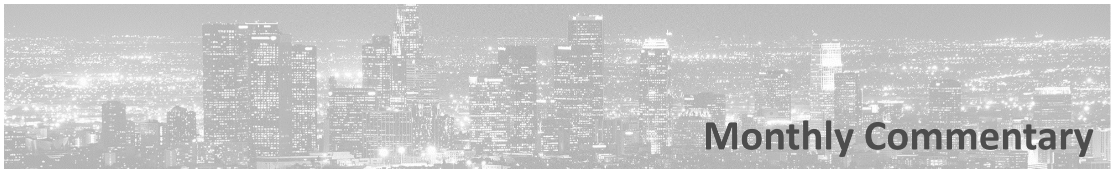
Source: DoubleLine, Bloomberg
See appendix for index definitions.

It was another strong quarter for risk assets to close out the year. The synchronized expansion in global economic activity across both emerging and developed markets continued to provide widespread gains across a variety of asset classes. The reduced level of volatility across U.S. markets was driven largely by continued quantitative easing, accommodative fiscal policy, healthy economic growth, and strong consumer sentiment.

At the start of 2017, Mr. Gundlach expected a move lower in the 10-year U.S. Treasury (UST) yield and at least two, if not three, 25 basis point (bps) Federal Open Market Committee (FOMC) rate hikes by year-end. While many economists were calling for increasing 10-year UST yields, data supported the possibility of a move lower. Mr. Gundlach turned out to be correct as 10-year UST yields moved slightly lower for the year and the Fed hiked three times. Additionally, when the 10-year UST yields began testing the lower end of the range in the third quarter, Mr. Gundlach openly turned bearish on the 10-year UST with the expectation of rising interest rates. The 10-year UST yield hit a calendar-year low on September 7, 2017 at 2.04% and closed the year up almost 40 bps from there ending at 2.40%.

The big news during the fourth quarter was the approval of the new tax plan. The plan will reduce the corporate tax rate to 21% and has already had a positive impact on the U.S. equity market. However, time will tell what the long-term economic impacts of the plan will be. Additionally, the Federal Reserve (Fed) raised rates in December for the third time in 2017. This was the first time since the global financial crisis that the Fed was able to follow through on its promise of expected rate hikes.

Growth expectations and economic data remains strong in the U.S. The unemployment rate held steady at 4.1%, which is a 17-year low. Along with the ongoing downtrend in unemployment, consumer confidence remains strong. The Conference Board's Consumer Confidence Index rose is currently at 122.1. This level is higher than pre-global financial crisis and is indicative of strong consumer sentiment. Meanwhile, the ISM Manufacturing Index increased to 59.7 in December from 58.2 a month prior, being driven by a 14 year high in Factory Orders. The ISM Non-Manufacturing Index dropped to 55.9 from 57.4. An Index level above 50 signals expansion across the respective sectors. These numbers point to an economy that still has some room to grow.



U.S. Government Securities

- The Bloomberg Barclays U.S. UST Index posted a small gain of 0.31% over the month of December, barely enough to push its fourth quarter return to the positive territory at 0.05%.
- Yield curve flattening was the signature event in the U.S. Treasuries (UST) market during the fourth quarter. The spread between 2-year and 10-year UST fell from 85 bps to 52 bps. The 5-year to 30-year spread tightened about 39 bps. In December, the spread between 2-year and 10-year UST narrowed by 7 bps, while the 5-year to 30-year spread narrowed by 13 bps.

U.S. Treasury Yield Curve

	11/30/2017	12/29/2017	Change
3 month	1.26%	1.38%	0.12%
6 month	1.44%	1.53%	0.09%
1 year	1.61%	1.73%	0.12%
2 year	1.78%	1.88%	0.10%
3 year	1.89%	1.97%	0.08%
5 year	2.14%	2.21%	0.07%
10 year	2.41%	2.41%	0.00%
30 year	2.83%	2.74%	-0.09%

Source: Bloomberg

- Low volatility was another hallmark feature over the fourth quarter. The benchmark 10-year yield traded within a narrow range of merely 20 bps through the fourth quarter. Its volatility is at multi-year lows.
- The successful passage of the tax reform bill reignited expectations of higher inflation going into 2018. This momentum is helped by climbing energy prices in the fourth quarter — crude oil topped $60 for the first time in two years. Market inflation expectation can be observed through Treasury Inflation-Protected Securities (TIPS) breakevens. In December, front-end 2-year TIPS breakevens went up 25 bps; 5-year and 10-year breakevens increased 10 bps; 30-year was carried up by 6 bps.

Agency Mortgage-Backed Securities

- Overall prepayment speeds declined across all Agency Mortgage-Backed Securities (MBS) product over both the month of December and the fourth quarter. For the month of December, 30-year Fannie Mae product speeds were down 6%, Freddie Mac down 3%, and Ginnie Mae down 6%. A drop in prepayment speeds was driven primarily by a decline in day count from 21 to 20 (5%). For the quarter, Fannie Mae was down 8%, Freddie Mac down 9% and Ginnie Mae down 5%. While day count can explain 3% decline in speeds over the quarter, the remainder can be attributed primarily to seasonal effects.
- The 30-year Freddie Mac Commitment Rate continued to trend up slightly since a local low in September, ending the month at 3.99% and marking a 16 bps rise on the quarter. In line with higher commitment rates and seasonal effects, the Mortgage Bankers Association (MBA) Refinance Index declined 4% on the month and 19% on the quarter. While the MBA Purchasing Index finished the quarter up slightly, it appears that the overall activity for the quarter was reasonably stable with a decline in October and a pickup in November. The general trend continued to be one of prepayments being driven by housing turnover as rates remained relatively range-bound in 2017.

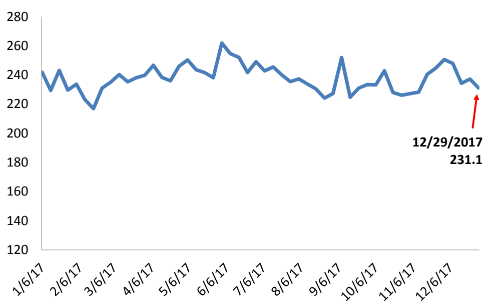
Conditional Prepayment Rates (CPR)												
2017	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Oct	Nov	Dec
Fannie Mae (FNMA)	10.7%	8.6%	10.6%	9.7%	11.5%	12.3%	11.4%	12.4%	11.2%	12.1%	10.9%	10.6%
Freddie Mac (FHLMC)	10.4%	8.6%	13.6%	12.5%	14.5%	15.4%	14.8%	16.0%	14.6%	15.7%	15.3%	14.3%
Ginnie Mae (GNMA)	13.1%	11.8%	10.2%	9.6%	11.3%	12.1%	11.3%	12.2%	11.0%	11.8%	10.7%	10.1%

Bloomberg Barclays Capital U.S. MBS Index	10/31/2017	11/30/2017	12/31/2017	MoM Change
Average Dollar Price	$103.42	$103.03	$103.12	$0.09
Duration	4.50	4.57	4.43	-0.14

Bloomberg Barclays Capital U.S. Index Returns	10/31/2017	11/30/2017	12/31/2017
Aggregate	0.06%	-0.13%	0.46%
MBS	-0.03%	-0.14%	0.33%
Corporate	0.34%	-0.09%	0.80%
Treasury	-0.12%	-0.14%	0.31%

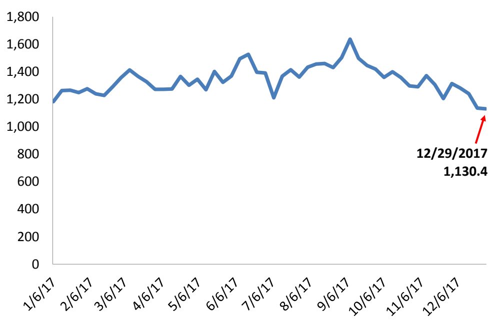
Source: eMBS, Barclays Capital

Mortgage Bankers Association (MBA) Purchase Index
As of December 29, 2017



Source: Bloomberg

MBA Refinance Index
As of December 29, 2017



Source: Bloomberg

- 30-year current coupon levels relative to 10-year UST yields continued to gradually tighten, with the basis shrinking 4 bps on the quarter. The 10-year UST yield was unchanged on the month, beginning and ending at 2.41%, although with some minor volatility as rates traded within a 16 bp range. For the quarter, it was up a little over 7 bps.
- Agency MBS issuance for the month was $152 billion and $454 billion on the quarter, bringing 2017 issuance up to $1.7 trillion. This marked a 9% decline year-over-year (YoY) which is within the context of annual deviations.
- The Bloomberg Barclays U.S. MBS Index returned 0.33% for the month of December and 0.15% for the fourth quarter. Duration declined slightly on the quarter from 4.47 years to 4.43 years. Overall, the MBS sector has underperformed Investment Grade (IG) Corporates in the fourth quarter as spreads tightened more in the latter than the former.

Non-Agency MBS

- Non-Agency MBS spreads were tighter by about 10 to 20 bps across the credit spectrum during the fourth quarter; however, prime and Alt-A securities experienced some widening during December.
- There were $13.4 billion of legacy non-Agencies traded on bid lists during December compared to $6.7 billion during November. The increase was due to a large bank list of primarily Alt-A securities. Bid list activity was up 89% from the prior quarter.
- While overall fundamentals in the housing market remained strong, December remittance reports continued to show elevated delinquencies in areas affected by hurricanes during the third quarter.

Commercial MBS

- December private-label CMBS issuance decreased 10% month-over-month (MoM) with five conduit deals totaling $4.3 billion and seven single-asset single-borrower (SASB) deals totaling $3.3 billion pricing. Total private-label CMBS issuance in the second half of 2017 was 27% higher than the same time period in 2016. New issuance in 2017 was driven by SASB deals, for which issuance was 80% higher than through the same period in 2016, while conduit issuance was flat.
- Secondary Principal & Interest (P&I) trading totaled $17.8 billion in December, 6% below the 2017 monthly average of $18.9 billion. Secondary cash spreads were mixed in December with AAA last cash flows (LCFs) tightening by 3 bps to swaps +76 bps and BBB-s widening by 10 bps to swaps +360 bps. Cash spreads were mixed in the second half of 2017, with AAA LCFs tightening by 14 bps and BBB-s widening by 5 bps. CMBX spreads were mixed in December with 2012 -2016 AAAs tightening by an average of 2 bps, while BBBs widened by an average of 2 bps. CMBX spreads were also mixed in the second half of 2017, with 2012-2015 AAAs tightening by an average of 17 bps, and BBBs widening by an average of 39 bps.
- The private label CMBS universe increased by $3.5 billion or about 1% in December to $458 billion. Net issuance declined by $26 billion or 5% in 2017 as compared to $75 billion or 13% in 2016. The outstanding conduit universe increased by $1.1 billion or 0.3% in December to $334 billion, while the SASB universe increased by $2.3 billion or 2% to $117.5 billion. The CMBS delinquency rate fell by 29

bps in December to 4.9%, its lowest level in 15 months, and 34 bps lower than one year ago.

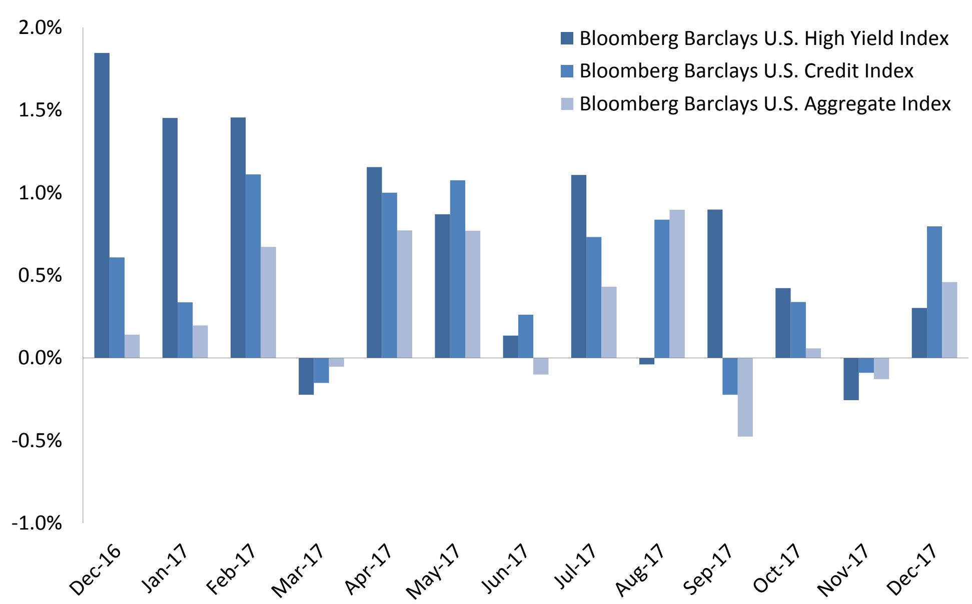
Asset-Backed Securities

- Asset-Backed Securities (ABS) closed the year with another quarter of strong issuance, bringing year-end gross issuance to over $255 billion for 2017. There were over 10 deals that priced in the last month of the year despite going into the holiday slowdown. Spreads were flat over the quarter as demand for ABS remained firm.
- Both primary and secondary demand was robust throughout the year. Traditional sectors, such as autos and student loans, continued to be well-bid despite some performance headwinds.
- The rise of issuance from more esoteric sectors, such as renewable energy and whole business, were well received from investors – helping to bolster liquidity. Performance for both sectors has been strong throughout the quarter.
- Damage from the hurricanes in the South and the Caribbean Islands was contained with minimal impact on collateral performance thus far.
- The Bloomberg Barclays U.S. ABS Index returned 0.02% for the month of December and -0.01% for the fourth quarter of 2017.

Investment Grade Credit

- The Bloomberg Barclays U.S. Credit Index tightened 3 bps in December and 6 bps during the fourth quarter. After a slight pause in the rally during the month of November, the market ended the year at a post-crisis tight spread of 89 bps. The market continues to be supported by strong fundamentals and positive technicals, posting returns of 0.80% in December and 1.05% in the fourth quarter. For the year, the market posted a return of 6.18%. The long-end of the market continued to outperform as the yield curve flattened and the long bond rallied.
- Media Entertainment, up 1.8% in December, was the best performing sector, benefitting from a rally in Twenty First Century Fox bonds as Disney made an offer to purchase most of the Fox assets. The Energy sector also outperformed as a result of a continued strong economy and an increase in the price of oil. The worst performing sector, Supranational, up 0.03%, started the month offering a spread of only 17 bps, leaving little room for spread compression or carry. For the quarter, the Energy sector and Metals & Mining outperformed with the strength in commodity prices.
- Flows into IG bond funds continued to be positive through the end of the year for a total of $331 billion year-to-date (YTD), up 120% over 2016. This represents about 17% of the total IG mutual fund assets under management (AUM). Supply slowed significantly in December, to a net negative supply of $44 billion, with $42 billion of new issuance and $86 billion of redemptions. For the quarter,

Performance of Select Bloomberg Barclays Indices
December 2016 to December 2017



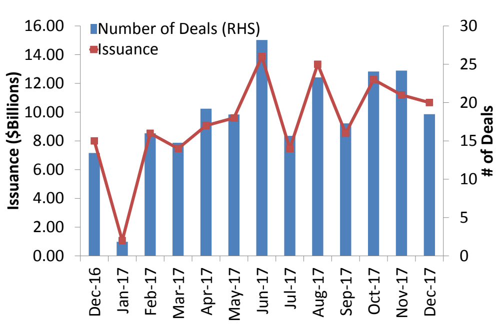
Source: Bloomberg, DoubleLine

there was net supply of $70 billion with $298 billion of issuance and $227 of redemptions. We expect the new issue market to remain very active.

Collateralized Loan Obligations

- 2017 was a banner year for Collateralized Loan Obligation (CLO) issuance with $118 billion in new issuance, $102 billion in refinancing, and $65 billion for the year for a total of $285 billion of supply in the market. There was more than enough demand for that size in issuance. Due to the high demands, spreads continued to tighten through December.
- December was the slowest new issuance month of the fourth quarter, and was shy of hitting $10 billion. December saw $9.86 billion in issuance for the month. Both November and October saw almost $13 billion in monthly issuance.

U.S. CLO Monthly Issuance
December 2016 to December 2017



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

- Managers and investors gathered at the beginning of December at the Opal Conference in Dana Point, California. After speaking with attendees of the conference, it seemed that the outlook was constructive on issuance for the coming year. Investors and traders expect spreads to continue to tighten.

Bank Loans

- The S&P/LSTA Leveraged Loan Index posted a total return of 0.40% in September, improving from a return of 0.12% in November. The December return was slightly above the average monthly return for 2017, which was 0.34%. The technical backdrop was relatively strong in December as new issue activity dried up while demand from CLO formation continued. The Index returned 1.11% in the fourth quarter and 4.12% for the year.
- With risk markets generally rallying, CCC-rated loans performed well in both December, rising 1.08%, and in the fourth quarter, up 2.85%. There was little dispersion between BB-rated loans and B-rated loans. In December, BB-rated loans rose 0.37% and B-rated loans rose 0.35%. In the fourth quarter, both ratings groups returned 1.09%.
- The default rate stepped up slightly in the fourth quarter, ending December at 1.72% compared to 1.41% at the end of September. The pick-up mainly occurred in November due to four defaults: Pacific Drilling, ExGen Texas Power, Cumulus Media and Walter Investment Management.
- Rising oil prices in December were supportive of the Oil & Gas sector, which was up 0.93% in the month. In the fourth quarter, the best performing sectors were Conglomerates, Forest Products, and Publishing.

High Yield

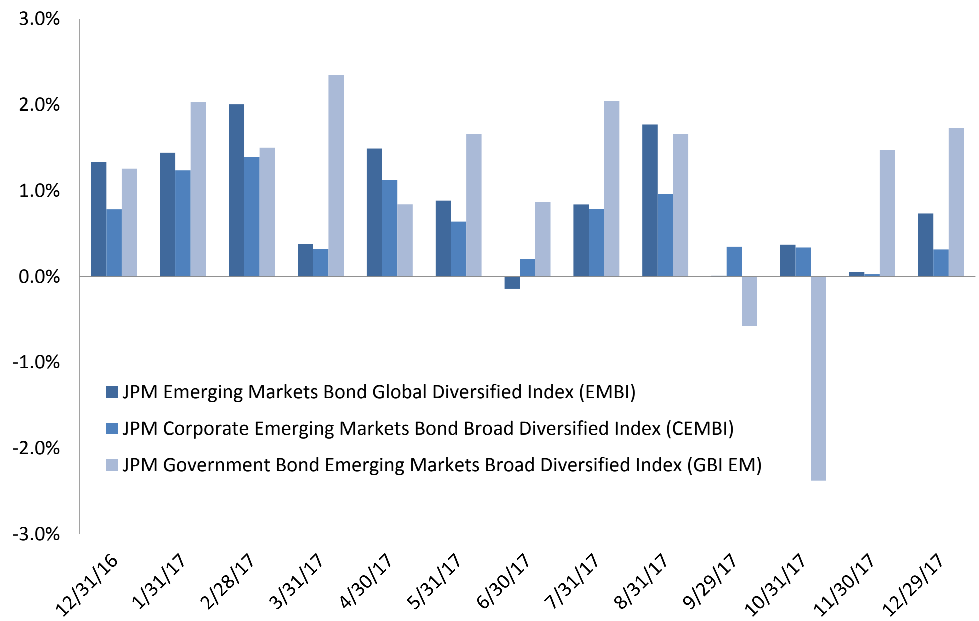
- In December, High Yield (HY) bonds continued rebounding from weakness in early November. The month was eventful, with a Fed rate hike and rate volatility being offset by the passage of a tax bill and a multi-year high for oil prices. The fourth quarter of 2017 was somewhat volatile, with significant dispersion among industries, as earnings were weak across Telecom, Retail and Healthcare but Energy was strong.
- The Citi High-Yield Cash-Pay Capped Index's 0.32% return for December was driven by lower-rated assets, along with the Energy, Pharmaceutical and Retail sectors. The fourth quarter's return was a meager 0.55%, and the weakest sectors were Telecom, Retail and Healthcare. Full-year 2017 saw a coupon-like 6.93%; the strongest returns came from Industrials, Pharmaceuticals, Utilities and Chemicals while the only negative total returns were in Retail and Telecom. All rating categories had similar returns for the year.
- According to JP Morgan, default activity was down in 2017 and posted its lowest annual total since 2013. This was due to a significant

decline from the heavy default activity in the Commodity sectors over the prior two years, which accounted for nearly two-thirds of total volume.

Commodities

- In the fourth quarter, the broad commodity market rallied 9.56% and 4.39% as measured by the S&P Goldman Sachs Commodity Index (GSCI) and Bloomberg Commodity Index (BCOM), respectively.
- During the fourth quarter, Energy, as measured by the S&P GSCI Energy, was the best performing sector, rallying 14.50% as Brent Crude and WTI crude both rallied, up 19.49% and 15.62%, respectively.
- Precious Metals, as measured by the S&P GSCI Precious Metals, appreciated 1.64% in the fourth quarter with Gold up 1.56% while Silver increased 2.24%. Industrial Metals rallied 8.87% with Copper, Nickel, Aluminum and Zinc all rallying, up 11.26%, 21.00%, 7.30% and 5.76%, respectively.
- Agriculture, as measured by the S&P GSCI Agriculture, was the worst performing sector over the quarter, declining 2.27%, with the worst performers being Wheat, Kansas Wheat and Cocoa, with returns of -8.46%, -7.19% and -6.69%, respectively.
- The Livestock sector, as measured by the S&P GSCI Livestock, increased over the fourth quarter, appreciating 1.66%.

JP Morgan Emerging Markets Bond Index Performance
December 31, 2016 to December 31, 2017



Source: JP Morgan

Emerging Markets

- Emerging Market (EM) sovereign and corporate external bonds posted positive performance in the fourth quarter. External conditions remained supportive for the EM fixed income asset class with continued investor appetite for higher-yielding EM debt. EM issuers continued to take advantage of tight spreads and investor demand, with gross external EM bond issuance hitting a record high in 2017.
- The JP Morgan EMBI Global Diversified Index's return during the quarter was driven primarily by accrued interest. Credit spreads were modestly lower, with the spread over UST tightening 2 bps to 285 bps. The Index’s return in 2017 was the highest annual return since 2012.
- Africa was the best performing region across both the sovereign and corporate Indices during the quarter and for the year, driven in part by rising commodity prices.
- Factors that may affect risk appetite for 2018 include less accommodative developed market (DM) central banks, rising DM yields, a slowdown in global growth, a heavy election calendar, and Brexit negotiations, as well as policy risks due to the increase in populism.

International Sovereign

- Global government bonds posted positive returns in the fourth quarter, driven primarily by foreign currency gains versus the U.S.

Dollar (USD), and supported by generally-declining, longer-term global government bond yields.

- The USD, as indicated by the U.S. Dollar Index (DXY), fell during the quarter, the fourth consecutive quarterly drop, while the UST curve continued to bear-flatten. While the Fed raised rates in December in its third hike of the year and the Trump Administration successfully passed tax reform legislation, economic data continued to be mixed, and the appointment of Governor Powell as the next Fed Chair was seen by some market participants as dovish.
- The Euro was the best performing G10 currency during the quarter with economic data continuing to reflect a broad-based growth recovery across the Euro area. The European Central Bank (ECB) announced a reduction in its asset purchase program in October and extended the program for another 9 months. However, it also left the door open to extending the program or increasing purchases if needed.
- The U.K. Pound also rallied during the quarter as the Bank of England (BoE) raised interest rates for the first time in a decade and the government made some progress on negotiating a Brexit deal.
- In Japan, Prime Minister Abe's coalition retained its super majority in parliament after a strong showing in the October snap elections, signaling political stability and policy continuity. The Bank of Japan (BoJ) kept monetary policy broadly unchanged during the quarter while reiterating its extremely accommodative monetary policy stance.

Infrastructure

- Infrastructure debt yields and spreads compressed further quarter-over-quarter (QoQ) as the yield curve flattened slightly and risk assets rallied. The most pronounced spread tightening during the quarter was seen in U.S. Utilities, reaching their tightest levels in over a decade. ABS spreads also hit YTD tights by quarter-end.
- Against this backdrop, financing for infrastructure assets remained robust. In the primary market, debt issues related to Transportation, Telecom, Utilities, Midstream Energy assets, and Renewables were met with strong investor demand. Meanwhile, secondary trading continues to be very competitive.
- On the policy front, 2017 finished without any concrete proposals regarding the often discussed trillion-dollar bill to address national infrastructure. That being said, optimism for a proposal in 2018 is picking up given that tax reform has passed and health care reform is taking a back seat to other political initiatives.

U.S. Equities

- One can summarize December much the same way as the rest of 2017: positive equity returns, low volatility, improving earnings and high valuations. In fact, December was the fourteenth month in a row the S&P 500 posted a positive total return. The S&P 500 returned 6.64% and 1.10% in the fourth quarter and December, respectively, to end the year up 21.8%.
- Equity market volatility remained muted throughout the fourth quarter and December. As measured by the Volatility (VIX) Index, volatility hit an all-time intra-day low of 8.60 in November and remained low through December. The VIX remained below 10 for 52 trading days in 2017.
- The passage of the Tax Cuts and Jobs Act on December 20th added fuel to the equity rally. Most relevant for the U.S. equity markets, the bill lowered the top corporate tax rate from 35% to 21%. Only time will tell how much of this reduction will drop to the bottom line of earnings per share for publically-traded companies. Some of the reduction inevitably will be competed away (passed onto consumers, in other words) or seen in higher employee wages. But most estimates see the tax bill increasing run-rate S&P 500 earnings by a mid-to-high single digit percentage.
- As 2017 came to a close, consensus estimates for earnings growth for the S&P 500 according to FactSet stood above 10%. Estimates for

2018 and 2019 stood at 11% and 10% earnings growth, respectively – impressive fundamental performance, if it were to come to pass. With a cyclically-adjusted price-to-earnings (CAPE) ratio at levels previously seen only in 1929 and 2000, it is hard to argue these estimates are not well discounted in the market.

- December represented a better year for active equity management, with 46% of large cap equity managers beating the S&P 500 according to Merrill Lynch. For the fourth quarter and 2017 the percentage was 38% and 52%, respectively, an improvement from 2016 when 19% of managers beat the S&P 500.

Global Equities

- Global Equities, as measured by the MSCI All-Country World Index (ACWI), returned 1.63% during December, ending the quarter up 5.82%. U.S. equities were generally positive during the month with the S&P 500 up 1.10% and Dow Jones Industrial Average up 1.92%. Nasdaq and Russell 2000 returned 0.50% and -0.41%, respectively. For the quarter, S&P 500 returned 6.64%, Dow Jones Industrial Average 10.96%, Nasdaq 6.57%, and Russell 2000 3.33%.
- In Europe, regional equities underperformed other DM in December with the Eurostoxx 50 down 1.71%, DAX down 0.82%, CAC down 0.91%, FTSEMIB down 2.29%, and IBEX down 1.19%. For the quarter, European equities were mixed with the Eurostoxx 50 down 2.22%, DAX up 0.69%, CAC down 0.01%, FTSEMIB down 3.49% and IBEX down 2.28%. U.K. equities outperformed other DM with FTSE 100 up 5.03% in December and up 5.03% for the quarter.
- Asian equities were mixed during the month with the Nikkei up 0.30%, Shanghai Composite down 0.30%, Hang Seng up 2.56%, and Kospi down 0.29%. For the quarter, Asian equities were mixed, with Nikkei up 11.97%, Shanghai Composite down 1.24%, Hang Seng up 8.84%, and Kospi up 3.12%.
- EM equities outperformed DM equities in December with the MSCI EM Index up 3.49%, posting a 7.34% return in the quarter. Russian equities rallied in December with the MSCI Russia Index up 2.98%, ending the quarter up 4.45%. Brazilian equities, as measured by the Bovespa, rallied 6.16% in December and 2.84% for the quarter. Indian equities generated strong returns in December and the fourth quarter, with the Sensex up 2.74% for the month and up 9.02% 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 Continuous 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.

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.

"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.

An investment cannot be made in an index.

“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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