2Q 2017 Bond Market Overview

Penn Mutual Asset Management

About Penn Mutual Asset Management, LLC

Penn Mutual Asset Management, LLC (PMAM) is focused on risk-based institutional asset management, advisory and fund operation services. We are dedicated to creating value through a prudent, thoughtful, and rigorous investment decision-making process.

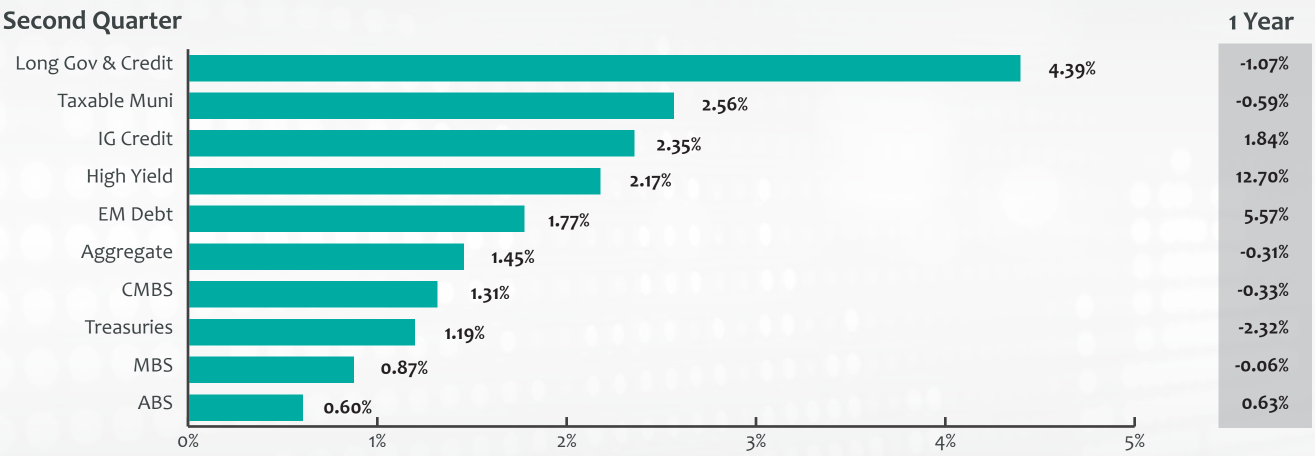
We believe:

- Valuation drives decisions to help generate strong performance
- Diversification is the best form of risk management
- Doing the right thing is the best way to serve investors
- Focus, discipline, teamwork and accountability enable results

With over $23 billion in total assets under management, Penn Mutual Asset Management is dedicated to executing on its core asset management competencies, which include total return-based investing, advisory services and expertise in alternative asset investing.

Penn Mutual Asset Management offers a wide range of tailored investment strategies and solutions to help meet the investment goals of their clients, while focusing on their mission to provide exceptional experience and service.

Asset Class Returns[1]



[1] Data from Factset

Second Quarter Headlines

The Federal Open Market Committee (FOMC) hiked rates again in June for the third time in six months but will be cautious to avoid tightening too quickly... A detailed plan to gradually shrink the Federal Reserve's $4 ½ trillion balance sheet was released at the June FOMC meeting.

Central banks in Europe and Japan are preparing the markets for an eventual end to negative interest rate policies as economic recoveries are finally beginning to take hold... The search for yield from global investors continues to keep a lid on interest rates and credit spreads in the United States.

Long-term Treasury yields fell during both the first and second quarters as heavily bearish positioning in the bond market was caught off-sides... The 10-year Treasury note yield closed the quarter at 2.30%, nine basis points lower than it started the quarter. The Treasury yield curve flattened due to lower current and expected inflation in addition to growing risks of more political gridlock in Washington D.C.

Outlook

We expect range-bound financial market trading for the remainder of the year following significant first half gains both at home and abroad. Despite full valuations across equity and credit markets, an improving earnings picture will limit downside risks. Mounting geopolitical risks are the biggest wild card which could disrupt the current low volatility environment.

Interest rates in the United States and across developed economies are set to resume their trend higher. A synchronized pick up in global growth appears in store for the first time since the financial crisis. However, interest rate increases will be moderate as global Central Banks coordinate an extremely gradual end of quantitative easing and negative interest rate policies.

Index Definitions:
Bloomberg Barclays U.S. Aggregate Bond Index – A market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type.