

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:

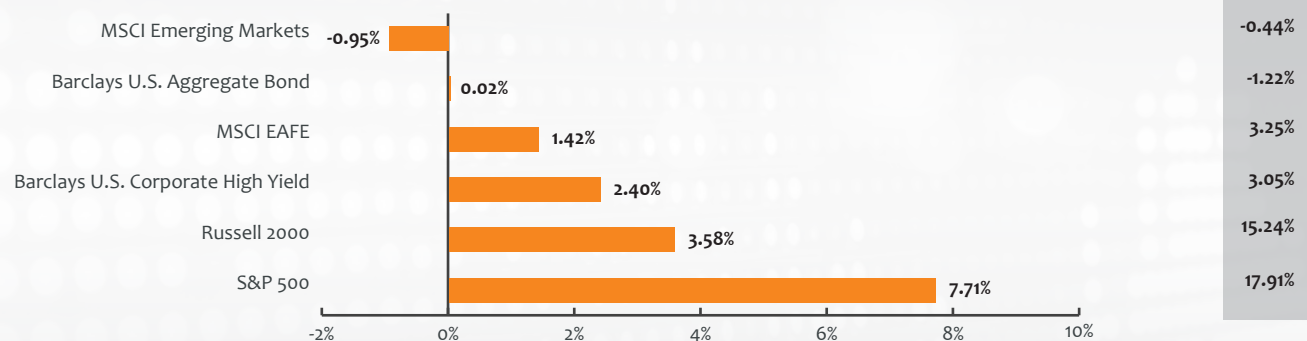
- Valuation drives decisions to help generate strong performance
- Diversification is the best form of risk management
- Remaining nimble and opportunistic creates value for investors
- Focus, discipline, teamwork and accountability enable results

With over \$25 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

Third Quarter



¹Data from Factset

Third Quarter Headlines

The S&P 500 Index posted strong results during the third quarter with large cap technology stocks leading the charge again... Earnings have consistently met or exceeded expectations this year and kept valuations (such as price/earnings ratio) reasonable despite the run-up in prices.

Global equity markets have lagged again during the quarter as the synchronized global growth story that started the year continues to break down... Risks of contagion from stresses across the global economy and markets are increasing, but have yet to spread to the United States.

The Federal Reserve increased interest rates for the third time this year at the September Federal Open Market Committee (FOMC) meeting... Limited new issue supply and strengthening oil prices supported valuations across high yield credit relative to more interest rate sensitive investment-grade fixed income sectors.

GDP growth in the United States is projected to exceed 4% for the second consecutive quarter with increasing tightness across labor markets... Long-term inflation expectations remain in the 2% range even though certain inflation measures are moving above the Fed's 2% target.

Outlook

We expect 2018 to finish out the year, similar to the way it started, with heightened financial market volatility. As more global central banks join the Federal Reserve to remove unprecedented levels of monetary policy accommodation, swings in asset valuations are likely to be more frequent and extreme.

Baseline Forecasts		Actual 12/31/2017	Actual 9/30/2018	Forecast 12/31/2018	Forecast 12/31/2019
US Economy	GDP	2.3%	*2.9%	3.2% ▲ (from 2.8%)	2.6% ▲ (from 2.4%)
	Unemployment Rate	4.1%	3.7%	3.6% ▼ (from 4.0%)	4.0% ▼ (from 4.2%)
	CPI	2.2%	2.7%	2.2%	2.4%
Stock Market	S&P 500 Index	2,674	2,914	2,800	3,000
	Russell 2000 Index	1,536	1,697	1,600	1,700
Bond Market	Fed Funds Rate	1.31%	2.15%	2.25% ▲ (from 2.00%)	2.50% ▲ (from 2.25%)
	2-year Treasury Yield	1.89%	2.82%	2.90% ▲ (from 2.65%)	3.00% ▲ (from 2.80%)
	10-year Treasury Yield	2.41%	3.06%	3.15%	3.25%
	30-year Treasury Yield	2.74%	3.21%	3.40%	3.50%
Commodities	WTI Crude Oil	\$60	\$73	\$65	\$75
	Gold	\$1,303	\$1,193	\$1,300	\$1,250
Currencies	Dollar/Euro	1.20	1.16	1.20 ▼ (from 1.25)	1.30 ▼ (from 1.35)
	Yen	113	114	110	100

*1-year as of 2Q18

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 September 30, 2018, and are subject to change based on market and other conditions.

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