

## 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:

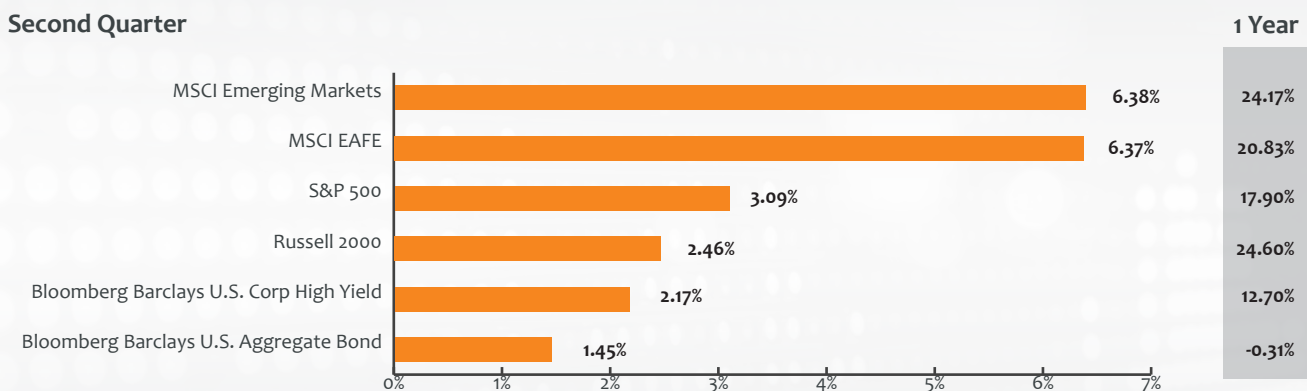
- Valuation drives decisions to help generate strong performance
- Diversification is the best form of risk management
- Doing the right thing is the best way to serve investors
- Focus, discipline, teamwork and accountability enable results

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.

## Benchmark Returns<sup>1</sup>

### Second Quarter



<sup>1</sup>Data from Factset

## Second Quarter Headlines

**Strong performance among the newly expanded list of FAANG stocks - Facebook, Amazon, Apple, Netflix and Google (Alphabet) – helped drive the S&P 500 and NASDAQ Indices into record territory during the quarter...** Better profit growth supported valuations broadly across the financial markets beyond the technology sector.

**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.

**Second quarter GDP is forecasted to pick up following another disappointing first quarter release (1.4%)...** Tightening labor market conditions have yet to produce significant upward pressure on wages and most measures of inflation have again moved below the Fed's 2% target.

## 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.

Baseline Forecasts		Actual 12/30/2016	Actual 6/30/2017	Forecast 12/31/2017	Forecast 12/31/2018
US Economy	GDP	2.00%	*2.10%	2.40% ▼ (from 2.6%)	2.80% ▼ (from 3.0%)
	Unemployment Rate	4.70%	4.40%	4.50% ▼ (from 4.8%)	4.80% ▼ (from 5.0%)
	CPI	2.10%	1.90%	1.80% ▼ (from 2.2%)	2.20% ▼ (from 2.4%)
Stock Market	S&P 500 Index	2,239	2,423	2,450 ▲ (from 2,300)	2,500
	Russell 2000 Index	1,357	1,415	1,450	1,500
Bond Market	Fed Funds Rate	0.50%	1.05%	1.00% ▼ (from 1.25%)	1.50% ▼ (from 2.0%)
	2-year Treasury Yield	1.19%	1.38%	1.50% ▼ (from 2.0%)	2.00% ▼ (from 2.5%)
	10-year Treasury Yield	2.45%	2.31%	2.75% ▼ (from 3.0%)	3.00% ▼ (from 3.25%)
	30-year Treasury Yield	3.07%	2.84%	3.25% ▼ (from 3.6%)	3.50% ▼ (from 3.75%)
Commodities	WTI Crude Oil	\$54	\$46	\$60 ▲ (from \$1,050)	\$70
	Gold	\$1,152	\$1,242	\$1,150 ▲ (from \$1,050)	\$1,250 ▲ (from \$1,100)
Currencies	Dollar/Euro	1.05	1.14	1.20 ▲ (from 1.00)	1.30 ▲ (from 0.95)
	Yen	117	112	125	130

\*1-year as of 1Q17

### 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 June 30, 2017, and are subject to change based on market and other conditions.

This material contains certain views that may be deemed forward-looking statements. The inclusion of projections or forecasts should not be regarded as an indication that PMAM considers the forecasts to be reliable predictors of future events. Any forecasts contained in this material are based on various estimates and assumptions, and there can be no assurance that such estimates or assumptions will prove accurate. Actual results may differ significantly.

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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