

About Penn Mutual Asset Management, LLC

Penn Mutual Asset Management (PMAM) is focused on risk-based institutional asset management, advisory, and fund operation services. We are fixed income specialists committed to applying our diverse expertise, delivering tailored investment strategies and solutions, and balancing our repeatable, value-driven approach with seasoned investment judgment to drive performance and create value.

We believe:

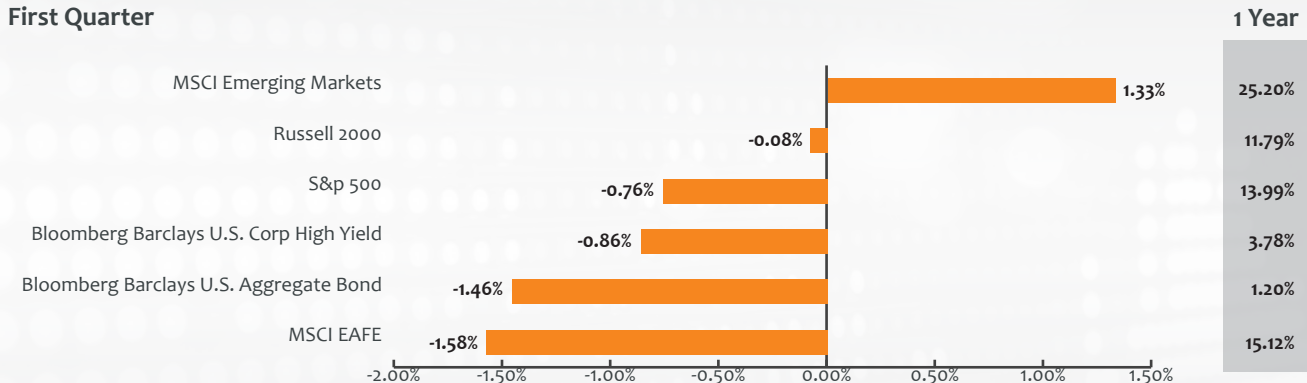
- Valuation drives decisions to help generate strong performance
- Diversification is the best form of risk management
- Remaining nimble and opportunistic creates value for investors
- Focus, discipline, teamwork and accountability enable results

With over \$24 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.

We tailor our proven approach to generate solid risk-adjusted returns, while balancing the need for capital preservation to achieve each client's strategy and goals.

Benchmark Returns¹

First Quarter



¹Data from Factset

First Quarter Headlines

The extended low volatility environment came to an abrupt end in early February as the VIX Index (equity market's fear gauge) spiked by the largest one-day move on record... Investor complacency immediately shifted to anxiety with both equity and credit market performance giving back recent gains. Escalating trade tensions between the United State and China during the latter half of the first quarter also eroded investor confidence.

The Federal Reserve raised rates at its first meeting under leadership of Fed Chair Jerome Powell... As inflation concerns mounted, Treasury yields rose during the quarter and the yield curve continued to flatten. Policy makers and investors are closely watching the flattening yield curve as signal for an economic slowdown.

A positive economic backdrop and the benefit of corporate tax reform are set to boost first quarter earnings growth... Despite the improving earnings outlook, technology and consumer discretionary were the only sectors to deliver positive returns during the quarter.

The synchronized global growth outlook appears increasingly fragile as leading economic indicators are rolling over in many developed market economies... The European Central Bank and Bank of Japan continue to extend unprecedented easy money policies but the exit is likely to prove challenging.

Outlook

We expect financial market volatility to remain elevated this year as investors balance the benefits of positive economic and earnings momentum with additional monetary policy tightening. The Federal Reserve will continue to pursue its gradual approach to normalize interest rates but increasing protectionism in the United States and abroad threatens to spark inflation pressures and challenge the Fed's patience.

Baseline Forecasts		Actual 12/31/2017	Actual 3/31/2018	Forecast 12/31/2018	Forecast 12/31/2019
US Economy	GDP	2.3%	*2.6%	2.8%	2.4%
	Unemployment Rate	4.1%	4.1%	4.0%	4.2%
	CPI	2.2%	2.2%	2.2%	2.4%
Stock Market	S&P 500 Index	2,674	2,641	2,600	2,800
	Russell 2000 Index	1,536	1,529	1,500	1,600
Bond Market	Fed Funds Rate	1.31%	1.68%	2.00% ▲ (from 1.75%)	2.25% ▲ (from 2.00%)
	2-year Treasury Yield	1.89%	2.27%	2.50% ▲ (from 2.10%)	2.65% ▲ (from 2.25%)
	10-year Treasury Yield	2.41%	2.74%	3.15% ▲ (from 2.90%)	3.25%
	30-year Treasury Yield	2.74%	2.97%	3.40% ▲ (from 3.25%)	3.50%
Commodities	WTI Crude Oil	\$60	\$65	\$65	\$75
	Gold	\$1,303	\$1,326	\$1,300 ▲ (from \$1,250)	\$1,250 ▲ (from \$1,200)
Currencies	Dollar/Euro	1.20	1.23	1.25	1.35
	Yen	113	106	110	100

*1-year as of 4Q17

Source: Bloomberg

Index Definitions:

S&P 500 Index – An index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

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.

Bloomberg Barclays U.S. Corporate High Yield Bond Index - The Barclays U.S. Corporate High Yield Bond Index is 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.

MSCI Emerging Markets Index - A free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

MSCI EAFE Index – An index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada.

Russell 2000 Index – An index measuring the performance approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks.

Disclosures:

The views expressed in this material are the views of PMAM through the quarter ending March 31, 2018, and are subject to change based on market and other conditions.

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Past performance is not indicative of future results. The views expressed do not constitute investment advice and should not be construed as a recommendation to purchase or sell securities. All information has been obtained from sources believed to be reliable, but accuracy is not guaranteed. There is no representation or warranty as to the accuracy of the information and PMAM shall have no liability for decisions based upon such information.

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