

## 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:

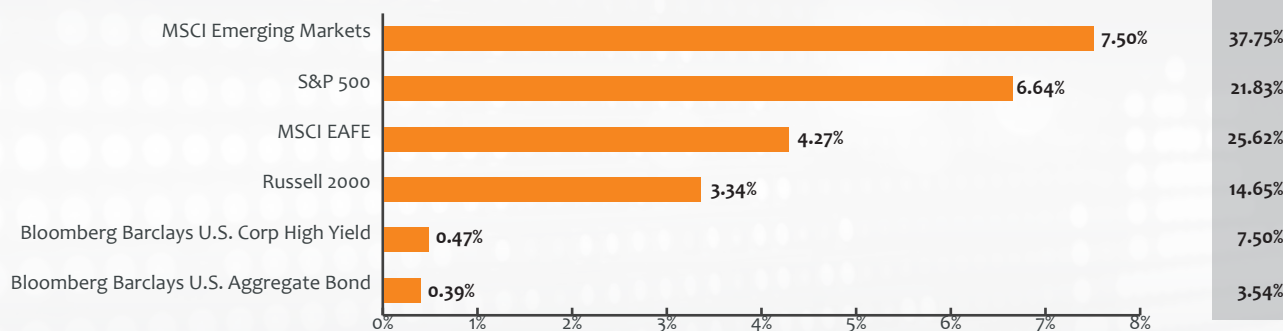
- Valuation drives decisions to help generate strong performance
- Diversification is the best form of risk management
- Doing the right thing is the best way to serve investors
- Focus, discipline, teamwork and accountability enable results

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 Returns<sup>1</sup>

### Fourth Quarter



<sup>1</sup>Data from Factset

## Fourth Quarter Headlines

**Equity markets capped off a remarkable year of performance with strong fourth quarter...** For the first time on record, both domestic and global equity markets posted 12 consecutive months of positive returns. Gains across international developed and emerging equity markets outpaced domestic markets after an extended period of underperformance.

**The Federal Reserve raised short-term rates in December and continues reduce its balance sheet holdings of Treasury and mortgage backed securities...** Newly appointed Fed Chairman, Jerome Powell, is expected to maintain Janet Yellen's gradual approach to normalize monetary policy.

**Congress passed tax reform in December and fulfilled a key campaign promise for President Trump...** The handoff from monetary to fiscal stimulus was viewed bullishly by investors and propelled equity markets further into record territory.

**Long-term interest rates finished the year lower as the benign inflation outlook outweighed the impact of three additional Fed rate hikes...** Corporate credit spreads moved tighter again as robust demand for income from domestic and global investors easily absorbed record new issue supply.

## Outlook

While positive momentum across global equity markets appears nearly unstoppable, we expect pervasive optimism for synchronized global growth and continued low inflation to be challenged this year. Global central banks will face increasing pressure to follow the Federal Reserve and begin the process of removing unprecedented monetary policy accommodation, including negative interest rate policies.

Baseline Forecasts		Actual 12/31/2016	Actual 12/31/2017	Forecast 12/31/2018	Forecast 12/31/2019
US Economy	GDP	1.8%	*2.3%	2.8%	2.4%
	Unemployment Rate	4.7%	4.1%	4.0% ▼ (from 4.5%)	4.2%
	CPI	2.1%	2.2%	2.2% ▲ (from 2.0%)	2.4%
Stock Market	S&P 500 Index	2,239	2,674	2,600	2,800
	Russell 2000 Index	1,357	1,536	1,500	1,600
Bond Market	Fed Funds Rate	0.50%	1.31%	1.75% ▲ (from 1.38%)	2.00%
	2-year Treasury Yield	1.19%	1.89%	2.10% ▲ (from 1.75%)	2.25%
	10-year Treasury Yield	2.45%	2.41%	2.90% ▲ (from 2.75%)	3.25%
	30-year Treasury Yield	3.07%	2.74%	3.25%	3.50%
Commodities	WTI Crude Oil	\$54	\$60	\$65	\$75
	Gold	\$1,152	\$1,303	\$1,250	\$1,200
Currencies	Dollar/Euro	1.05	1.20	1.25 ▼ (from 1.30)	1.35
	Yen	117	113	110 ▼ (from 120)	100

\*1-year as of 3Q17

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 December 31, 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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