

SEVENS REPORT *alpha*

Alpha Webinar #33 with Bill Housey

Senior Portfolio Manager for First Trust's Leveraged Finance Investment Team

Tuesday November 29th, 2018

Presenter: Tom Essaye

Disclaimer

The information contained in the Sevens Report or this Presentation is not necessarily complete and its accuracy is not guaranteed. Neither the information contained in this presentation or any opinion expressed in it constitutes a solicitation for the purchase of any future or security referred to in the presentation.

This presentation is strictly an informational publication and does not provide individual, customized investment or trading advice to its subscribers or listeners.

LISTENERS SHOULD VERIFY ALL CLAIMS AND COMPLETE THEIR OWN RESEARCH AND CONSULT A REGISTERED FINANCIAL PROFESSIONAL BEFORE INVESTING IN ANY INVESTMENTS MENTIONED IN THE PUBLICATION. INVESTING IN SECURITIES, OPTIONS AND FUTURES IS SPECULATIVE AND CARRIES A HIGH DEGREE OF RISK, AND SUBSCRIBERS MAY LOSE MONEY TRADING AND INVESTING IN SUCH INVESTMENTS.

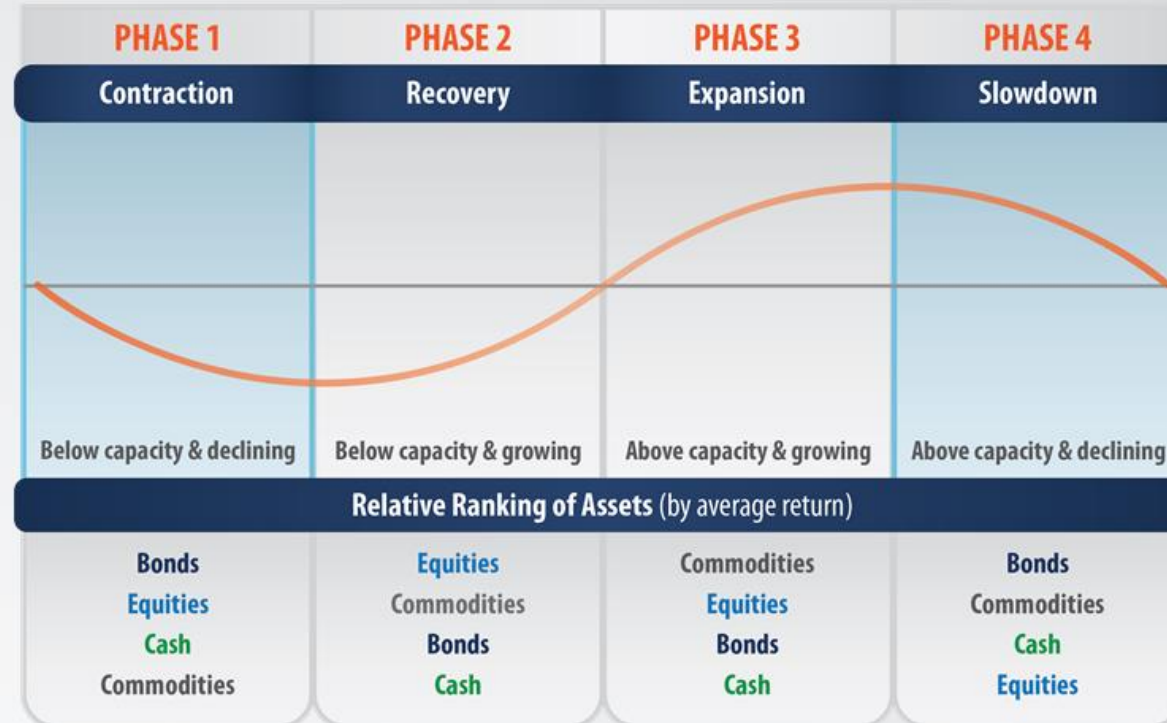
Goals for Today's Webinar

- Where Are We In the Economic Cycle? (U.S. & Globally)
- The Fed is Draining Liquidity – Is It Too Soon?
- Rate Volatility Declining
- Yield Curve Update
- Corporate Bond Market Update
- Where Are the Opportunities in Fixed Income?

Where Are We In the Economic Cycle? (U.S. & Globally)

THE BUSINESS CYCLE

WHERE ARE WE NOW?



Source: Goldman Sachs Global Investment Research

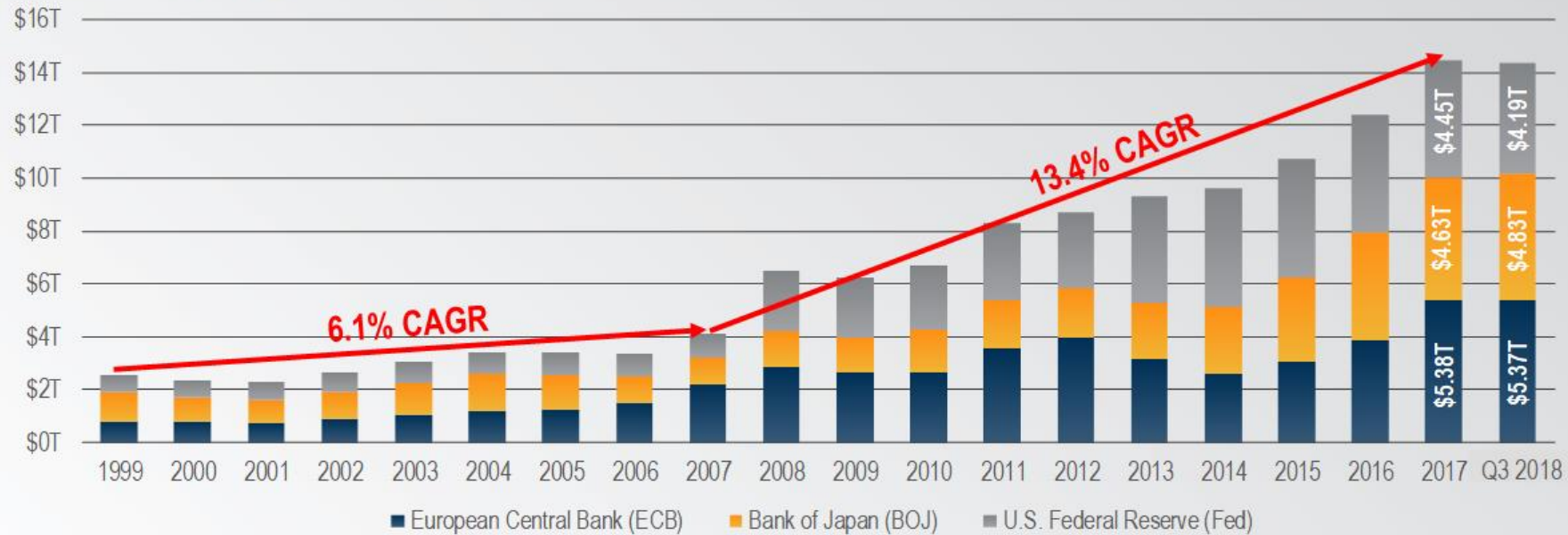
FOR INSTITUTIONAL USE ONLY. NOT FOR PUBLIC DISTRIBUTION.

The Fed is Draining Liquidity – Is It Too Soon?

CENTRAL BANK BALANCE SHEETS HAVE EXPANDED SIGNIFICANTLY

GROWTH OF CENTRAL BANK BALANCE SHEETS (TOTAL ASSETS – USD)

December 1999 – September 2018



Source: Bloomberg

Past performance is no guarantee of future results. The U.S. Federal Reserve (the "Fed") initiated Quantitative Easing (QE) in November 2008.

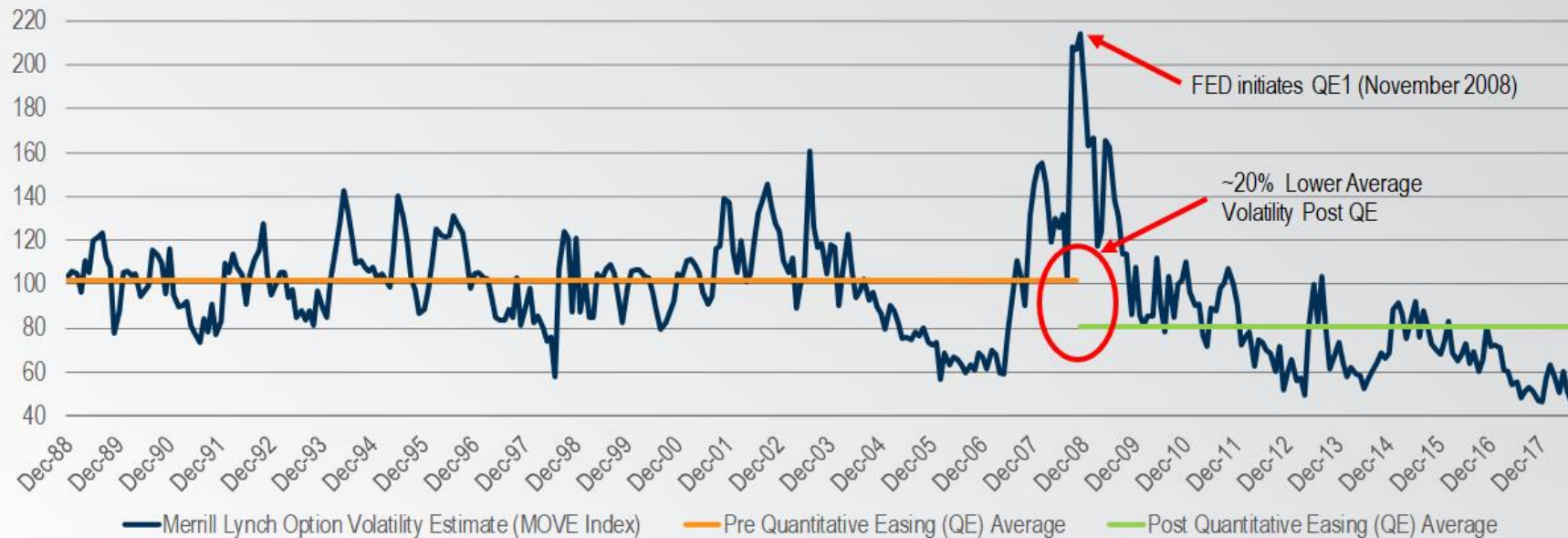
FOR INSTITUTIONAL USE ONLY. NOT FOR PUBLIC DISTRIBUTION.

Rate Volatility Declining

RATE VOLATILITY HAS BEEN INFLUENCED BY CENTRAL BANKS

MERRILL LYNCH OPTION VOLATILITY ESTIMATE (MOVE INDEX)

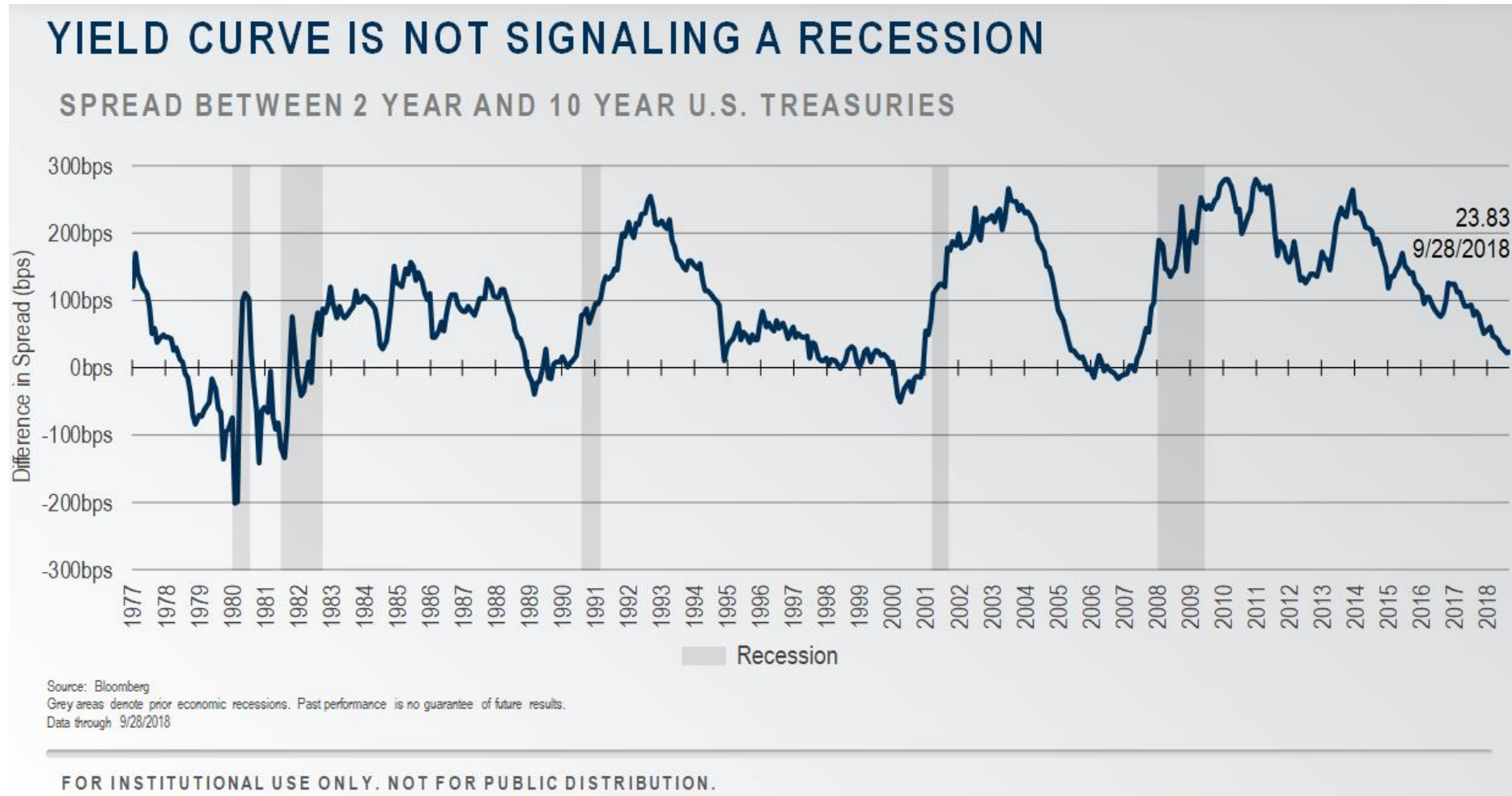
December 1988 – September 2018



Source: Bloomberg
The U.S. Federal Reserve (the "Fed") initiated Quantitative Easing (QE) in November 2008.
Data through 9/28/2018

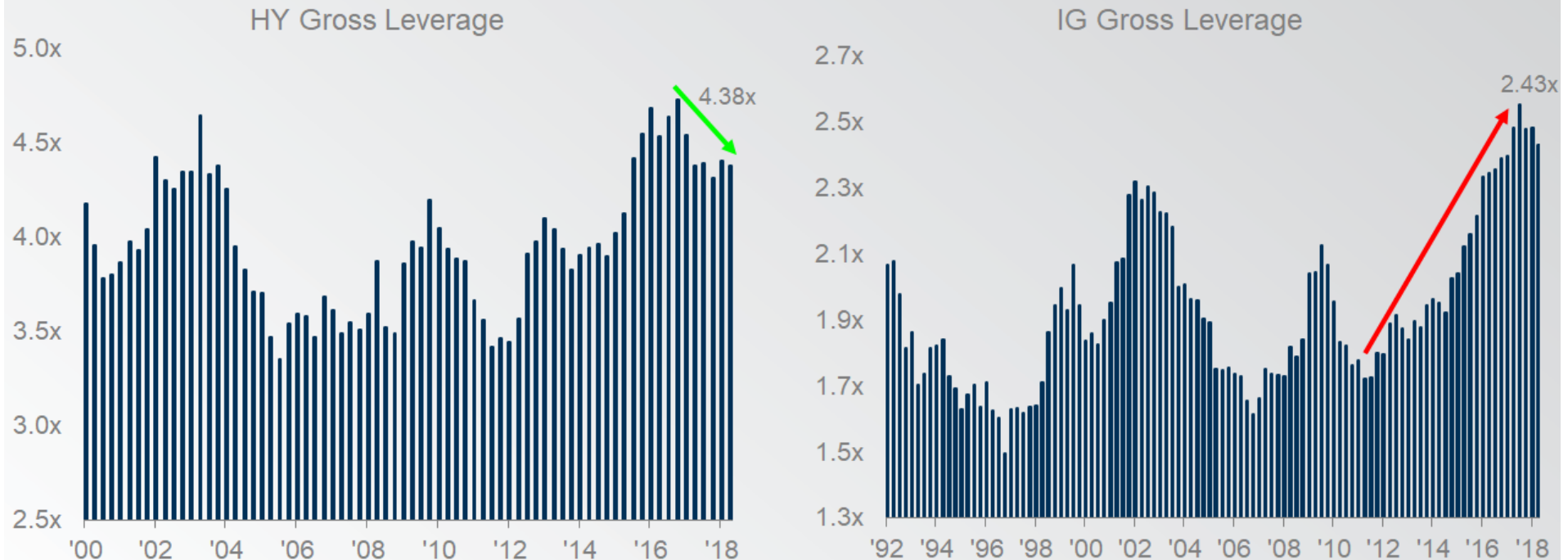
FOR INSTITUTIONAL USE ONLY. NOT FOR PUBLIC DISTRIBUTION.

Yield Curve Update



Corporate Bond Market Update

GROSS LEVERAGE: HIGH-YIELD BONDS VS IG BONDS



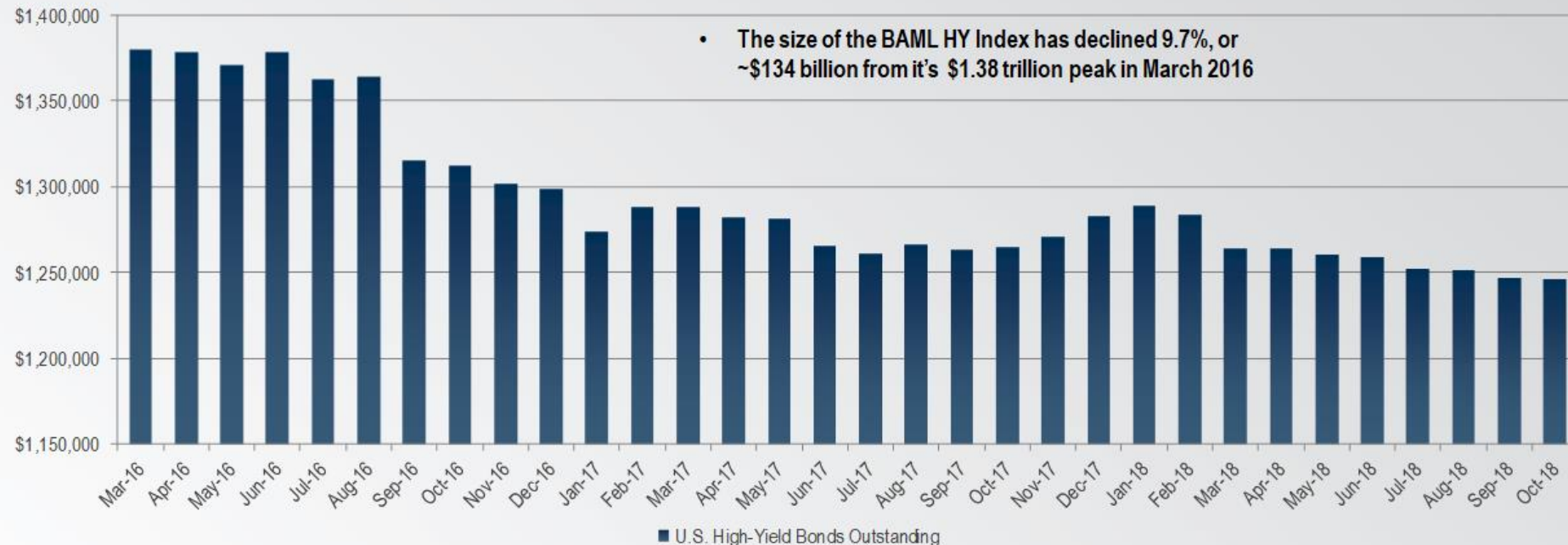
Source: Morgan Stanley Research
Past performance is no guarantee of future results.

FOR INSTITUTIONAL USE ONLY. NOT FOR PUBLIC DISTRIBUTION.

Corporate Bond Market Update

HIGH-YIELD BOND MARKET SIZE OVER TIME

TOTAL PAR AMOUNT OUTSTANDING



Source: Standard & Poor's Leveraged Loan Commentary and Data. Data through October 2018. High-yield bonds are represented by the ICE BofAML US High Yield Constrained Index (HUC0). This chart is for illustrative purposes only and not indicative of any fund.

Where Are the Opportunities in Fixed Income?

YTD TOTAL RETURN COMPARISON

Range	12/29/2017	-	11/27/2018	Period	Daily	No. of Period	333 Day(s)	Table
Security	Currency	Price Change	Total Return	Difference	Annual Eq			
1) SPBDAL Index	USD	3.35%	3.35%	--	3.68%			
2) HUCO Index	USD	-.53%	-.53%	-3.88%	-.58%			
3) MOAO Index	USD	-1.09%	-1.09%	-4.44%	-1.20%			
4) LBUSTRUU Index	USD	-1.93%	-1.93%	-5.28%	-2.11%			
5) COAO Index	USD	-3.63%	-3.63%	-6.98%	-3.97%			
6)								



Source: Bloomberg, L.P.
Past performance is no guarantee of future results.

FOR INSTITUTIONAL USE ONLY. NOT FOR PUBLIC DISTRIBUTION.