

Keeping Up With 2021— Credit Market Update

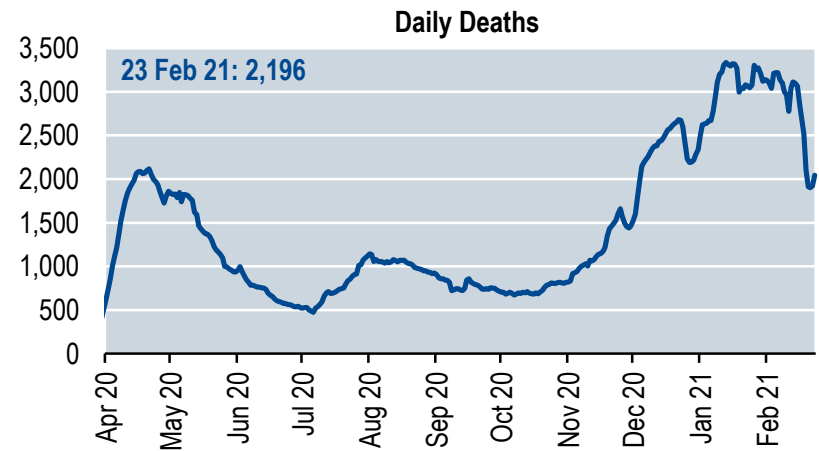
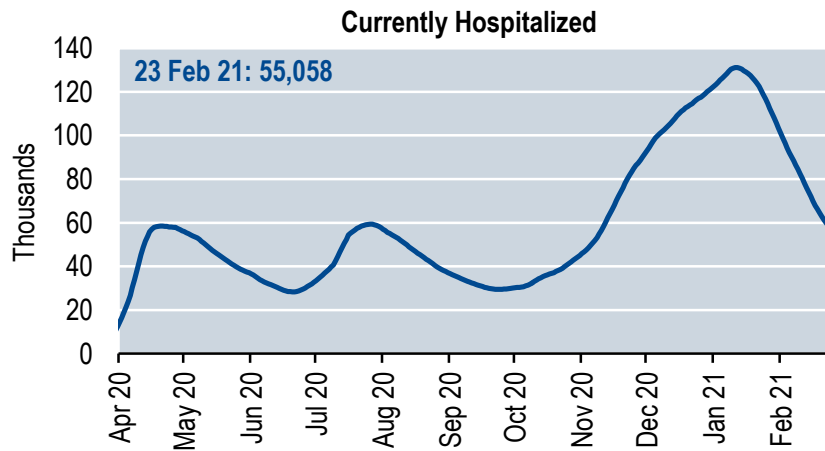
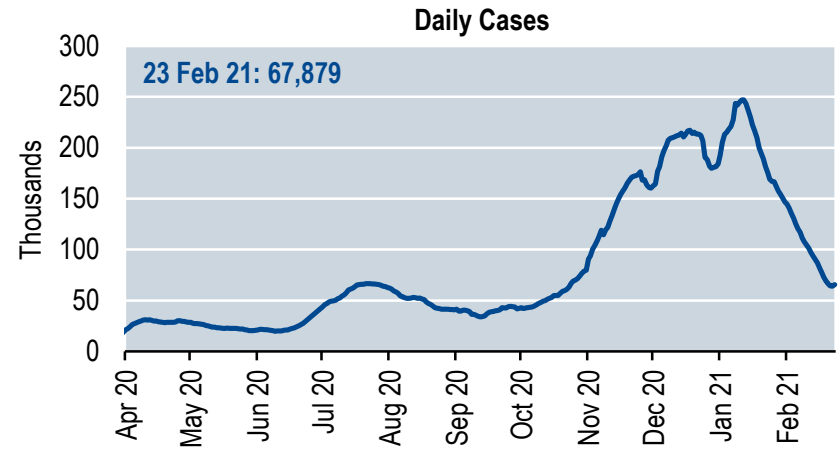
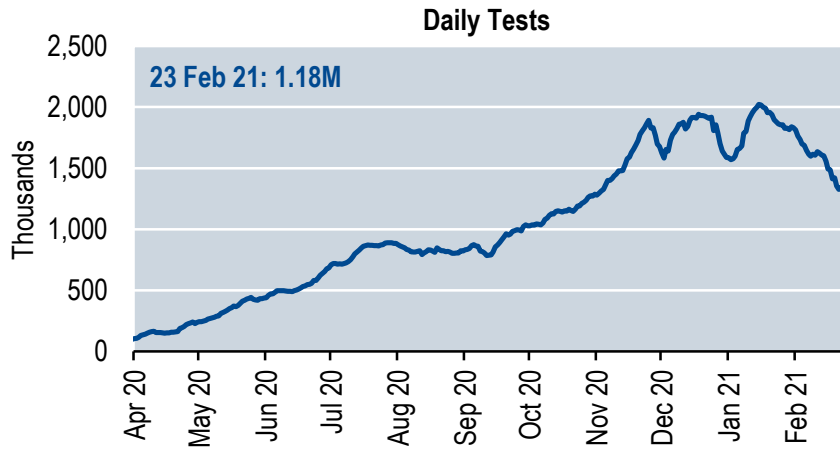
February 25, 2021

Michael Buchanan
Deputy Chief Investment Officer

Robert Abad
Product Specialist

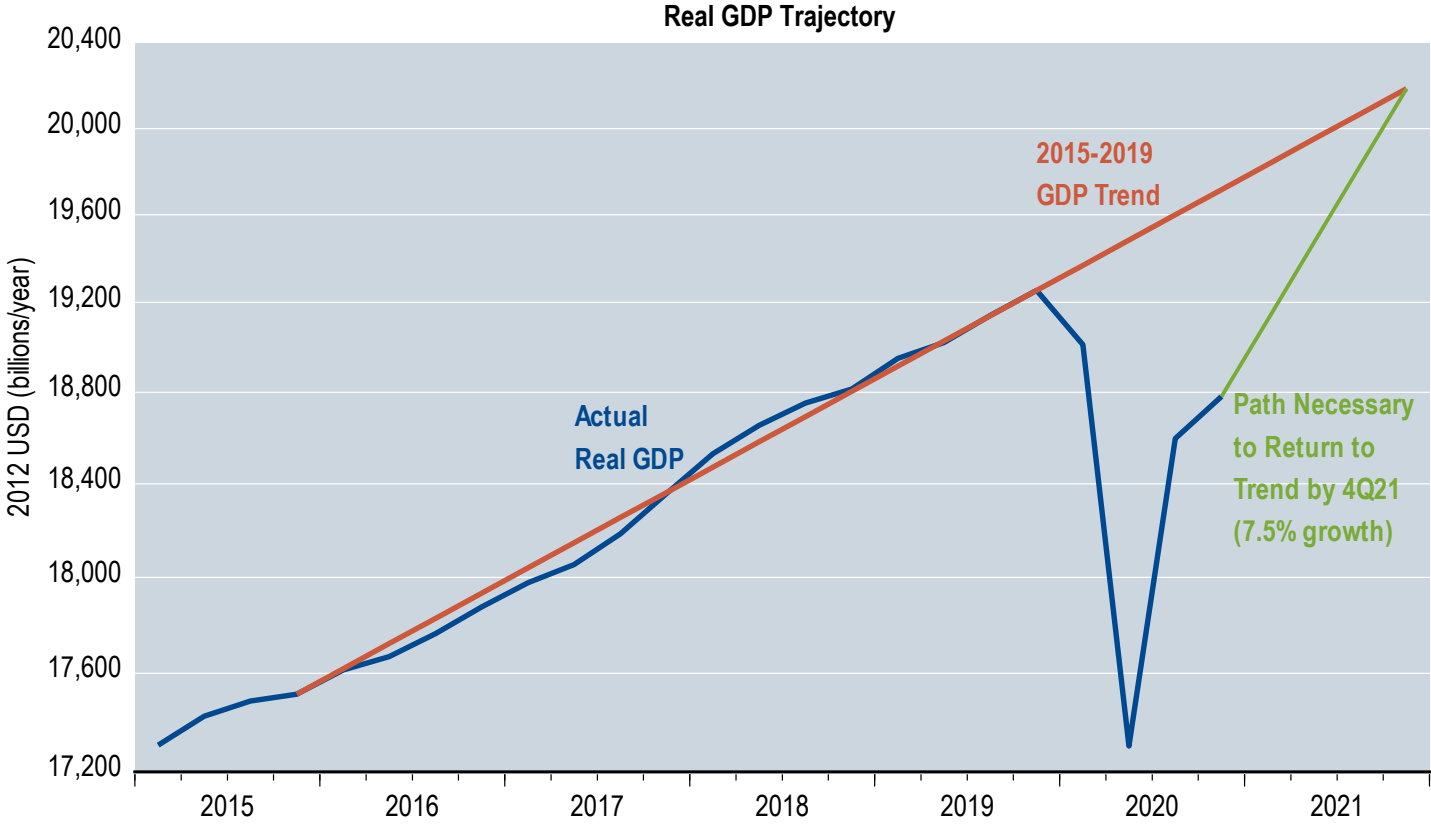
Turning the Corner on the Pandemic

Nationwide COVID-19 Metrics Since April 1, 2020: 7-Day Average Lines



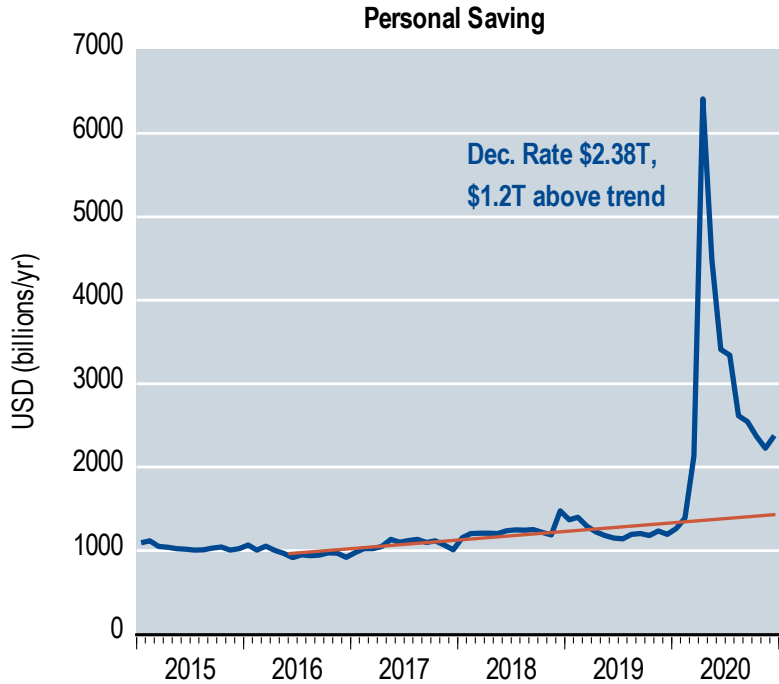
Source: The COVID Tracking Project. As of 23 Feb 21

US Growth Expected to Bounce Back After a Tough 2020

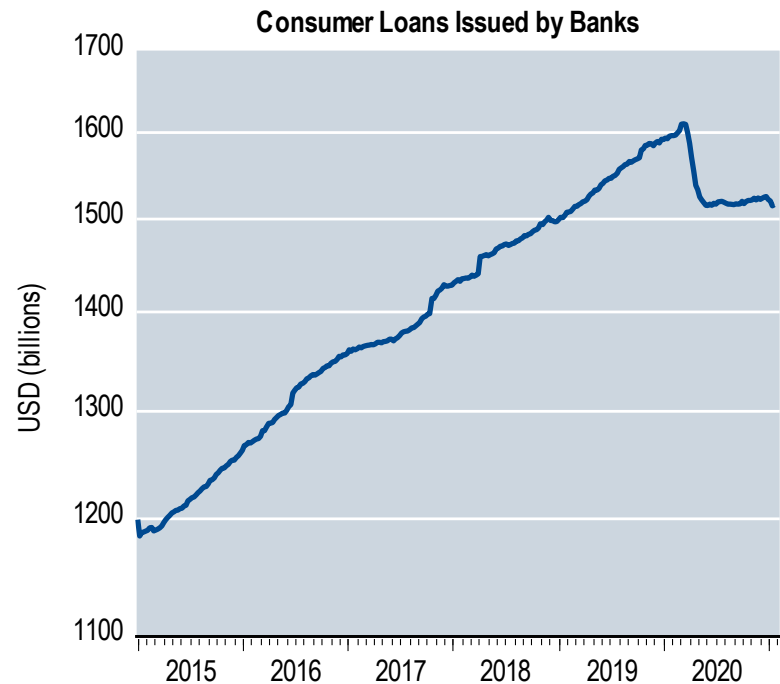


Source: Bureau of Economic Analysis. As of 31 Dec 20

Consumer Fundamentals Have Improved Since the COVID-19 Shock

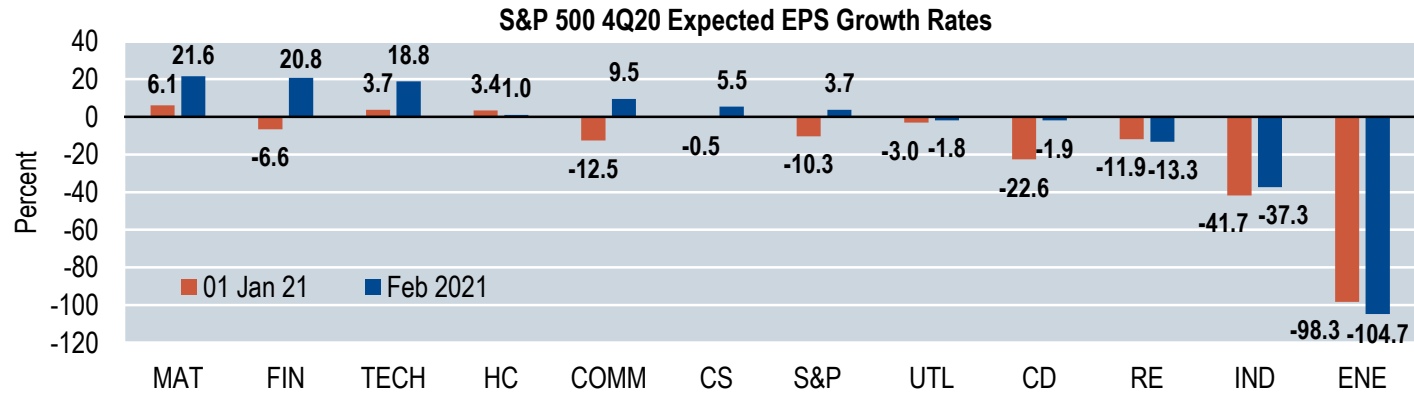


Source: Bureau of Economic Analysis. As of 31 Dec 20

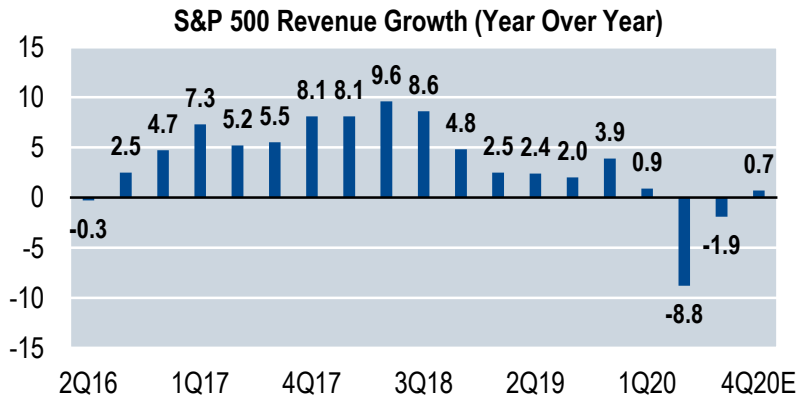


Source: Federal Reserve Board. As of 18 Jan 21

Corporate Earnings Much Better Than Initial Expectations



Source: Refinitiv. As of Feb 2021



Source: S&P, Thomson Financial, Factset, Credit Suisse. As of 31 Dec 20



Source: S&P, Thomson Financial, Factset, Credit Suisse. As of 31 Dec 20

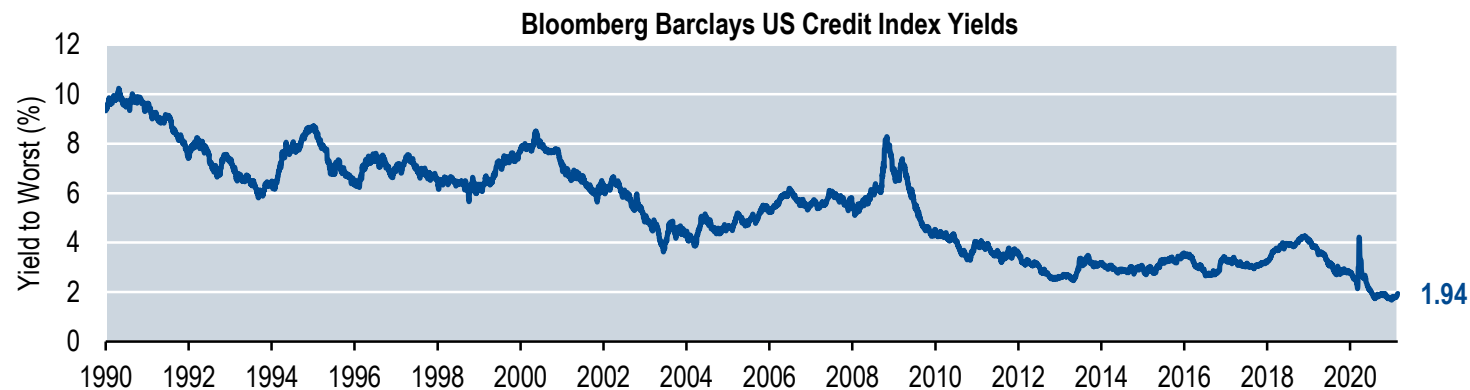
Investment-Grade Credit Reaching New Milestones

Cycle of Local Tights	Feb-97	Feb-07	Jun-14	Feb-18	Jan-20	Feb-21
Index OAS (bps)	56	82	97	85	93	88
Index Yield (%)	7.11%	5.64%	2.97%	3.54%	2.71%	1.93%
Average Credit Quality	A+/A	A/A-	A/A-	A-/BBB+	A-/BBB+	A-/BBB+
% BBB	28%	35%	43%	48%	50%	50%
Index Duration	6.2	6.3	7.0	7.6	8.0	8.5
Index Average Dollar Price (USD)	101.21	102.48	108.69	103.56	110.53	112.87
Median IG Gross Leverage	1.36x	1.60x	1.93x	2.30x	2.40x	2.40x*
T12M Excess Return Vol	0.40%	0.60%	2.20%	1.40%	3.20%	3.4%**

*Estimated YE2021 leverage returns to pre-COVID level

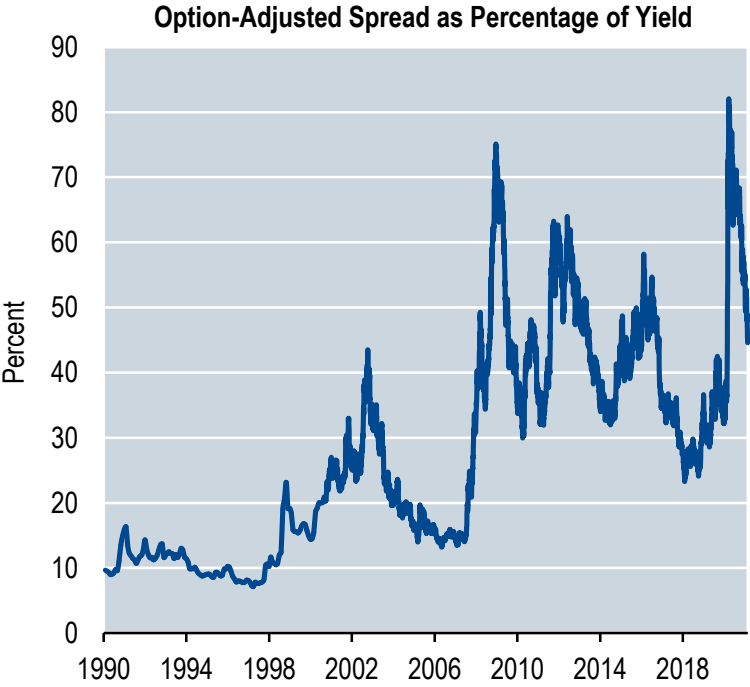
**Shows T6M Volatility for current

Source: Morgan Stanley Research, Bloomberg, FTSE Fixed Income.

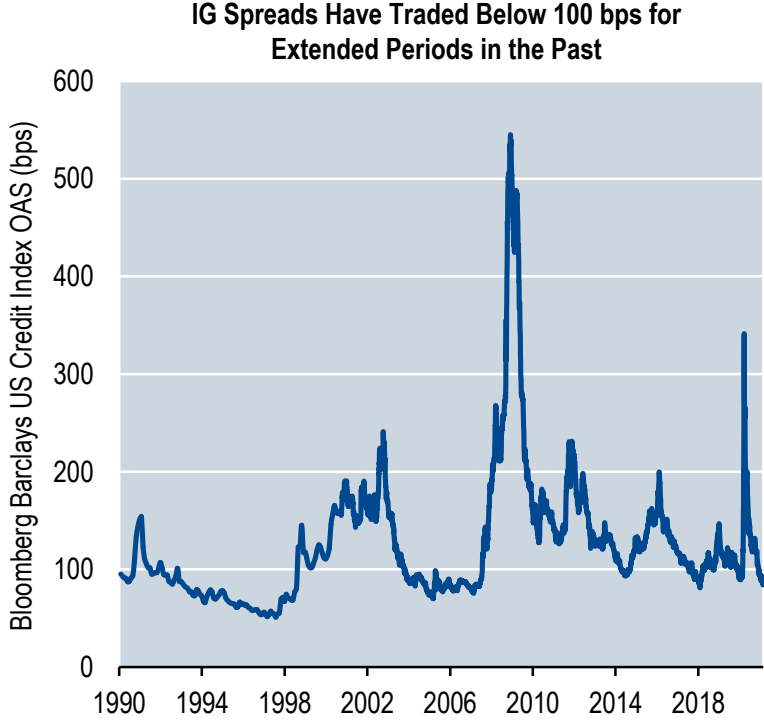


Source: Bloomberg Barclays. As of 23 Feb 21

Investment-Grade Credit: Historical Perspective

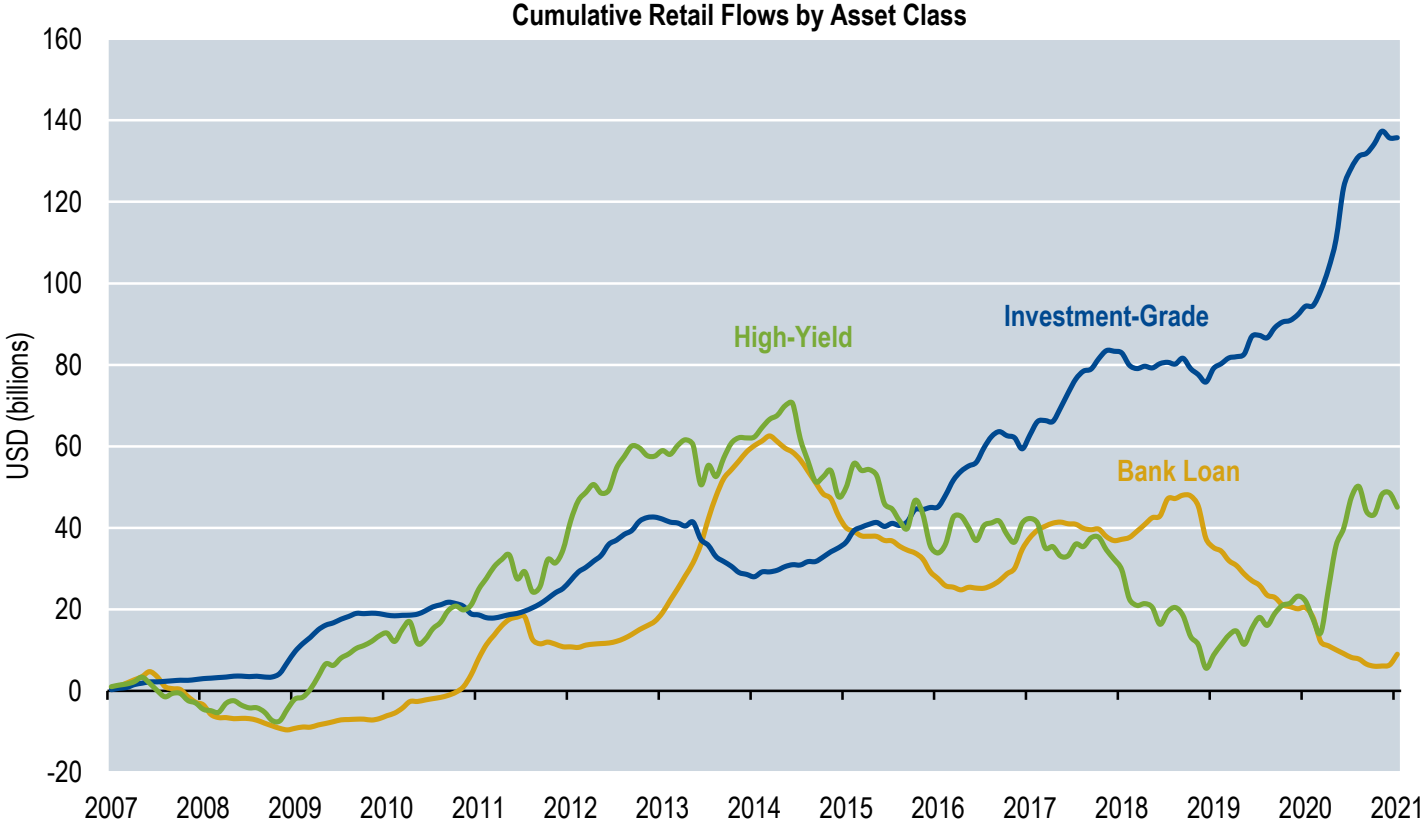


Source: Bloomberg Barclays. As of 23 Feb 21



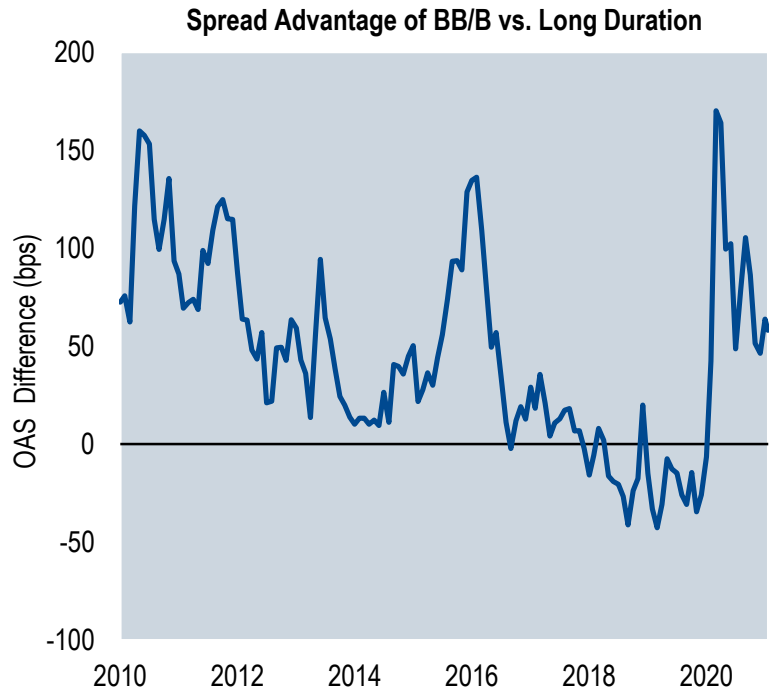
Source: Bloomberg Barclays. As of 23 Feb 21

Investment-Grade Credit Has Dominated Retail Credit Flows

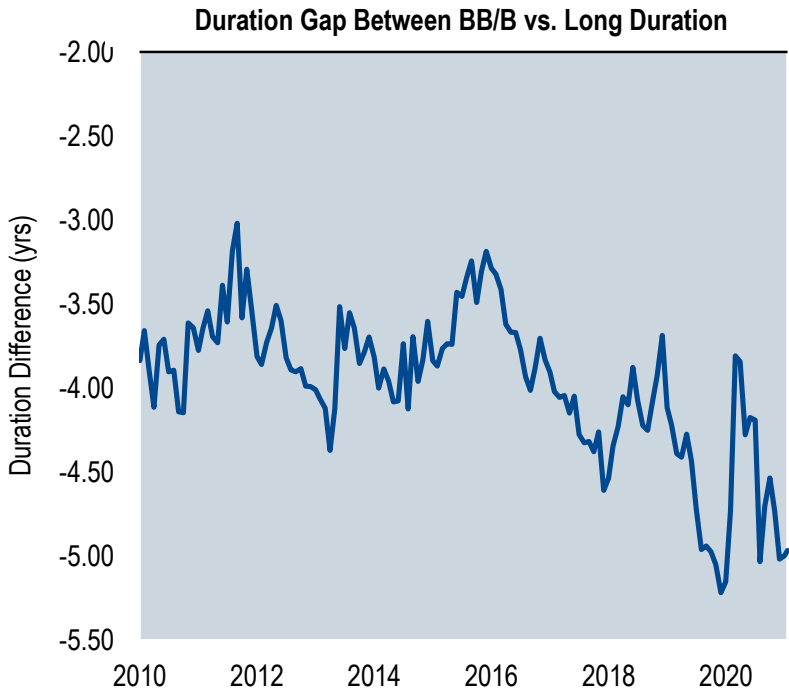


Source: Morningstar. As of 31 Jan 21

High-Yield Credit: “Carry Your Way to Greatness”

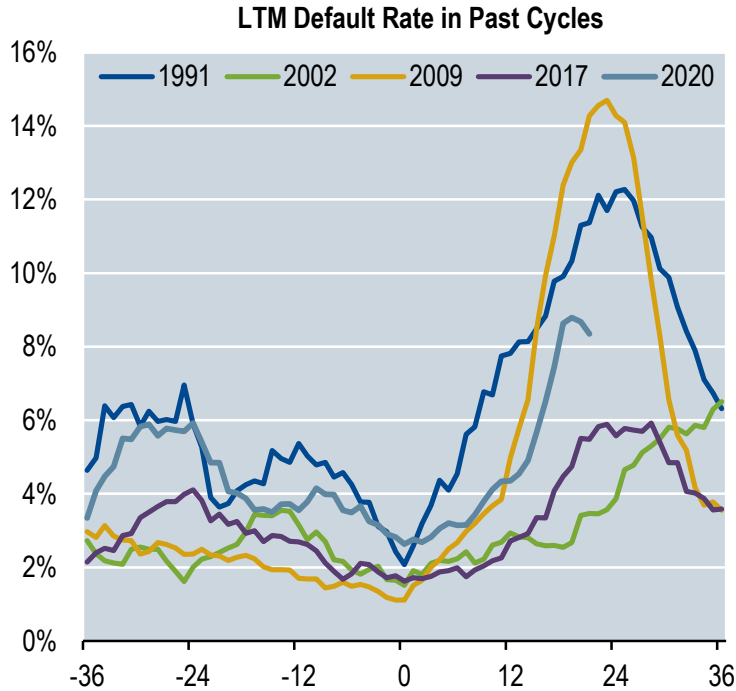


Source: Citi Research, FTSE Index. As of 18 Feb 21

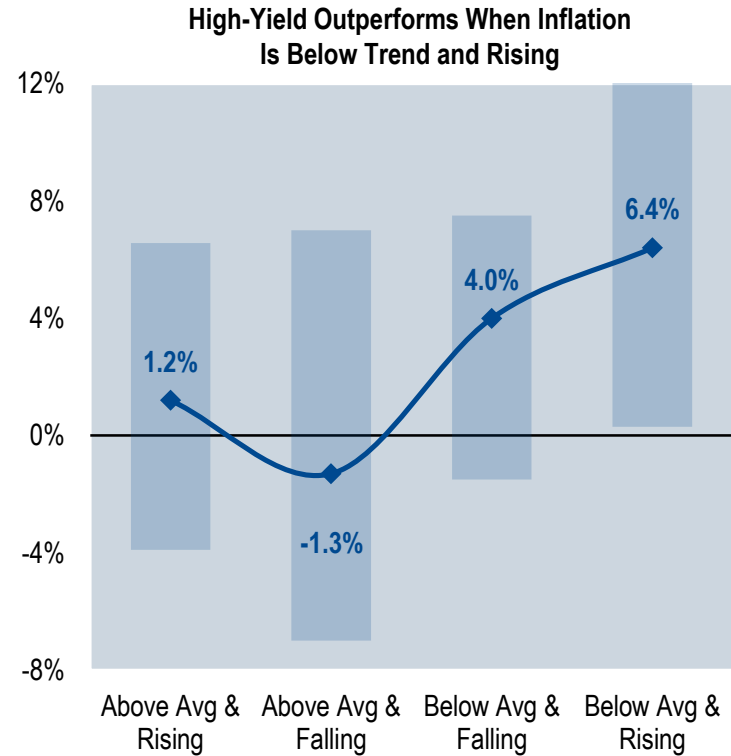


Source: Citi Research, FTSE Index. As of 18 Feb 21

High-Yield Credit: Improving Default Trends and Return Prospects

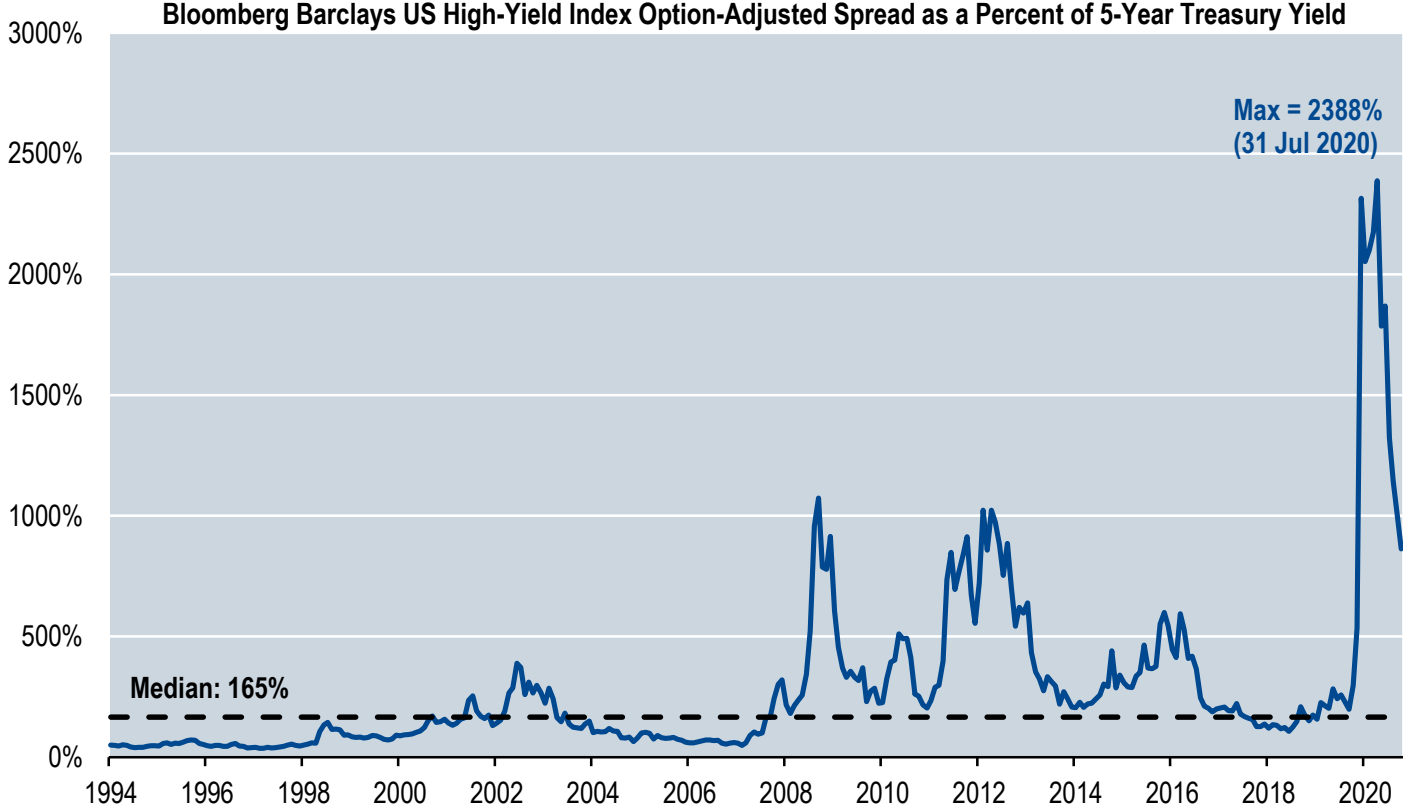


Source: Morgan Stanley Research, Moody's
 Note: Shows Moody's count-weighted speculative grade default rate.



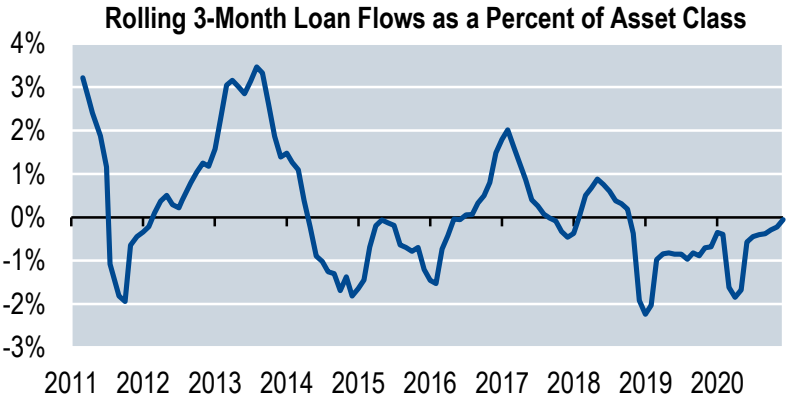
Source: Bloomberg, Morgan Stanley Research
 Note: We use excess returns from 1970 or whenever history begins. Blue dot shows median while blue bars show interquartile range.

High-Yield Credit: Spread as a Percentage of Overall Yield

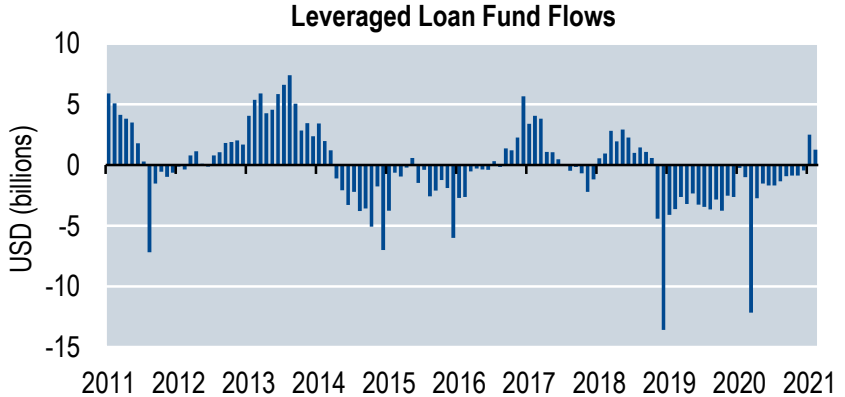


Source: Bloomberg. As of 29 Jan 21

Bank Loans: Strong Technicals Expected to Boost Demand

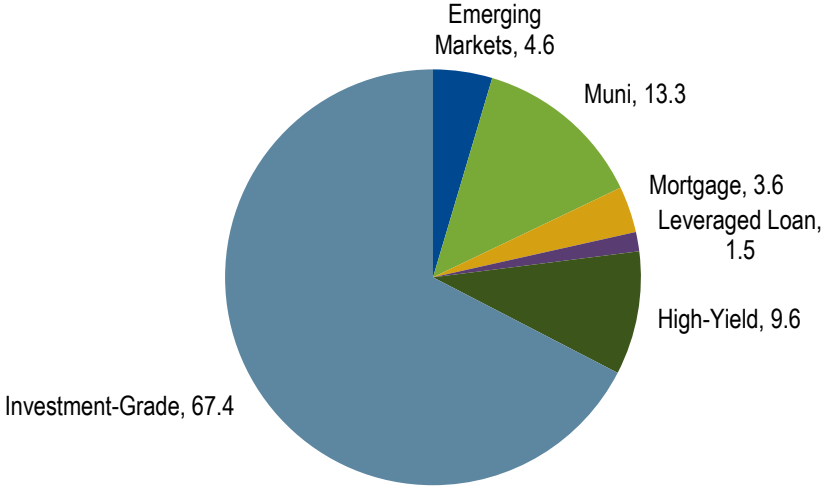


Source: J.P. Morgan, S&P LCD. As of 31 Dec 20



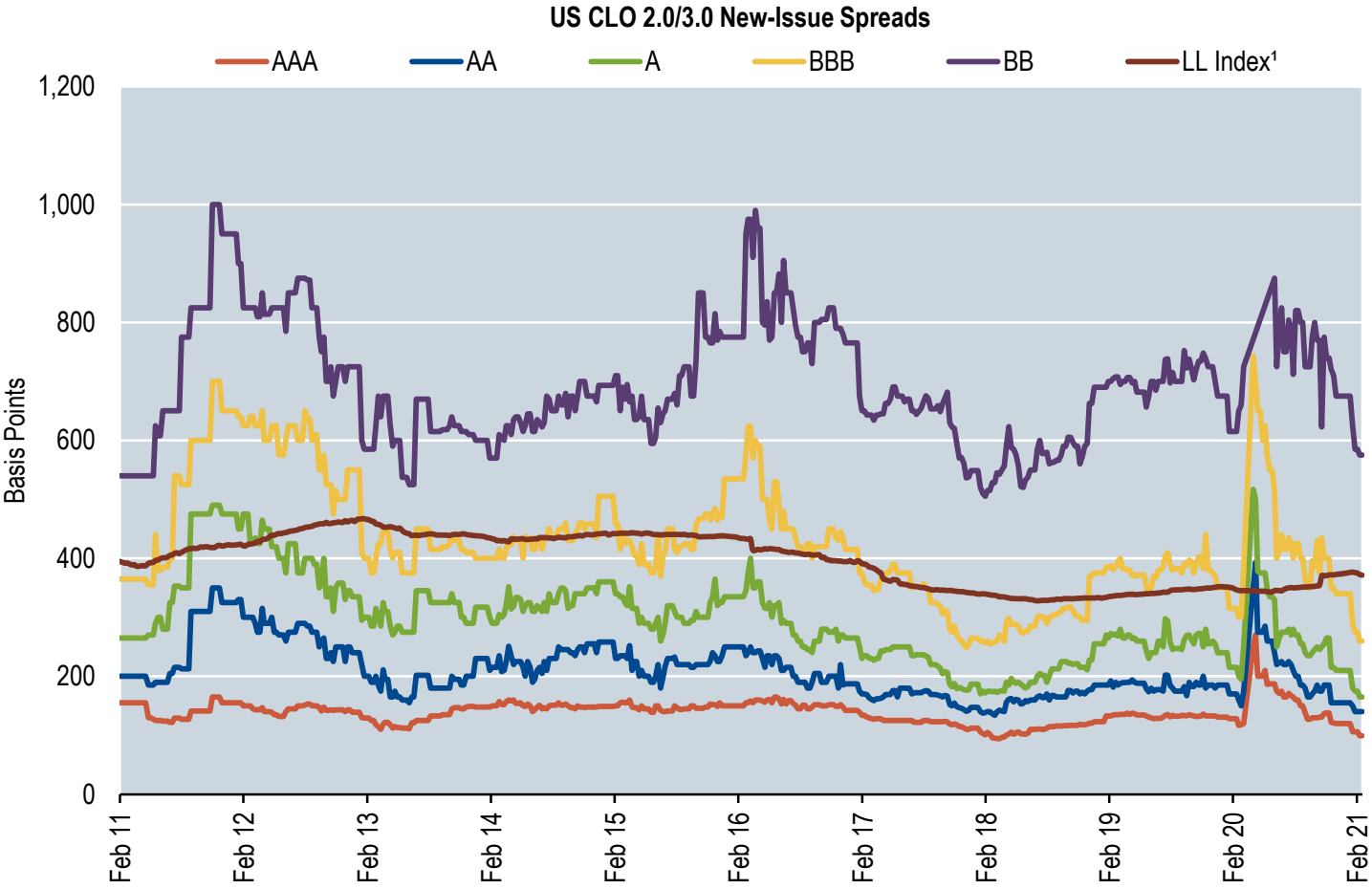
Source: J.P. Morgan. As of 04 Feb 21

Fund Shares by Asset Class (%)



Source: Citi Research, EPFR. As of 31 Dec 20

CLO Tranche New-Issue Spreads



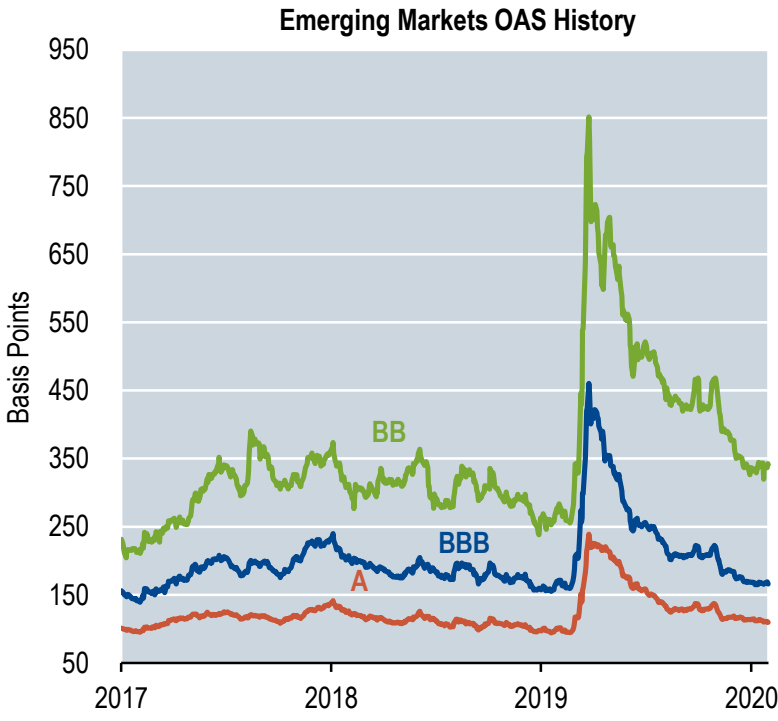
¹S&P/LSTA Leveraged Loan Index
 Source: BofA Global Research, S&P Global Market Intelligence, a division of S&P Global Inc. As of 19 Feb 21

Structured Credit: CMBS Has Lagged the Broad Recovery

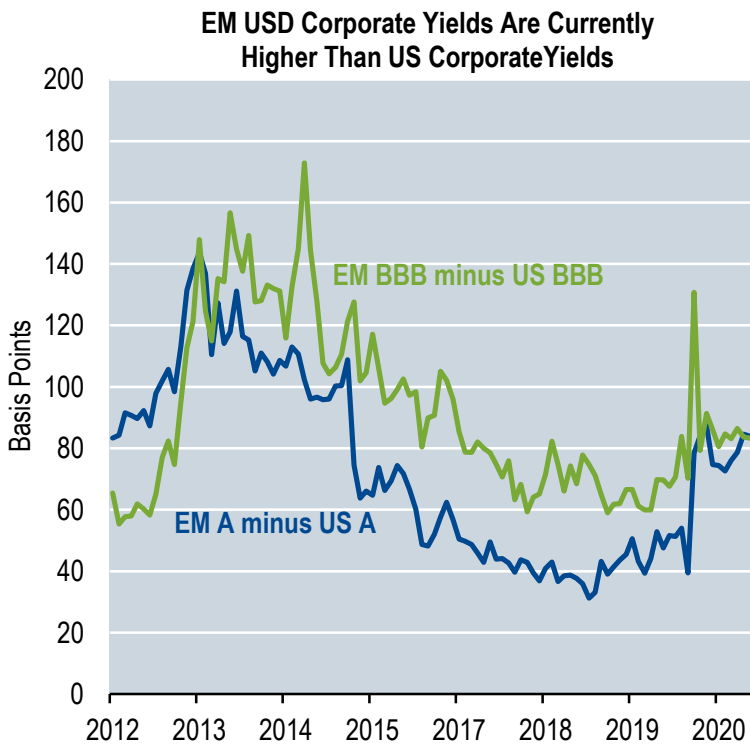
Sector	YTD	YoY	Since Peak
CMBS AAA	-0.7%	4.9%	4.3%
CMBS BBB-	5.4%	-8.9%	-9.4%
IG Corp	-2.4%	4.0%	3.5%
HY Corp	1.3%	7.2%	7.2%
US Treasuries	-2.5%	3.0%	2.3%
US Long Maturity Ts	-8.8%	0.4%	-1.4%
S&P 500	4.2%	17.4%	19.1%
Equity REITs	4.6%	-7.7%	-9.3%
Industrial	4.6%	7.9%	6.6%
Office	0.3%	-27.8%	-28.0%
Strips	19.3%	-8.0%	-9.9%
Malls	28.2%	-16.7%	-19.8%
Apartments	10.5%	-12.8%	-14.3%
Manufactured Housing	-0.4%	-10.3%	-12.4%
Single Family Rental	2.6%	1.2%	2.2%
Healthcare	3.7%	-11.6%	-13.5%
Storage	3.1%	13.2%	10.2%
Triple Net	2.6%	-8.9%	-11.5%
Lodging	16.6%	-5.8%	-8.3%
Student Housing	1.3%	-5.4%	-7.1%
Data Center	-3.7%	7.2%	4.2%
Infrastructure	1.0%	-3.3%	-4.0%

Source: Thomson Reuters, SNL Financial, Morgan Stanley Research. As of 19 Feb 21

Emerging Markets Offer Attractive Outright and Relative Spread Opportunities

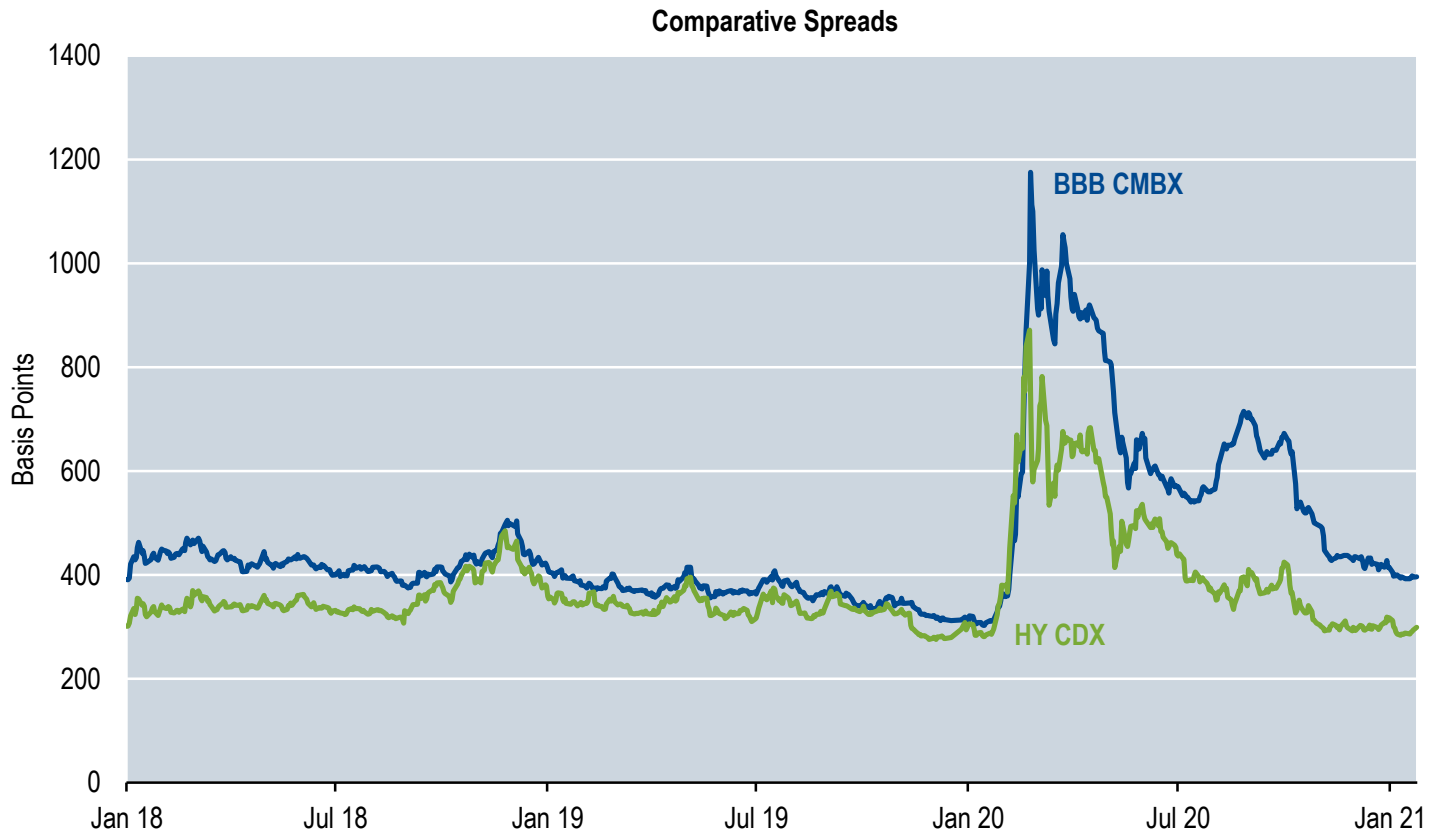


Source: Bloomberg Barclays. As of 29 Jan 21



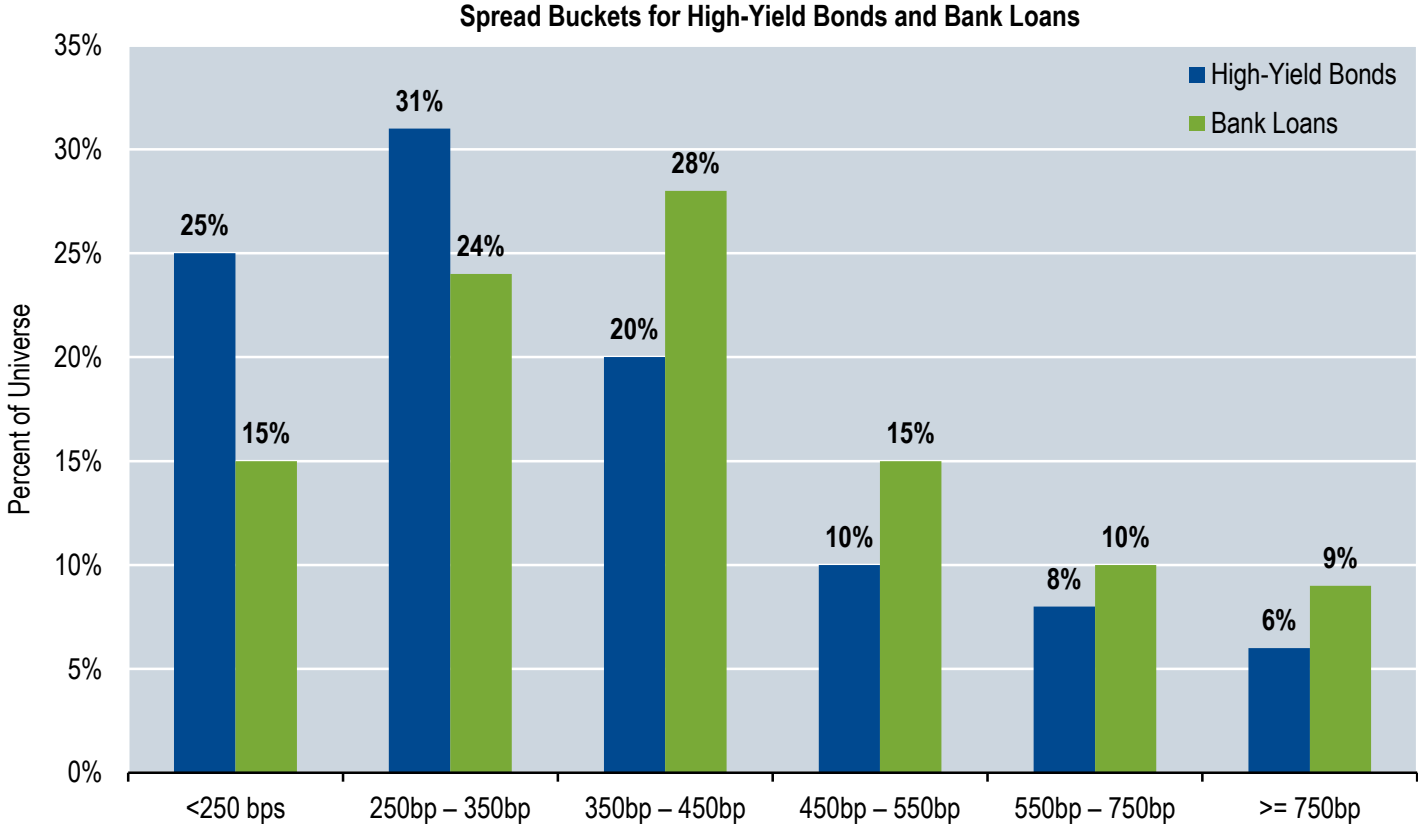
Source: Bloomberg, J.P. Morgan. As of 31 Jan 21

Relative Value: BBB CMBS Spreads Remain Wide Relative to HY



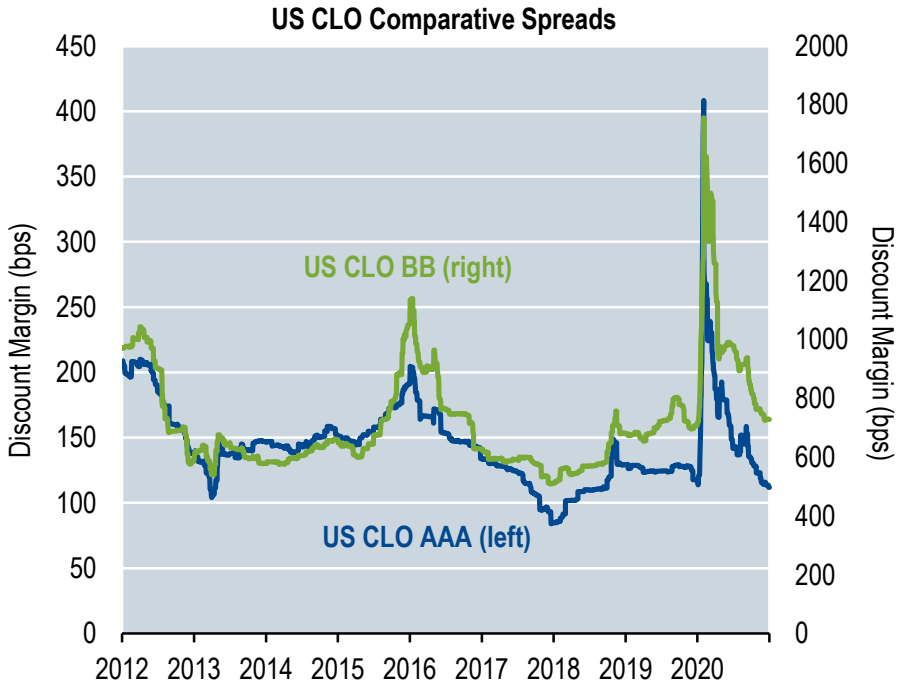
Source: Bloomberg, Markit, Morgan Stanley Research. As of 22 Feb 21

Relative Value: High-Yield vs. Bank Loans

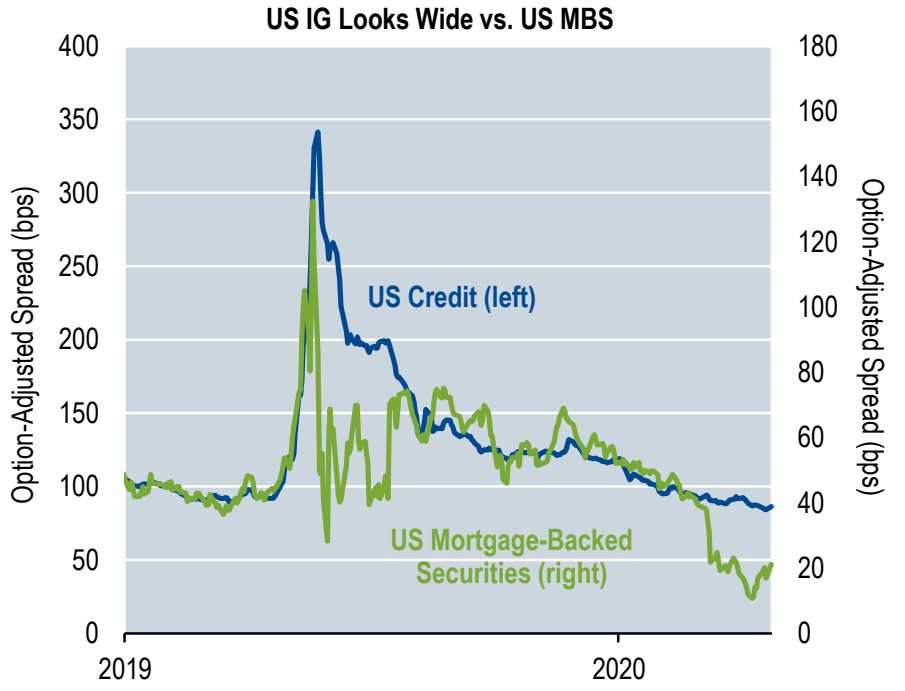


Source: J.P. Morgan. As of 22 Feb 21

Relative Value: CLO Tranches, IG and Agency Mortgages



Source: J.P. Morgan. As of 22 Feb 21



Source: Bloomberg Barclays. As of 22 Feb 21



Thank you.

Risk Disclosure

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