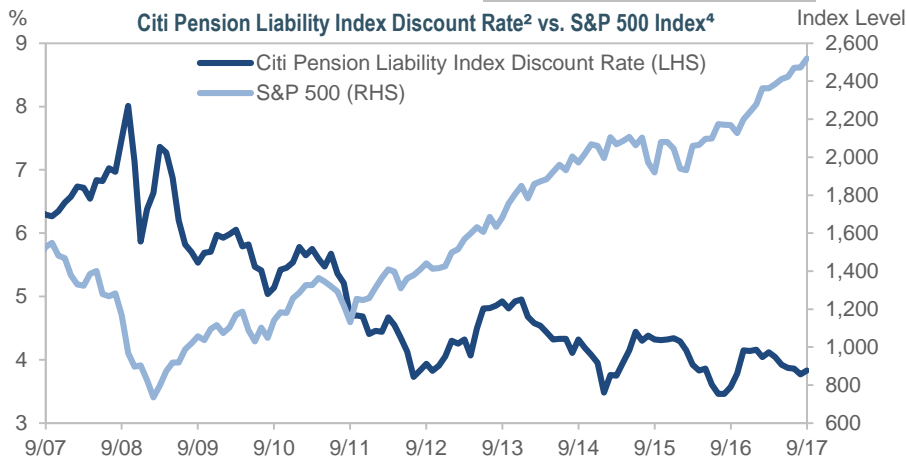


LDI Highlights

- Corporate pension funded status increased 1.3% to 84.3% month-over-month, as both higher discount rates and positive equity market returns contributed to the rise.¹
 - Discount rates rose slightly as issuance surpassed \$20bn for the third straight month, while equity markets returned nearly 2%^{4,6}
- Long corporate spreads tightened 12bps during August, closing the month at the three-year tights.³
- Long-end corporate supply totaled more than \$87 billion during the third quarter, the highest level since data began in 2000.⁶
 - Despite the robust quarter, demand continued to outpace supply, as overseas buyers and insurance companies were active in the market, resulting in long corporate yields reaching 4.2%.³

Rates Monitor	9/30/17	8/31/17	12/31/16
Citigroup Pension Discount Rate ² (%)	3.83	3.77	4.14
Bloom Barc Long Credit Yield ³ (%)	4.18	4.14	4.55
Bloom Barc Long Corporate Yield ³ (%)	4.18	4.15	4.54
Bloom Barc Long BBB Corp Yield ³ (%)	4.53	4.51	4.93
30 Year Swap Rate ⁴ (%)	2.53	2.38	2.63
Long BBB Corp. Yield ³ - Citi Pension Discount Rate ² (bps)	70	74	79



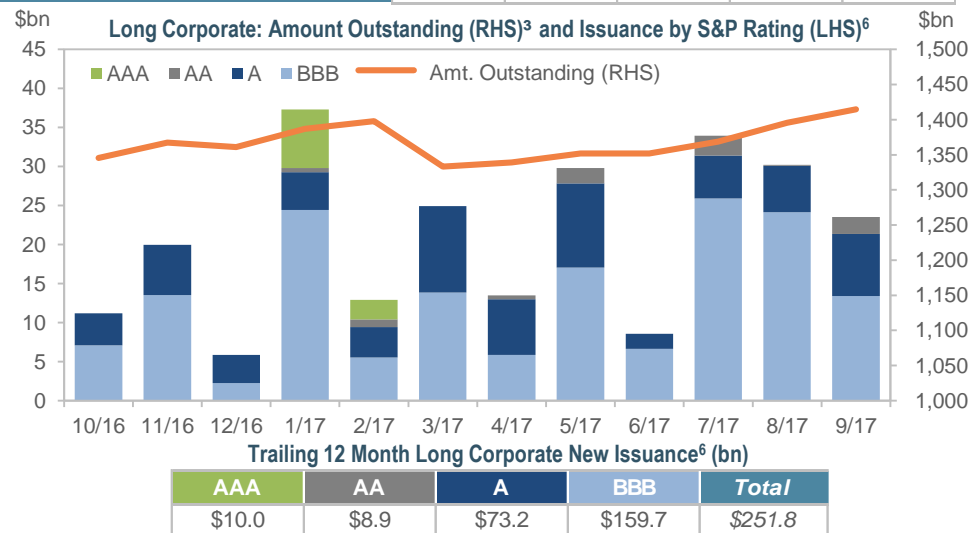
LDI MONITOR

September 30, 2017

IR+M LDI Corner: Tax Reform to Boost Funded Status?

- In September, the Trump administration released an outline of the core principles of its tax reform bill. Despite limited details, the outline included a number of changes that could have a meaningful impact on plan sponsors and the broader corporate bond market.
- The proposal to lower the corporate tax rate from 35% to 20% could lead to a short-term increase in contributions. The potential for lower tax rates provides an incentive for plan sponsors to accelerate tax deductible pension payments in advance of changes.
- In many cases, this additional funding could translate into higher demand for long duration corporate bonds. As funded status improves, many plan sponsors will progress along their glidepaths, leading to higher bond allocations.
- In terms of supply, we could see the opposite effect. A lower rate, combined with some uncertainty around the treatment of debt payments, could lead to lower corporate debt supply when many plan sponsors are looking to add to their hedging portfolios.

Glidepath Monitor	9/30/17	8/31/17	12/31/16	9/30/16	9/30/14
Funded Status ¹ (%)	84.3	83.0	83.3	77.9	83.6
Long Credit Rates ⁵ (%)	4.18	4.14	4.55	4.04	4.63
Long Credit Spreads ⁵ (bps)	149	161	167	195	164
Curve ³ (Long Cred - Int. Cred) (bps)	159	167	180	188	227
Curve ³ (Long G/C - Agg) (bps)	107	111	134	136	172



¹Milliman (Historical numbers revised as of 3/31/17); ²Citigroup; ³Bloomberg Barclays; ⁴Bloomberg; ⁵Long rates and long spreads represented by Bloomberg Barclays Long Credit Index yield and spread; ⁶JP Morgan
All data in the above commentary is as of 9/30/17. Yields are represented as of the aforementioned date and are subject to change. The views contained in this report are those of IR+M and are based on information obtained by IR+M from sources that are believed to be reliable. This report is for informational purposes only and is not intended to provide specific advice, recommendations for, or projected returns of any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research & Management.