
From: Barrett, Paul S <[REDACTED]>
Sent: Friday, October 19, 2012 3:48 PM
To: Jeffrey
Cc: Giuffrida, David J; Schaffer, Susannah
Subject: RE: To Do - NEW HY RMBS - \$7.521mm of SEMT 03-5 B1 @ \$80-16 (6.15% yield / 5.62 durn)

Lets also sell our Citi Pfds yielding 3.50% ytw. We are up 225K all in since we bought them 2yrs ago. Don't think it makes much sense to hold these at these low yields.

Paul

Paul Barrett, CFA

Managing Director

Global Investment Opportunities Group

JPMorgan Private Bank

320 Park Avenue, 14th Floor, New York, NY 10022

[REDACTED]
NMLS ID# 853441

paul.s.barrett@jpmorgan.com <mailto:paul.s.barrett@jpmorgan.com>

From: Jeffrey [mailto:jeevacation@gmail.com]
Sent: Friday, October 19, 2012 11:28 AM
To: Barrett, Paul S
Subject: Re: To Do - NEW HY RMBS - \$7.521mm of SEMT 03-5 B1 @ \$80-16 (6.15% yield / 5.62 durn)

Ok

Sorry for all the typos .Sent from my iPhone

On Oct 19, 2012, at 5:17 PM, "Barrett, Paul S" [REDACTED].com> >
wrote:

Hi Jeffrey

This bond looks interesting.

I would like to take profits on our Barclays Pfd which is yielding 3.70% and buy this mortgage bond. We are up \$154K all in on the Barclays Pfd.

Let me know

Paul

US Onshore Clients – Blue Sky (U.S. State Securities Law): Please confirm Blue Sky eligibility before soliciting to a US Onshore client by entering the CUSIP into the web tool located at: <http://pscppv1.amer.jpmchase.net:8080/BlueSkyPage.html> and review to see if your client's state of residence is listed. If you receive 'NO SECURITY FOUND', 'NO STATES FOUND' or the security DOES NOT HAVE A CUSIP or is not USD-denominated, then please contact your SM or local compliance officer and provide the requested security and client information. Please note that a suitability review and other pre-trade procedures must still be followed.

The SEMT 03-5 B1 is a prime subordinate bond rated BB+/B2/BBB and is backed by 110 month seasoned Prime Vanilla ARM mortgages. The pool has 60.35% updated LTV, 84% always current borrowers (looking back 2 years), 271k average balance and most importantly, 4.7% credit support vs only 3.55% 60+ delinquency. The way I look at it, if 100% of the 60+ delinquent borrowers were immediately evicted and foreclosed on and the repossessed homes sold for \$0, the pool would incur 3.55% losses. In this grim scenario I painted, this B1 bond would still receive no writedowns.

Additionally, this deal is immediately callable by the servicer since the collateral factor is below the 10% range. This deal becomes more callable as time passes and in the scenario where rates were to back up, the ARM mortgages in this pool would be worth considerably more on bank balance sheets. With only 3.55% delinquent loans, this deal is already clean enough to call, it's really a matter of economics for the servicer at this point. In our recovery scenario, we are assuming the deal is called 3 years from today even though the bonds are callable right now.

In our stress scenario, we default approximately 2.6x the current 60+ delinquent population at 60 severity ramping down over 2 years to 40. We're also running half the 6 month speeds and see this bond producing a 5.02% yield for a 6.03 duration bond.

*** THIS BOND IS OFFERED TO US AND THE STREET AT 84-16. I see value in this bond @ 80-16 but there is no guarantee we can trade it there.

HIGHLIGHTS

- HPI Updated LTV = 60%
- 84% of the borrowers have not missed a payment in the past 2 years
- 110 months seasoned
- 732 FICO
- \$271k average balance

**Source: Bloomberg

SEMT 2003-5 B1 Offered @ 80-16

BOND DESCRIPTION

Prepay Rate

3 CPR

5 CPR

8 CPR

Cusip:

81743PCR5

Default Rate

2.5 ramp 24 1 CDR

2 ramp 24 0.75 0.5 CDR

2 ramp 24 0.5 CDR

Original Face:

7,521,500

Default Severity

60 ramp 24 40

50 40 ramp 24 35

45 ramp 24 30

Current Face:

1,863,319

Delinq Rate

4 Percent

4 Percent

4 Percent

Bond Type:

Seasoned Prime Subs

Delinq Advance (% of P&I)

100

100

100

Ratings (S&P/Moodys/Fitch):

BB+/B3/BBB/*-

Optional Servicer Call

N

N

10/2015

Current Coupon:

1.119%

** Run to Fwd LIBOR

Yield @ Base Case

6.149%

WAL @ Base Case

7.11

Principal Window @ Base Case

Nov12 to Aug33

Price @ 80-16

Stress Case

Base Case

Recovery Case

Writedown %

0.00%

Yield

5.015

6.149

10.416

Current Credit Enhancement:

4.70%

Spread over Tsy

357

481

996

60+ Delinquencies

3.55

Duration

6.03

5.62

2.29

60+ Delinquency Coverage

1.32x

WAL

7.69

7.11

2.53

Principal Window

Nov12 to Aug33

Nov12 to Aug33

Nov12 to Nov15

UNDERLYING COLLATERAL DESCRIPTION

Principal Writedown

8.63%

0.00%

0.00%

Average Loan Balance (\$,000s)

271

Total Collat Loss

0.56%

0.41%

0.35%

Loan Count

211

Total Liquidation

9.20%

5.13%

2.57%

Mortgage Type

Seasoned Prime Vanilla ARMs

Wtd Avg Mortgage Coupon

2.332%

HISTORICAL PERFORMANCE

Wtd Avg FICO Score

732

1 MOS

3 MOS

6 MOS

Wtd Avg Orig Loan-to-Value

60.67%

CPR

4.30

6.01

6.52

HPI Adj LTV

60.35%

CDR

0.00

0.00

0.00

Weighted Avg Loan Age

110

SEV

NA

NA

NA

Owner Occupied

84.21

Top 1 Geo Concentration

CA 14%

Top 2 Geo Concentration

FL 13%

Top 3 Geo Concentration

GA 11%

Always Current (24 mos)

84.06%

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Non-agency RMBS is a complex fixed income product and is not suitable for all investors. Please note that while desk assumptions are driven by a number of collateral and macro factors, the historical performance of a deal is not indicative of its future performance. Additionally, this message is a product of sales and trading and is not a research report. Other key risks to consider are outlined below:

- All investments are subject to possible loss of principal

- Non-Agency bonds may have limited liquidity and clients should be aware that the secondary market for mortgage-backed securities has experienced periods of illiquidity and may do so in the future. Illiquidity means that there may not be any purchasers for your class of certificates. Although any class of certificates may experience illiquidity, it is more likely that classes that are lower in the capital structure and non-investment grade related may experience greater illiquidity than more senior, investment-grade rated classes.

- High Yield Non-Agency bonds are speculative non-investment grade bonds that have higher risk of default or other adverse credit events which are appropriate for high risk investors only

Non-Agency bonds are intended for clients with a minimum total net worth of \$50mm. Please make sure your client fulfills this requirement before soliciting this order.

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