



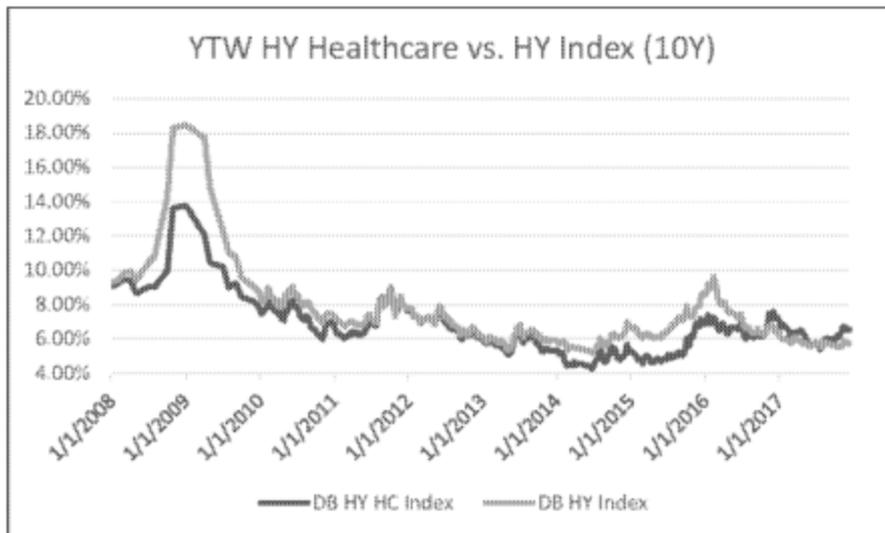
Healthcare Outlook

Miles Highsmith, [REDACTED]

HY Sector YTW and Returns versus the Broader HY Market YTW and Returns

According to DB indices, at the time of this writing the HY Healthcare Index YTW was 6.55% versus the broader HY market YTW of 5.75%, reflecting a discount of 80 bps. The YTD return for HY Healthcare bonds was 8%, and this compares to a total return of 7% for the HY Healthcare Index. Over time we have generally seen Healthcare outperform (and trade tight to the overall HY index) in times of broader uncertainty and/or market weakness. In more robust HY markets we generally see that Healthcare tends to lag (and trade wider than) the overall Index. We believe in recent years there have been some incrementally riskier structures that have come into the HY Healthcare market. And we further believe that weakness in various healthcare sub-sectors (i.e. hospitals) and specific names (i.e. Community Health) have helped contribute to the current discount in the HY Healthcare YTW relative to the overall HY index YTW. Figures 1 and 2 illustrate the HY Healthcare YTW versus the overall HY index YTW over a 10-year period and a 5-year period, respectively. Figure 3 also shows total return between the two since 2010.

Figure 1: YTW HY Healthcare vs. HY Index (10Y)



Source: Deutsche Bank