1Q18 BHMS Bond Commentary

"The Achilles heel of financial markets is the potential unravelling of distortions built-up by monetary policy." -- Citi Research

1Q18 MARKET REVIEW: Volatility emerged from its 2017 hibernation in 1Q18. U.S. Treasury (UST) yields rose, despite the first negative quarter for U.S. equities since 4Q15. The combination of higher UST yields and wider spreads led to a -1.46% total return in 1Q18 for the Bloomberg Barclays Aggregate ("Agg") Index.

THE ECONOMY, INTEREST RATES & THE FED: The Federal Reserve ("Fed") raised its policy rate for the fifth time in two years, boosting short UST yields and further flattening the UST curve. U.S. inflation accelerated, but consumer spending and job gains slowed moderately. An increase in short UST issuance to fund the growing budget deficit has begun to raise LIBOR and other short-term borrowing costs.

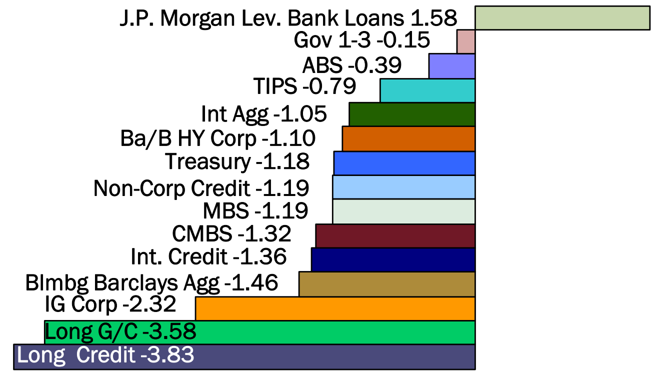
INVESTMENT GRADE CREDIT: IG Credit spreads broke a 10 quarter streak of spread tightening with 13bps of widening in 1Q18. Wider spreads, along with higher UST yields, produced a -2.13% total return in 1Q18. BHMS maintained an overweight in IG Credit, but continued to increase the defensive posture of our exposure. Technically driven changes in demand for IG Credit have created select opportunities, but security selection remains paramount amidst increasingly acute late-cycle risks.

HIGH YIELD: HY Credit outperformed IG Credit, but the Ba/B HY Index still suffered a loss of -1.10%. Outflows from the HY market contributed to spread widening by 26bps. Leveraged/Bank Loans were one of the few major bond market segments generating a positive total return in 1Q18, finishing 1.58% higher.

AGENCY MBS, ABS & CMBS: Mortgage Backed Security (MBS) spreads widened slightly as the Fed's balance sheet unwind continued and foreign demand slowed. Asset Backed (ABS) and Commercial Mortgage Backed Securities (CMBS) spreads widened, but both sectors managed to outperform MBS and IG Credit due to their shorter durations. BHMS moved to a larger underweight in MBS at the end of 1Q18.

LONG CREDIT & LDI TRENDS: Long Credit suffered under the combined weight of higher Long UST yields and wider spreads. Financials suffered the largest 1Q18 loss within the index. Average U.S. pension funding rates deteriorated slightly to 86.7%, due to the combined equity and fixed income asset losses outpacing the period's decline in liabilities.

Bloomberg Barclays Index Returns 1Q 2018 (%)



				2018	
				YTD	YTD
Yields & Spreads	12/31/16	12/31/17	3/31/18	High	Low
3 Mo. T-Bill	0.50%	1.38%	1.70%	1.79%	1.39%
2 Yr. Treasury	1.19%	1.88%	2.27%	2.35%	1.92%
10 Yr. Treasury	2.45%	2.41%	2.74%	2.95%	2.45%
30 Yr. Treasury	3.07%	2.74%	2.97%	3.22%	2.79%
Yld Curve 2-10 Yr.	126	52	47	78	47
Yld Curve 2-30 Yr.	188	86	71	109	71

Blmbg Barclays Sectors				
	Total Returns(%)		Excess Returns(%)*	
Mar. 31, 2018	3-Months	One-Year	3-Months	One-Year
ABS	-0.39	0.62	-0.19	0.50
High Yield Ba/B	-1.10	3.39	-0.37	3.25
Non-Corp. Credit	-1.19	2.07	-0.01	1.78
MBS	-1.19	0.78	-0.39	0.29
CMBS	-1.32	1.12	-0.06	1.40
IG Credit	-2.13	2.59	-0.66	2.10
Financials	-2.21	1.96	-0.99	1.77
Industrials	-2.31	2.99	-0.67	2.34
Utility	-2.87	3.49	-0.87	2.42

*Blmbg Barclays Indices calculates the excess return of various bond sectors by measuring the return above or below duration neutral Treasuries.

Source: Bloomberg Barclays

1Q18 BHMS Bond Commentary

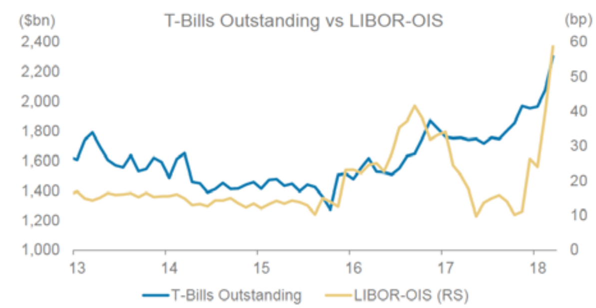
"If QE was designed to incentivize risk…QT should necessarily beget the reverse." – Stephanie Pomboy, MacroMavens

THE ECONOMY, INTEREST RATES & THE FED: The anemic volatility endemic to financial markets in 2017 suffered an extreme reversal in 1Q18. While the exact causes of the 1Q18 volatility spike are hard to define, higher UST rates, fears of escalating global trade tensions, and U.S. political turmoil were clear contributors to waning investor confidence and increasing pessimism across financial markets. Rates climbed higher through much of 1Q18. The 10yr UST yield rose 50 basis points (bps) to a YTD high of 2.95% on Feb. 21st. The U.S. equity market volatility index (VIX) exploded, increasing 400% in 1Q18 as a January surge in stocks subsequently suffered an even sharper collapse in February and March. When the dust settled, the S&P 500 registered its first quarterly loss since 4Q15, down nearly 10% from its all-time high. However, UST yields did not retreat to the degree expected in such a strong equity sell-off. Yields did retrace some of the 1Q18 rise as stocks retreated, but the 10yr UST closed 1Q18 at 2.74%.

The Fed raised its benchmark interest rate in March, the fifth hike in two years. The latest move was anticipated by the bond market, which boosted the 2yr UST yield 39bps in 1Q to 2.27%. The 10yr UST rose only 33bps, flattening the UST yield curve even further. The 2yr-10yr UST yield spread at 47bps and 2yr-30yr spread at 71bps reflect the flattest yield curve since 4Q07. The U. S. Treasury Department increased the issuance of T-Bills in 1Q18 to fund the fiscal deficit that grew markedly after the December 2017 tax package. This sharp increase in issuance was also partly to blame for the 62bp spike in three-month LIBOR to 2.31%, the highest since 4Q08. In turn, LIBOR spreads to overnight swaps (OIS), a proxy for short-term funding distress, doubled to 59bps and closed 1Q18 nearly three times higher than its post-crisis average at a level not seen since 2Q09.

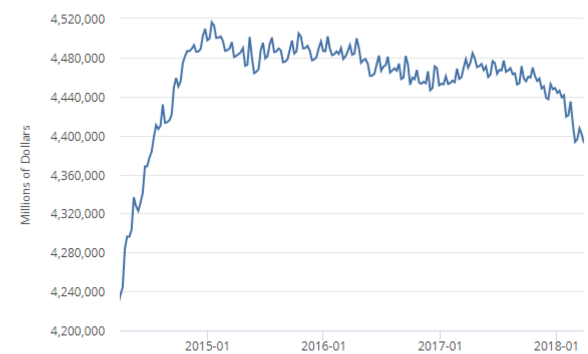
BHMS OUTLOOK: U.S. economic data softened moderately in 1Q18. Despite 90 straight months of job growth and a 4.1% unemployment rate, labor market momentum is waning as wage gains appear stalled and participation is stuck well below pre-recession levels. Despite optimism remaining near a 14-year high, consumer spending has slowed. U.S. core inflation accelerated to 2.4% year-over-year (YoY), its highest level since February 2017. However, with the Fed's balance sheet steadily shrinking and the ECB tapering its quantitative easing (QE) purchases, the steady removal of global central bank support is taking a toll on markets. While the Fed never purchased all of the UST net debt issuance during its QE program, the ECB currently buys seven times the EU's net sovereign issuance. While low global yields have held UST rates in check, a global transition from QE to quantitative tightening (QT), may increase volatility across all rates markets, especially with the expected end of ECB purchases in 2H18.

LIBOR Spikes Alongside UST Issuance



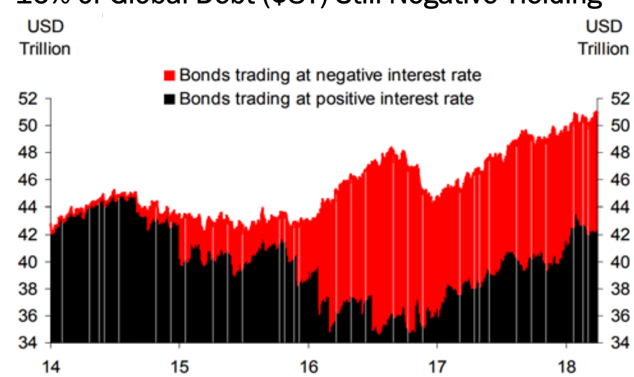
Source: Morgan Stanley Research

Fed Balance Sheet Reduction is Accelerating



Source: U.S. Federal Reserve

16% of Global Debt ($8T) Still Negative Yielding



Source: DB Global Research; U.S. Federal Reserve

" Are the bears poised to ravage Goldilocks-II?"

INVESTMENT GRADE CREDIT MARKET REVIEW: Similar to other financial asset classes, 1Q18 also brought the return of volatility to IG Credit. The combination of higher UST rates and 13bps in spread widening drove IG Credit to a -2.13% total return in 1Q18. It was the first negative quarter since 4Q16 and broke a streak of ten straight quarters of spread tightening. After narrowing to a QTD tight of 81bps on February 1, a post-crisis low and within 11bps of the previous Goldilocks tight of March 2005, spreads subsequently widened to 103bps by the end of the 1Q18. The 23bp bounce off the recent cycle tight spanned only six weeks, while it took two years to reach the level of widening from the March 2005 low.

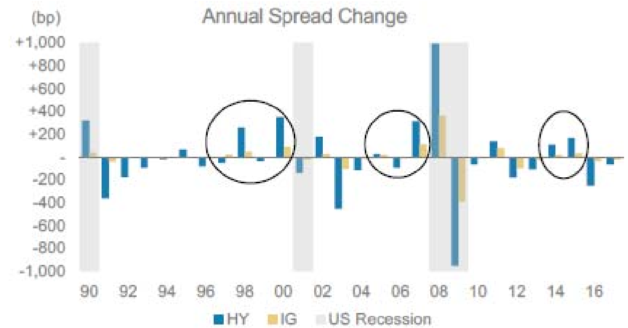
The pain was indiscriminate during 1Q18. Not one of the 18 Corporate Industry groups earned a positive total return and only one (Communications) posted a positive excess return. Industrials were the most resilient performer within Corporates, with an excess return of -0.67%, followed by Utilities. Financials suffered the worst excess return of the three major Corporate sub-sectors, largely due to 22bp of spread widening in Banks. Non-Corporate Credit outperformed Corporate Credit in 1Q18 due to the strength in high quality Foreign Agencies, Supranationals, and Taxable Municipals, despite relative underperformance from Emerging Market Sovereigns whose losses matched Corporates. Performance by quality revealed a 35bp underperformance by A-rated issues relative to BBBs. This differential largely reflects selling pressure in the "most readily liquid" segment to satisfy negative fund flows which resulted from increasing investor fears of rising rates and negative returns.

The new tax law provisions for repatriation of overseas corporate cash and higher short rates also had a profound impact on the shape of the IG Credit curve in 1Q18. Fed-inspired higher 2yr UST yields and a dearth in buying of short corporates pushed 1-3yr Credit wider by 14bp. The absolute yield differential between 1-3yr Credit and IG Credit compressed to the lowest since 2Q09 (83bps). The excess yield offered by Long Credit over the IG Credit average was similarly reduced to a post-crisis low in 1Q18.

New issuance slowed in 1Q18 in comparison to the torrid 1Q17 pace. Gross new supply totaled $393.8B, an 11% reduction versus 1Q17, but net issuance was 25% lower. Technology and Communications issuers shrank new supply by the largest amounts relative to 1Q17, mainly due to the impact of the new tax laws.

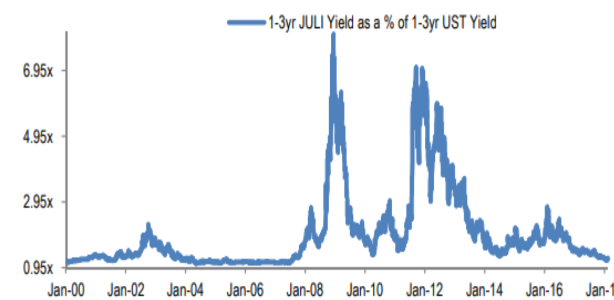
BHMS IG OUTLOOK: The mid-2000's Goldilocks period ended with the Financial Crisis. Caution is again warranted as volatility has returned in the current credit cycle, but under circumstances that so far seem more benign. While volatility creates uncertainty in credit

Spread Widening Can Occur Outside Recessions



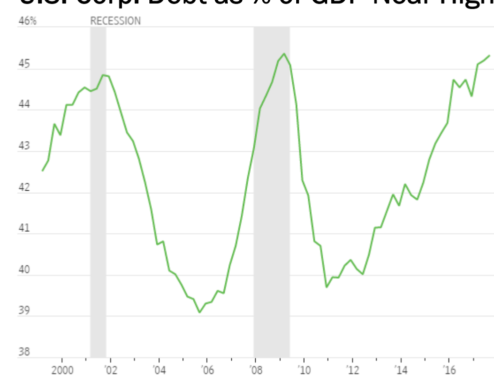
Source: Morgan Stanley Research

Short Credit Yields Still Low as % of UST Yield



Source: J.P. Morgan

U.S. Corp. Debt as % of GDP Near High



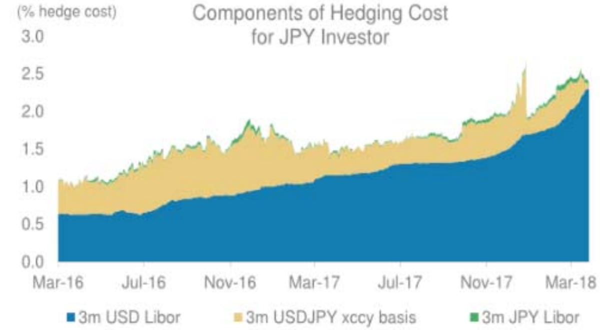
Source: Wall Street Journal; Moody's

markets, other dynamics are also in play. Because of higher short rates and wider spreads, Corporate funding costs are on the rise. Whether fixed- or floating-rate, or even commercial paper, the cost of debt capital is trending higher. Buybacks and M&A activity have also rebounded markedly YTD, as solid earnings and balance sheets still flush with cash encourage practices harmful to bondholders. However, as funding costs continue to rise, corporate management teams may have to act more in the interest of bond holders than equity owners.

Technical factors are also adding uncertainty to supply-demand dynamics that have been very supportive during much of the current cycle. Non-U.S. investors and U.S. Corporations have been two of the largest buyers of U.S. Dollar (USD) IG Credit in recent years. Increasing cross-currency short-term rate differentials and a weaker USD, along with an increase in hedging costs, have soured the appetite of many Euro- and Japanese Yen-based investors. U.S Corporations, particularly Technology and Pharmaceutical firms, had long stashed hordes of offshore cash in short-maturity USD IG Credit. However, the increased prospect of cash repatriation due to the passage of U.S. tax reform has vastly reduced this source of demand for short IG Credit. Investors also increasingly face the pressure from rising rates and their negative price impact. The average corporate bond still trades at a premium, but only a 15bp rise in yields will push the price below par. Any meaningful price correction in bonds and the resulting negative returns could spawn an uncomfortable rush for the exit from mutual funds, particularly by retail investors.

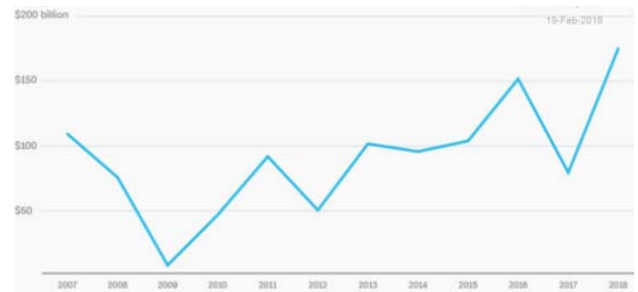
BHMS STRATEGY: *Seek opportunities created by volatility and indiscriminate selling.* Much of the late-cycle tightening in IG Credit has been indiscriminate. Foreign investors, U.S. Corporate Treasurers, and yield-starved domestic investors have stretched valuations across the corporate sector, including in many credits undeserving of such low funding rates. Amidst the return of price volatility and spread widening, the market has recently witnessed the reverse: indiscriminate selling. Our credit team has already spotted opportunities within the U.S. Bank sector, which has served as a source of liquidity by sellers, while also incurring higher funding rates as short-maturity demand has receded. We will continue to favor an overweight in Financials on the strength of solid credit fundamentals and reduced event risk relative to Industrials. Our overweight in Credit in BHMS multi-sector portfolios is increasingly defensive in nature. Increased volatility in the UST market has improved the alpha opportunities in IG Credit curve selection. Late-cycle dynamics provide a clear signal that sustained periods of spread widening may be a persistent feature for the remainder of the current rate environment. We place increased importance on the carry advantage of our current holdings as a counterbalance to spread widening episodes.

Higher LIBOR Erodes U.S. Credit's Yield



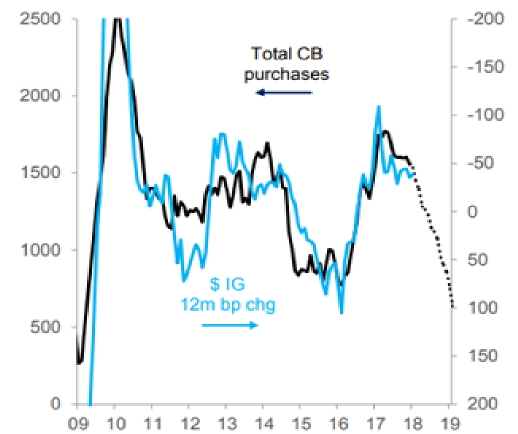
Source: Morgan Stanley Research

Buybacks Bounce Back…to Record Highs



Source: BofA ML Global Research

Will Wider Corp. Spreads Track Decline in QE?



Source: Citi Research

1Q18 BHMS Bond Commentary

"Rising rates tend to reveal flaws in debt-heavy balance sheets." – Mary Childs, Barron's

HIGH YIELD MARKET REVIEW: High Yield (HY) Credit suffered losses on par with much of the bond market in 1Q18, but outperformed IG Credit. The Ba/B HY Index posted a -1.10% total return, and 26bps of spread widening led to a -0.37% excess return. Ba-rated bonds lagged the performance of B-rated Credit by 105bp. Consumer Cyclicals sustained the heaviest losses in 1Q18, while Transportation was the only HY industry in positive territory. Leveraged loans were one of the few major segments of the bond market to produce a positive total return. The J.P. Morgan Leveraged (Bank) Loan Index finished 1Q18 1.58% higher, due in large part to 35bps in spread compression.

Despite turmoil in Washington, D.C., threat of global trade wars, and still disappointing economic data, the HY market has remained resilient. By late January, rising rates pressured equity markets over concerns of faster Fed hikes, leading to higher volatility. The HY market also suffered $22.8B in outflows during 1Q18, which weighed most negatively on more liquid issuers, particularly those among the top holdings of HY ETFs.

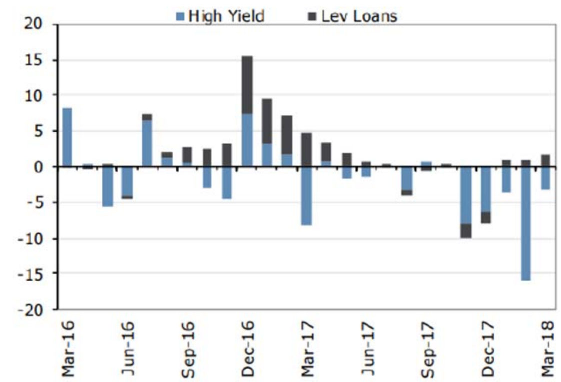
Market technicals provided some support for HY in 1Q18. New issue supply was down 25% YoY. Most of 2018 new HY issuance has come from higher quality companies. Approximately 75% of the period's new supply was for refinancing needs.

The HY default rate, which now stands at 2.7% and is forecast by Moody's to decline below 2% by YE18, remains rather benign. Previous tops in the default rate were 14% in 2001; 13% in 2009; and 6% in 2016. Retail, Wireline Telecom, and select subsectors within Healthcare (Hospitals and Pharmaceuticals) and Energy (oilfield services and natural gas E&Ps) currently exhibit the most obvious market stress.

BHMS OUTLOOK: Credit fundamentals remain fairly healthy for HY issuers. The new tax law (21% rate; bonus depreciation for five years; elimination of interest deductibility for five years) should help HY issuers generate additional cash flow, reinvest in their businesses, and incentivize them to reduce debt. However, companies and private equity firms may find the still-low nominal HY rates and receptive debt markets tempting for large debt-financed M&A deals.

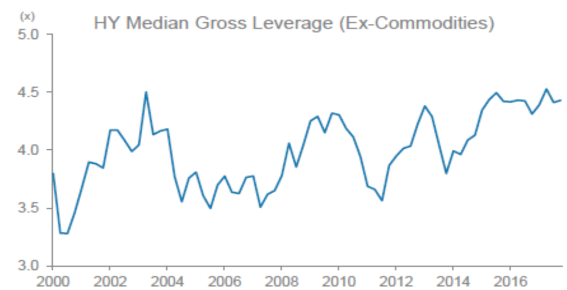
BHMS STRATEGY: *Maintain a defensive risk profile.* Despite the modest sell-off in 1Q18, HY remains fairly valued. However, we believe historically tight spreads and a stronger correlation to interest rates than in previous cycles continue to warrant a defensive position in HY while pursuing select undervalued opportunities. We patiently await increasing our HY exposure on any market correction, while focusing on fundamental credit analysis in a still highly complacent market.

High Yield Outflows Continued in 1Q18



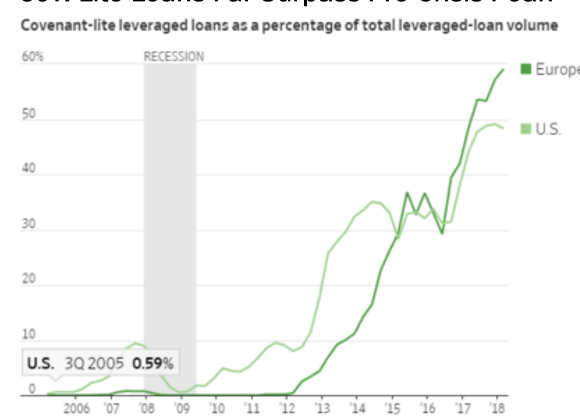
Source: Wells Fargo Research

HY Leverage Remains Near Post-Crisis Peak



Source: Morgan Stanley Research

Cov.-Lite Loans Far Surpass Pre-Crisis Peak



Source: Wall Street Journal; Institute of Int'l Finance

1Q18 BHMS Bond Commentary

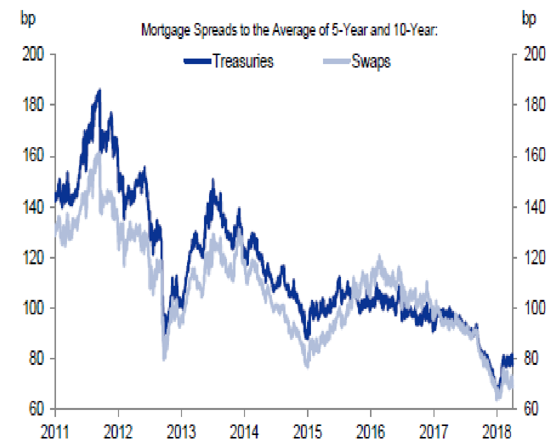
"No regulatory apparatus can be erected against complacency or the normal ebb and flow of the business cycle.
– Randall Forsyth, Barron's

AGENCY MBS REVIEW: The mortgage sector joined the rest of the broad bond market in a general higher rate-driven sell-off and lack of demand during 1Q18. Agency MBS returned -1.19% during 1Q18. MBS yield spreads versus USTs widened 12bp during 1Q18, contributing to -0.39% in excess return. In fact, spread widening resulted in negative excess returns in each month in 1Q18. Conventionals outperformed GNMAs during 1Q18 as policy initiatives intended to curtail accelerated prepayments from "churning" in V.A. loans by non-bank third party lenders and servicers have yet to be fully implemented. The impact of duration in a rising rate environment also resulted in better performance from 15yr versus 30yr MBS, and higher versus lower coupon issues.

The persistent rise in UST rates in 1Q18 has also correspondingly pushed MBS rates higher. The MBS production coupon (new mortgage supply) has shifted from 3.5% to 4.0%-4.5%. With current 30yr mortgage rates generally quoted in the 4.25%-4.50% range, over 90% of Conventional borrowers are now effectively priced out of the refi market. Confirming this trend, the refi portion of the MBA applications steadily declined from 53.9% to 39.4% during 1Q18 and is now at the lowest level since August 2008. Rising rates have also impacted the MBS market from a price and duration perspective. Since YE17, the average price of the mortgage market has fallen to $100.94 from $103.09, while the duration has extended to 5.0 years from 4.4 years. These changes in price and duration have dramatically shifted the focus of mortgage investors from call to extension protection. The results have increased purchase issuance (versus refinance) by $4B versus 1Q17. Net Agency MBS issuance of $63B in 1Q18 is down sharply from 1Q17 at $101B.

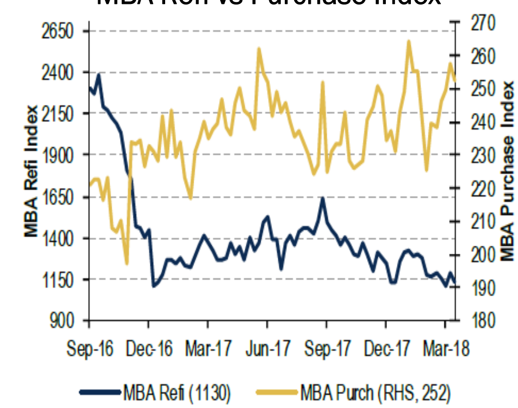
MBS OUTLOOK: Supply/demand dynamics in MBS will increasingly present challenges over the next two quarters. For the first time in nearly a decade, the Fed will no longer be the primary buyer. In 2Q18, the Fed's "taper" of reinvestment in monthly MBS portfolio paydowns will increase to $12B from $8B in 1Q18, and $4B in 4Q17. Including the increased tapering in July 2018, this acceleration in QT will effectively cut the Fed's monthly purchases by nearly 50%. Additionally, this dramatic slowing will occur at a time when purchases by U.S. Banks, overseas investors, REITs, and many other investors have been lackluster in front of a typical seasonal supply increase. Consequently, a growing supply/demand imbalance could potentially further widen MBS spreads in 2Q18.

Current Coupon MBS vs UST



Source: Goldman Sachs

MBA Refi vs Purchase Index



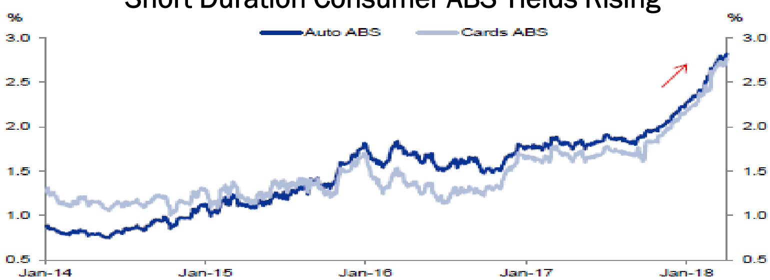
Source: BAML Global Research

BHMS MBS STRATEGY: *Maintain an underweight while seeking carry and trading opportunities.* We increased our underweight in MBS during 1Q18 as the supply/demand imbalances heightened. We remain underweight in 15yr versus 30yr MBS on relative value, and have moved up in coupon with a focus on 4% and 4.5% Conventionals, which offer the best carry versus lower coupons. We reduced our exposure to GNMAs as some of the news regarding V.A. servicer changes had a positive impact on valuations. We sold seasoned Conventional pools which rallied to levels not seen in years on investor willingness to overpay for extension protection. We believe volatility may pressure spreads wider and will look for a better re-entry point.

ABS MARKET REVIEW & OUTLOOK: ABS was the best performer among structured products in 1Q18, but still generated a negative -0.39% total return. Issuance was robust at $65.3B in 1Q18, 14% higher YoY and the highest 1Q since 2009. Issuers clearly accelerated funding to get ahead of anticipated Fed rate hikes. Autos still dominated 1Q18 new supply at 42% of total ABS issuance. Credit cards (18% of supply) lagged last year's pace and 2018's maturity schedule. Floating rate issuance in 1Q18 was basically unchanged in from the same period last year, accounting for 15% of issuance. Supply from 144a issuers rose to 59% in 1Q18 versus 43% in 1Q17. Oversubscribed demand drove new ABS pricing tighter than initial guidance in 1Q18, but record issuance and dislocation in the short maturity corporate market resulted in spread widening. The market saw AAA issues and BBB subordinated bonds widen the most, while shorter on-the-run issuers experienced less spread widening due to better liquidity.

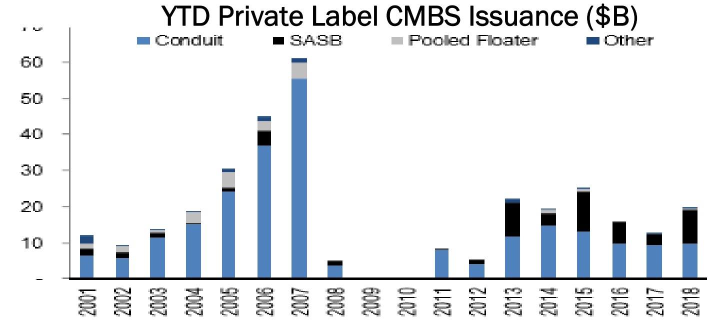
BHMS ABS STRATEGY: *Maintain an overweight on attractive valuations versus short corporates.* We maintain our overweight to ABS with a bias to shorter duration securities. While consumer debt levels have risen, household balance sheets remain healthy in the context of leverage and wage growth. Technicals remain positive as a slow rise in short UST yields and the amortization features of ABS increase the attractiveness of the sector. We favor on-the-run consumer issuers since they offer attractive yield and diversification, while adding a liquidity dimension to the portfolio.

Short Duration Consumer ABS Yields Rising



Source: BAML; Goldman Sachs

YTD Private Label CMBS Issuance ($B)



Source: J.P. Morgan

CMBS MARKET REVIEW: CMBS returned -1.32% in 1Q18. Tranches in the 3-to-5 year average life outperformed short IG corporates and ABS. The 9-year average life tranches, often referred to as last cash flow bonds (LCF), widened by 10bp along with IG corporates. AA, A, and BBB-rated classes were more resilient, widening only 5bps. Conduit issuance of $10.5B during 1Q18 was up 2% YoY. Single Asset Single Borrower issuance, typically with floating rate coupons, rose an astounding 228%. CMBS loan metrics deteriorated somewhat in 1Q18, as evidenced by lower Debt Service Coverage Ratios and higher LTVs. Deals have also included a higher percentage of partial- and interest-only loans. However, diversification increased, evidenced by higher loan counts and increased deal size.

BHMS CMBS STRATEGY*: Maintain an underweight and defensive exposure.* Spreads widened in 1Q18 on an increase in volatility. If wider spreads persist, an opportunity to add exposure in an asset class that can readjust rents higher over time may become more attractive. Commercial real estate has also proven to be a good inflation hedge over time. We favor shorter duration, seasoned deals which have a greater potential to refinance in a higher rate environment.

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LONG CREDIT MARKET REVIEW: The combination of higher UST yields and wider spreads, which affected all IG markets in 1Q18, had an even larger impact on Long Credit. These two factors were amplified by the Long Credit Index's duration, producing a -3.58% return. Long Credit also underperformed the overall IG Credit market on an excess return basis. Financials were the worst performer during 1Q18, followed by Utilities, then Industrials. As with the IG market, A-rated credits underperformed BBB issuers, and Non-Corporate Credit outpaced Corporates, largely due to the relative performance of Taxable Municipals.

PENSION ASSETS: Equity investments fell 1.0% during 1Q18, but bonds and alternatives suffered heavier losses, as measured by the indices we use to estimate the average corporate pension asset allocation. Cash had the highest returns and Real Estate had the largest loss.

PENSION LIABILITIES & FUNDED STATUS: Pension liabilities fell slightly during 1Q18, driven by a 17bp increase in corporate bond yields. UST rates drove the increase, rising by 17bp while credit spreads were flat. Pension funding fell slightly during 1Q18, as assets fell faster than liabilities. Corporate pensions were 87.1% funded at YE17 and ended 1Q18 at 86.7%. The funded status fell short of its recent high of 87.8%, which was reached at YE 2013.

CORPORATE PENSION TRENDS: As expected, we saw many companies announce planned large voluntary contributions to their pensions to take advantage of the last chance to capture deductions at the 35% corporate income tax rate. Some companies have also mentioned a desire to decrease PBGC premiums as a key motivator in these decisions. Our conversations with clients and consultants confirm this trend of planned voluntary contributions. Our LDI strategies have seen inflows as contributions are allocated to hedging strategies. We have also seen LDI searches as plan sponsors are looking to add managers.

Equity Return	Discount Rate Change (% pts) -2.00	-1.50	-1.00	-0.50	0.00	0.50	1.00	1.50	2.00
-20%	66%	68%	71%	73%	76%	80%	84%	88%	94%
-15%	68%	71%	73%	76%	79%	83%	87%	92%	98%
-10%	70%	73%	75%	78%	81%	85%	90%	95%	101%
-5%	72%	75%	78%	81%	84%	88%	93%	98%	105%
0%	75%	77%	80%	83%	87%	91%	96%	102%	108%
5%	77%	79%	82%	85%	89%	94%	99%	105%	112%
10%	79%	81%	84%	88%	92%	96%	102%	108%	116%
15%	81%	83%	87%	90%	95%	99%	105%	111%	119%
20%	83%	86%	89%	93%	97%	102%	108%	115%	123%

Source: BHMS; Bloomberg

Average Asset Allocation and 1Q18 Returns

Asset Class	Index	Allocation	Q1 Return
Equities		43%	-1.0%
	65% Russell 3000		*-0.6%*
	35% MSCI EAFE		*-1.5%*
Bonds		38%	-3.1%
	75% Barclays Long Gov/Credit		*-3.6%*
	25% Barclays Aggregate		*-1.5%*
Real Estate	*FTSE NAREIT Equity*	2%	-6.7%
Other (Alternatives)		14%	-1.0%
	45% HFRI Fund Weighted Composite		*0.3%*
	35% S&P Listed Private Equity Index		*-3.2%*
	20% Dow Jones UBS Commodity Index		*-0.4%*
Cash		3%	0.4%
Total			**-1.8%**

Source: BHMS; Bloomberg

BHMS Pension Funded Status Analysis

Business Sector/*Industry*	March 31, 2018
Overall	**86.7%**
Financials	95.2%
Banks	*102.3%*
Consumer Staples	84.2%
Industrials	83.4%
Airlines	*70.1%*
Information Technology	83.3%
Materials	83.2%
Consumer Discretionary	82.1%
Energy	81.7%
Real Estate	81.7%
Health Care	81.7%
Utilities	81.4%
Telecommunications	80.8%

Source: BHMS; Bloomberg

DISCLOSURE

All opinions included in this report constitute Barrow Hanley's judgment as of the time of issuance of this report and are subject to change without notice. This report was prepared by Barrow Hanley with information it believes to be reliable. This analysis is for informational purposes only and is not intended to be an offer, solicitation, or recommendation with respect to the purchase or sale of any security, nor a recommendation of services supplied by any money management organization. Past performance is not indicative of future results. Barrow, Hanley, Mewhinney & Strauss, LLC is a value-oriented investment manager, providing services to institutional clients.