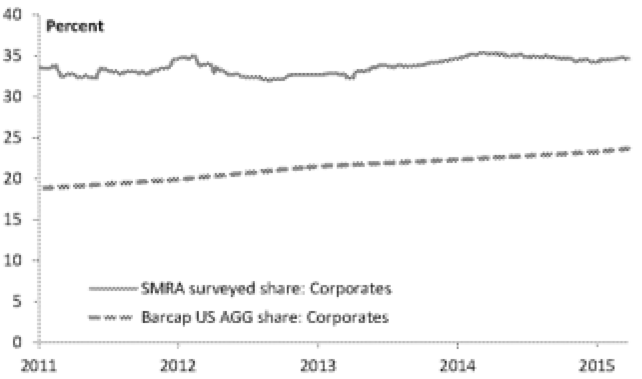
In the portfolio managers survey conducted by Stone McCarthy Research Associates, the systematic reduction in overexposure to credit is even more pronounced. As of last week, portfolio managers have a tactical allocation of 34.7% in corporate bonds versus the 23.7% in the Barclays US Aggregate Index. This 11% deviation from benchmark is the smallest in two years and nearly two percentage points lower compared to a year ago.

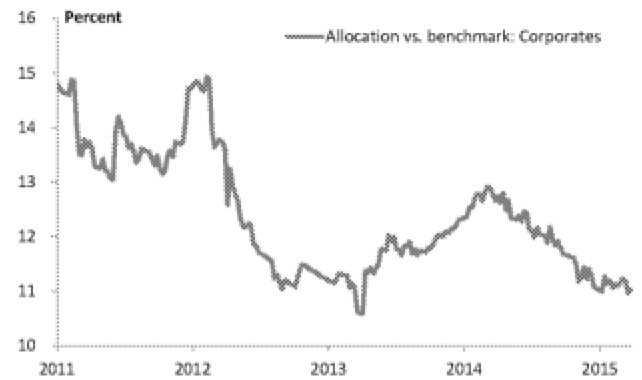
The SMRA surveyed response of allocations to Treasuries also corroborates our excess returns model. Portfolio managers became very underweight in Treasuries in the second quarter of last year but gradually scaled back into this sector toward year end, and they closed the gap even more in January. Although, the SMRA survey showed a sharp drop in portfolio allocations to Treasuries in February that our model has yet to capture.

SMR survey vs. Barclays US Aggregate Index: Portfolio allocation to corporate bonds



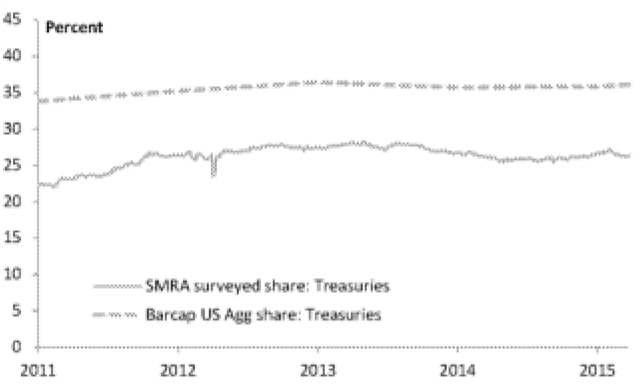
Source: Stone McCarthy Research Associates (SMRA), Barclays Indices and Deutsche Bank

Portfolio managers over-allocation in corporate bonds



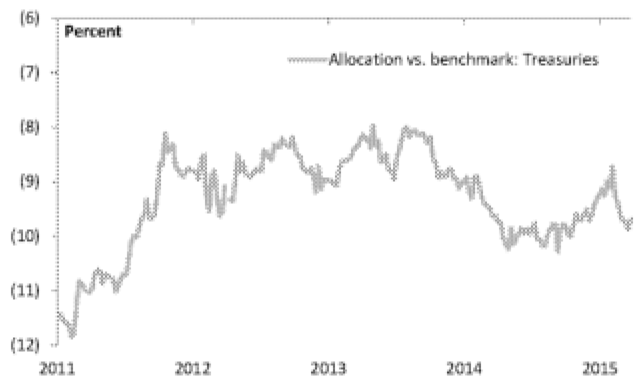
Source: Stone McCarthy Research Associates (SMRA), Barclays Indices and Deutsche Bank

SMR survey vs. Barclays US Aggregate Index: Portfolio allocation to Treasuries



Source: Stone McCarthy Research Associates (SMRA), Barclays Indices and Deutsche Bank

Portfolio managers under-allocation in Treasuries



Source: Stone McCarthy Research Associates (SMRA), Barclays Indices and Deutsche Bank