

Attractive Characteristics of the US Muni Market



<p>USD-denominated Fixed Income</p>	<ul style="list-style-type: none"> ▪ \$4 trillion notional outstanding ▪ Diffuse (>50,000 issuers, 2mm CUSIPS) ▪ High grade market (lower default and LGD than corporates)
<p>Long Duration</p>	<ul style="list-style-type: none"> ▪ Majority of the new issue volume is >10 yr ▪ ~70% of trading activity in bonds >10 yr⁽¹⁾
<p>Historically Steep Yield Curve</p>	<ul style="list-style-type: none"> ▪ Muni 5y30y avg. spread at 1.71% vs. UST 5y30y avg. spread at 1.18%⁽²⁾ ▪ Current 20yr AAA MMD / 20yr UST at 106.1%⁽³⁾ ▪ Absolute yields are comparable to taxable alternatives
<p>Low Correlation with Other FI</p>	<ul style="list-style-type: none"> ▪ Low correlation with respect to US treasury, IG and HY corporate bonds so client can diversify their asset portfolios by holding a portion of munis ▪ Potential for outperformance relative to other assets*
<p>Outperform in Bear Rates Environment</p>	<ul style="list-style-type: none"> ▪ Low rates have caused spreads between TX and TE bonds to compress ▪ Rising rates are expected to cause spread widening => muni outperformance ▪ Historically, munis have outperformed in months of rate sell-offs*

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*(1) Electronic Municipal Market Access 2015 trading data, (2) Historical data from 1995; (3) Bloomberg data from 9/23/2016; UST Yield using CMTUSD20 Index
* Past performance, simulated or actual, is not a reliable indicator of future results*