NYSSA High Yield Bond Seminar – June 2013

Company & Data Overview

Market Commentary
EPFR Global delivers a complete and transparent picture of institutional and retail investor flows driving global markets. Portfolio Managers and Traders use EPFR data and research to gain the most current, global view of changes to investor demand and manager positioning. Trading and allocation strategies leverage this information to improve portfolio returns and manage risk.

- Data sourced through **direct relationships** with fund managers and administrators
- Global universe covers **$20 trillion** of globally domiciled funds
- Flows at either the asset class level or, detailed view by individual fund or fund manager level. With more **granular, transparent data** users make more informed decisions
- Timely **intra-day, daily, weekly, monthly** updates in addition to historical time series
Introduction to EFPR Data

What are the key data sets, and why are they different?

Core Datasets
(based on data sourced directly from managers or administrators)

- **Fund Flows**
  The amount of cash flowing into a globally domiciled database of funds

- **Fund Allocations**
  Fund manager allocations at month-end across countries or sectors

Derived Datasets
(based on flows and allocations data)

- **Country & Sector Flows**
  Distribution of fund flows by country or sector. Combines data from fund flows and fund allocations

- **Equity/Bond Fund Flows**
  Daily/Weekly/Monthly
  * also includes AUM, Performance

- **Country Weightings** – Monthly
- **Sector / Industry Weightings** – Monthly
- **Equity / Bond Fund Holdings** – Monthly

- **Country/Sector/Industry Flows**
  Daily/Weekly/Monthly

- **Regional packages available**
  Daily/Weekly/Monthly

EPFR Global – Fund Flow & Allocations Data

-3-

Know The Flows.
Overview of EPFR High Yield Data

Granular Detail

All High Yield Funds

USA

Retail

Global

Retail

Inst.

Europe

Retail

Inst.

Fund Level Detail

High Frequency

<table>
<thead>
<tr>
<th>Monthly</th>
<th>Weekly</th>
<th>Daily</th>
<th>Intraday</th>
</tr>
</thead>
</table>
Overview of EPFR High Yield Data

High Fund Flows since 2008

Since the GFC, High Yield Bond funds have been one of the most popular asset classes, especially among fixed income.

Dynamic, Growing Database of Funds

The EPFR database does not track a static group of funds, but rather matches the growth of the asset class.

EPFR Global – Fund Flow & Allocations Data

Know The Flows.
ETFs are a growing percentage of the total assets of the database, and are highly correlated with mutual fund flows.
The past three routs in high yield flows have been led by ETF flows, rather than mutual funds. We'll get to why this is significant later.
Cash Flowing Off of the Sidelines…

**Money Market Fund Flows (YTD)**

After a rocky start, cash has been flowing off sidelines consistently since mid January.

Last week started the strongest reversal of this trend YTD.

So where has it all been going?
And Into Funds Like...

**Floating Rate Funds** – What goes down, must come up

The US 10 Year cannot stay below 2% forever. Yields are likely to rise above and stay above this level by the end of 2013. Investors are acting accordingly by buying Floating rate bond funds.

**Dividend Equity Funds** – Hugely popular

**High Yield** – Keeping Up?

Do record supplies and the threat of rising interest rates have investors running for the door?
How Bad Will It Be?

A Closer Look at High Yield Fund Flows

The most recent rout in high yield markets has already reached critical mass, and done so in record time.

The increased speed in which these events occur is likely linked to the growing role of ETFs in the marketplace.

Recent Corrections in the High Yield Bond Market

EPFR Global – Fund Flow & Allocations Data
This weekly snapshot of Investment Grade vs High Yield investor flow is popular with clients tracking these two markets. Investment Grade flows can be broken out by duration, whereas high yield flows can be sorted by region.
Know the Flows.