Credit Market Research

Sentiment Lifts Among Senior U.S. Fixed Income Investors — Credit Outlook on the Mend

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Summary

Following undoubtedly the most difficult period in the financial markets in decades, accompanied by rapidly declining fundamentals and limited visibility on the economic front, investor confidence plunged in early 2009. The January edition of the Fitch Ratings/Fixed Income Forum Survey of Senior Investors painted a very grim picture of the global economy and the outlook for the credit markets. At mid-year, however, a new survey reveals a much improved outlook from these professional money managers — a far less dire view of the global recession and its impact, more concern about government intervention than arguably more serious event risks such as the collapse of a financial institution, a returned focus on inflation rather than deflation, and in some pockets of the credit markets, optimism for improving credit conditions over the coming year.

Overview

The Fitch Ratings/Fixed Income Forum Survey is designed to provide insight into the opinions of professional money managers on the state of U.S. credit markets. In carrying out this survey, the seventh in the series, a wide range of senior investment personnel (131 in total) were queried with respect to matters involving the economy, fundamental credit conditions across various asset classes and sectors, corporate strategies, and other relevant topics. While select responses are discussed below, full survey results can be found in the Appendix on page 10.

June 2009 Survey Highlights

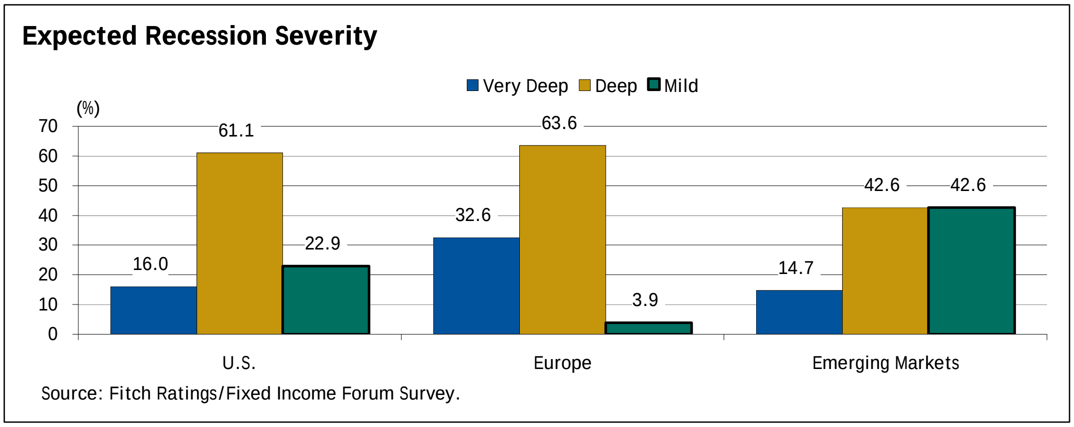
- The June survey revealed a gloomy but substantially less negative view of the global economic downturn. The share of respondents placing the global recession's severity at very deep fell across all regions, especially with respect to the U.S. and emerging markets. In fact, at least 23% of the respondents now believe that the recession in the U.S. will be mild going forward (up from 2% in the January survey), and 43% expressed such a view for emerging markets (up from 8% in January). The outlook for Europe improved but remained the most negative, with 33% of investors expecting a very deep recession, roughly double the U.S. and emerging markets share. The economic downturn in Europe is also expected to last longer, with more than 50% of investors placing its duration at two years or longer.
- Survey respondents continued to hold more positive views for stability in the credit markets in 2009 than for near-term stability in either housing conditions or banks' willingness to lend.
- Similar to the January survey, there was little debate regarding the importance of home price stabilization or an economic rebound as factors critical to the normal functioning of the credit markets. Interestingly, and very likely a result of the extent to which the market anxiety has lifted from the depths of early 2009, the June survey showed less receptivity toward government initiatives. When asked about the relevance of government-driven mortgage remedies, another round of

fiscal stimulus or the expanded role of the Federal Reserve in the credit markets, more investors than in the January survey placed these in the "Not Important" or "Harmful" categories. In particular, 41% placed government-driven mortgage remedies as not important or harmful (up from 30% in January); 54% expressed this view regarding the expanded role of the Federal Reserve (up from 33% in January); and 55% held this view on the issue of fiscal stimulus (up from just 23% in January).

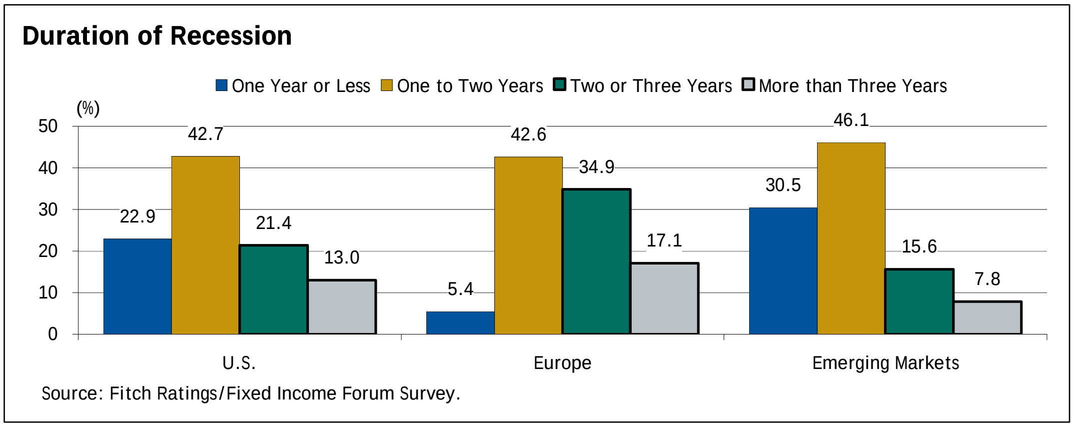
- Further on the macroeconomic front, the January survey showed a split view on the greater risk going forward: inflation or deflation. However, in the June survey there was a clear bias with inflation earning 71% of investor votes and deflation less than 30%.
- As with prior surveys, the respondents were asked to comment on fundamental credit conditions in specific investment areas and industries. In a number of cases, responses here showed the most meaningful departure from recent surveys and to the upside. Importantly, 64% of investors believe that fundamental credit conditions will improve in the investment grade corporate sector, either moderately or significantly over the coming year. This share doubled from the January survey and was the highest tally by far in nearly two years. Even in the high yield corporate space, 40% of respondents expect some improvement over the coming year — again, the highest tally recorded in nearly two years. More surprising, the share of investors expecting some credit improvement in asset-backed securities (ABS) also doubled (from 20% to 46%). The hard-hit areas of mortgage-backed securities and collateralized debt obligations (CDOs) saw fewer votes for continued credit deterioration than in the January survey. Commercial mortgage-backed securities (CMBS), however, saw expectations for significant credit deterioration increase from 37% in the January survey to 44%.
- An improved credit outlook reappeared in responses specific to U.S. corporate sectors. Across all industries, the latest survey showed the most positive view of fundamental conditions in nearly two years. The most dramatic finding: 49% of respondents believe consumer cyclical industries will show some improvement over the coming year, up from 10% in the January survey, and, for perspective, just 4% in the January 2008 Fitch Ratings / Fixed Income Forum survey. In addition, 77% saw an improvement in energy, up from 20% in January (this response is arguably tied to a view of higher oil prices and also likely related to the response on inflation noted above). Investor views surrounding financials were especially bullish, with 78% expecting some improvement compared with 40% in the January survey. Also of note, 44% and 63% saw improvement in industrial/manufacturing and basic materials, respectively, up from roughly 12% across both in the January survey. Even the troubled area of media/broadcasting saw a meaningful positive shift, with 32% of investors expecting some improvement, up from 3% in the last survey.
- When asked to comment on the direction of the trailing 12-month U.S. high yield default rate, which has soared to over 10% in the past year from just 1% in early 2008, the responses also improved, although clearly from a different vantage point. Of the investors surveyed, 45% expect the default rate over the coming year to either remain the same or move moderately lower, and just 9% believe the rate will move significantly higher. This is in stark contrast to the last survey when no one believed that the rate would contract and 53% believed the rate would move significantly higher (and, in fact, it did). Nearly 50% of the investors surveyed also expressed a view that corporate leverage would move lower over the coming year. Responses surrounding fundamental conditions and the use of cash suggest that investors believe this will be a product of improving profitability and outright debt reduction.

- Relative to the January survey and certainly in keeping with results discussed above, responses regarding the use of cash by corporations reflected a slightly less conservative bias, with a moderate increase in the number of investors expecting more cash for growth activities such as capital expenditures and mergers and acquisitions, and even a small increase for share repurchases. However the two strategies that continued to receive by far the most votes as a meaningful use of cash remained "maintain a cash cushion" and "debt reduction."
- When asked to evaluate event risks over the coming year, there were several notable differences relative to the last survey. Fewer investors than in the January survey placed either a hedge fund collapse or the failure of a financial institution as a high risk to the credit markets, while 60% expressed deep concern at the possible unintended consequences of new regulation or legislation. In addition, while 57% of respondents to the January survey saw banks' reluctance to lend as a high risk, only 27% held that view in the recent survey. This response complements the view of improving fundamental conditions in the banking sector noted above and the opinion that banks' willingness to lend will stabilize over the next nine months.
- Investors surveyed remained bullish on expectations for a continued increase in investment grade corporate issuance in 2009. Most also expect volume to rebound in the speculative grade corporate, residential mortgage-backed and asset-backed sectors sometime before the second quarter of 2010. However, they remained far less optimistic about CMBS and CDOs, with the vast majority not expecting issuance to rebound in the coming year. In addition, the CMBS sector received the most votes for spreads widening over the coming year, while, in keeping with responses throughout the survey, the investment grade sector received the most votes for spreads tightening going forward. In fact, even at the speculative grade level, nearly 50% of investors surveyed believe spreads will tighten over the coming year.
- The appeal of credit derivatives continued to slip in the recent survey, with only 15% of investors believing that their firms would either modestly or significantly increase their use of derivatives, down from 22% in the January survey and 34% in June of 2008.

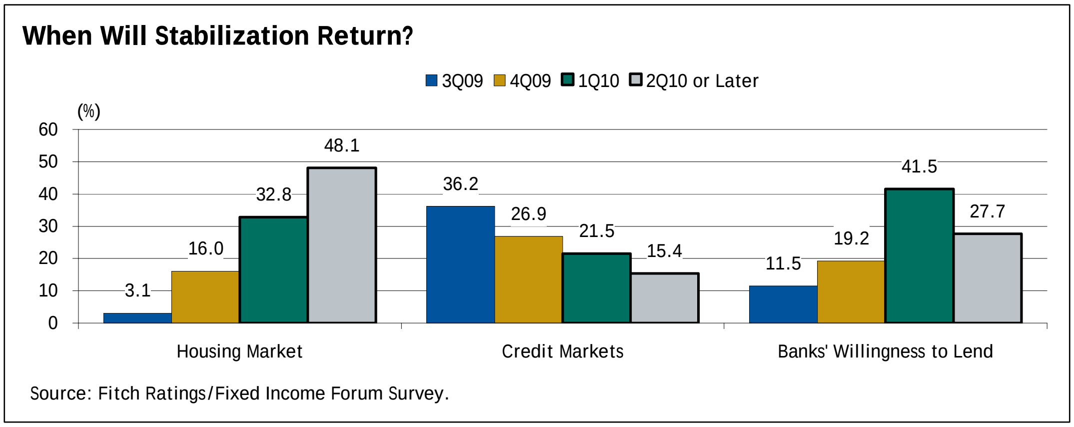
Economic Outlook Still Gloomy but Less Dire



Recession Expected to Last Longer in Europe

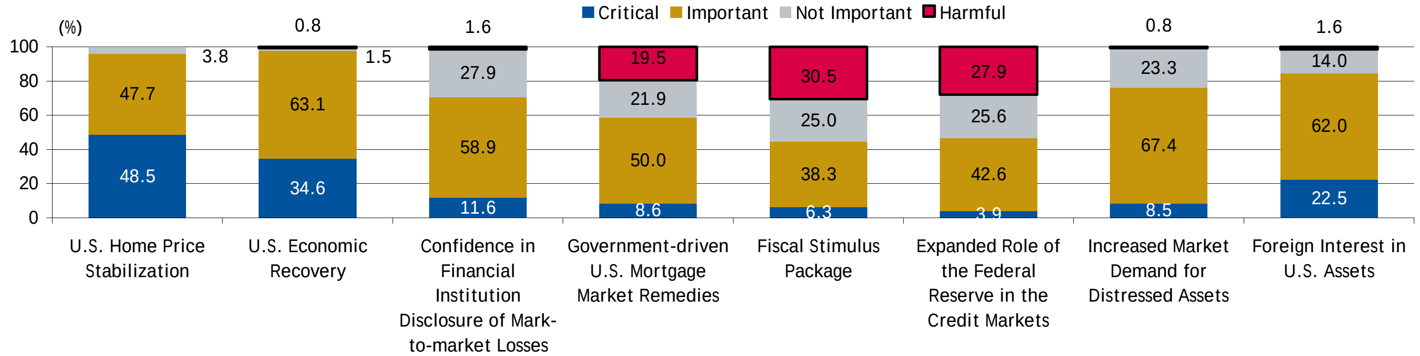


Stable Housing and Lending Conditions No Earlier than 2010



Skepticism Returns on the Role of Government

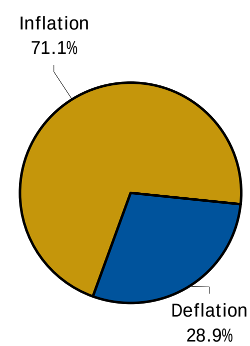
Factors Relevant to Bringing Back Stability to the Credit Markets



Source: Fitch Ratings/Fixed Income Forum Survey.

The Inflation/Deflation Debate Finds a Clear Direction

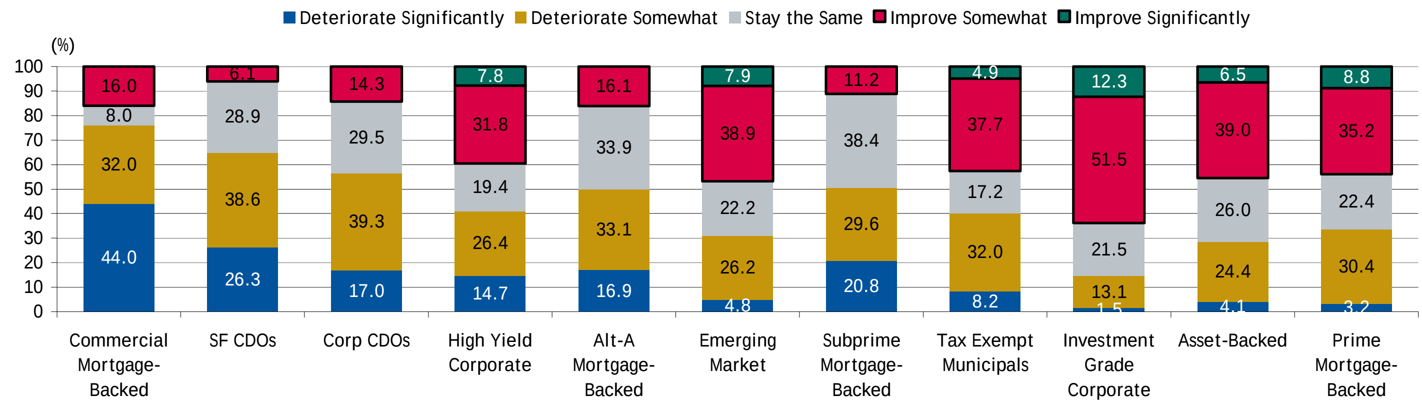
Probability of Inflation/Deflation in Future



Source: Fitch Ratings/Fixed Income Forum Survey.

Improving Credit Conditions Makes a Long-Awaited Return in Multiple Investment Areas

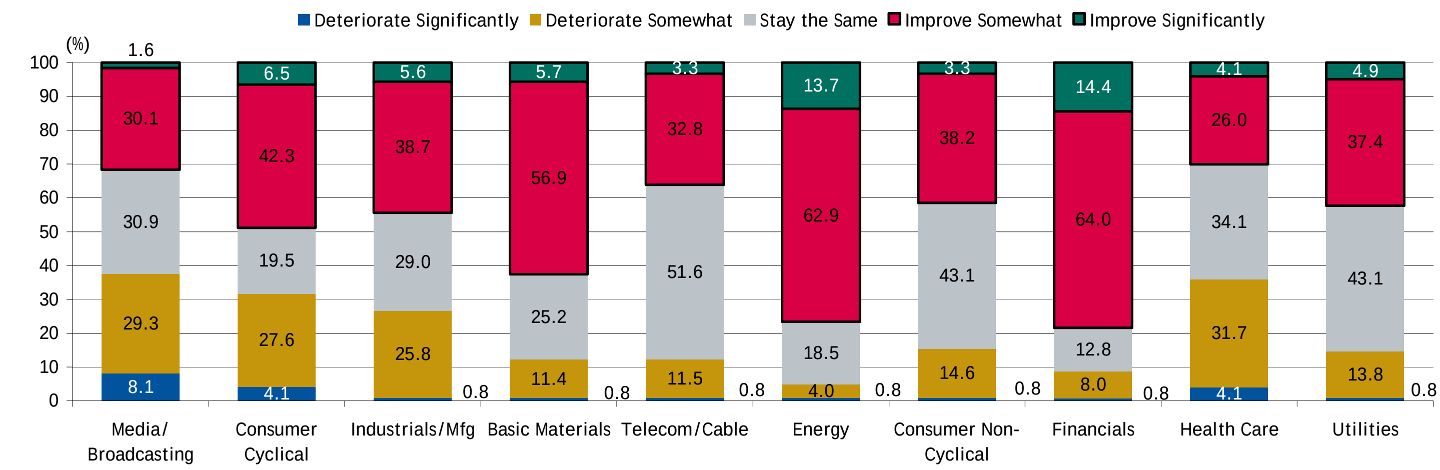
View of Fundamental Credit Conditions



Source: Fitch Ratings/Fixed Income Forum Survey.

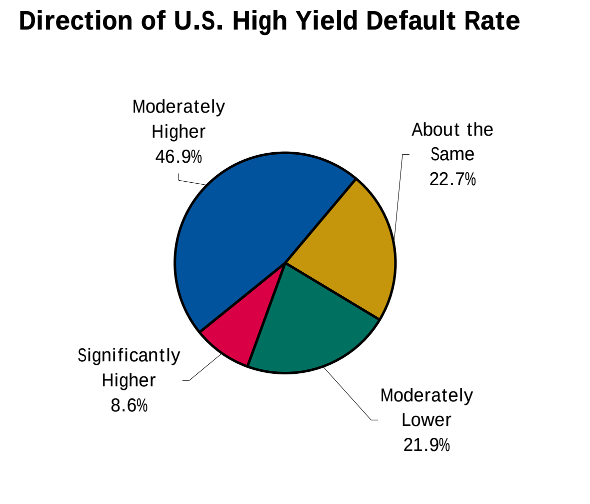
Nearly All Corporate Sectors Expected to See Some Improvement Over Coming Year

Outlook for U.S. Corporate Sectors

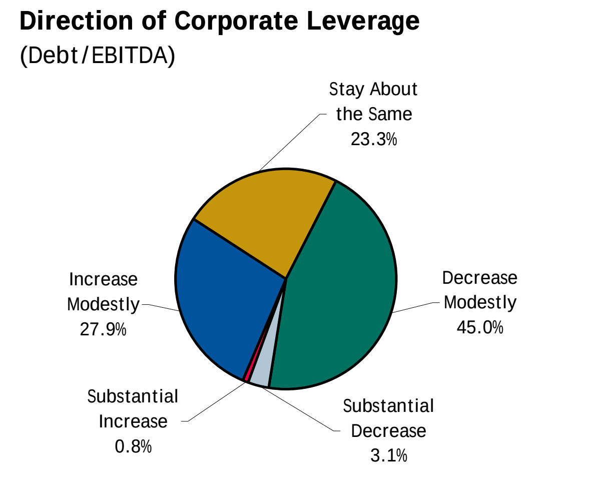


Source: Fitch Ratings/Fixed Income Forum Survey.

High Yield Default Rate and Corporate Leverage May Be Close to Peak

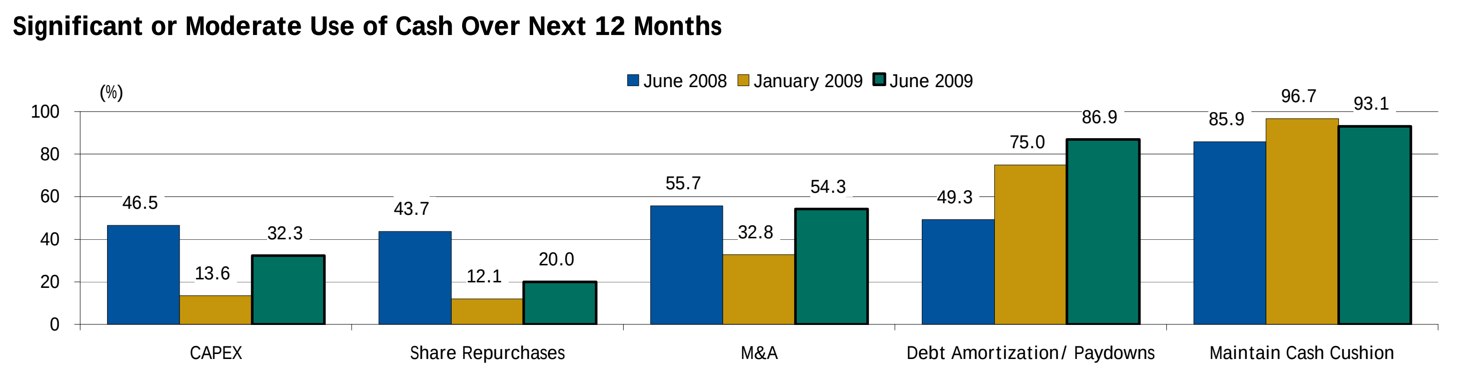


Source: Fitch Ratings/Fixed Income Forum Survey.



Source: Fitch Ratings/Fixed Income Forum Survey.

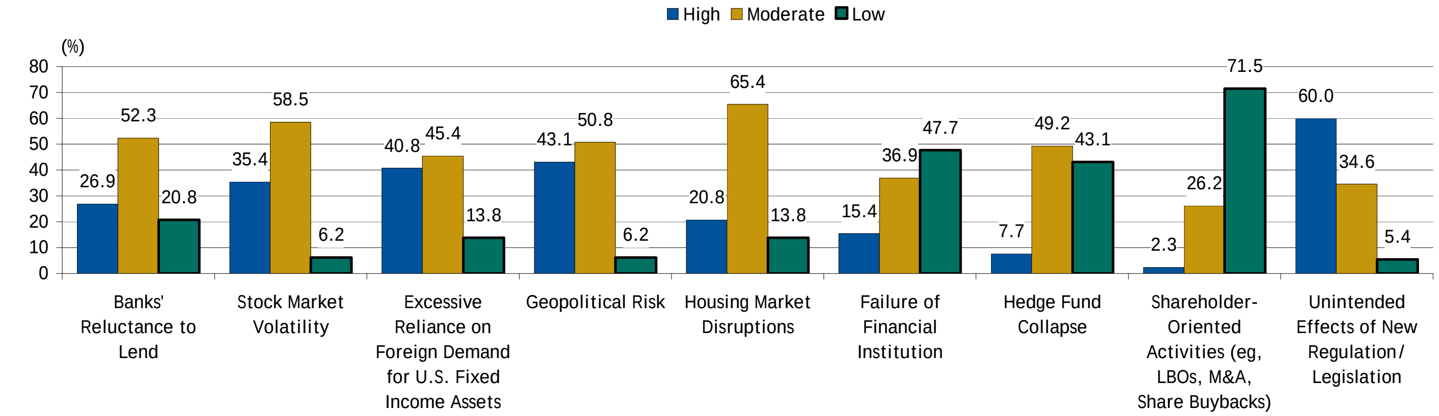
Conservatism Still Leads in Cash Management but Growth-Oriented Activities Expected to See More Activity



Source: Fitch Ratings/Fixed Income Forum Survey.

More Anxiety Surrounding Unintended Effects of Government Intervention than Hedge Fund or Financial Institution Collapse

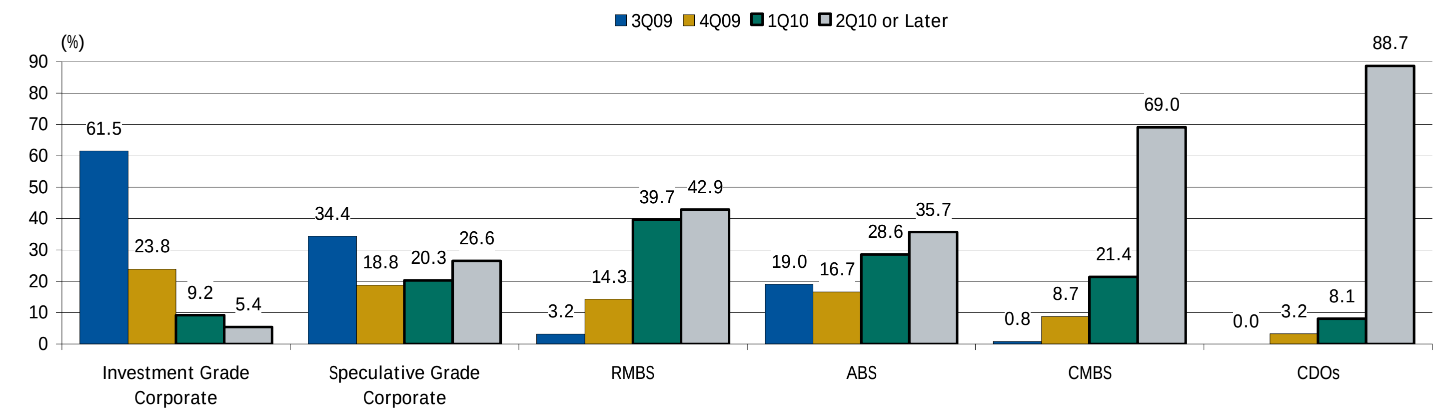
Risk Posed by Current and Potential Market Events



Source: Fitch Ratings/Fixed Income Forum Survey.

No Issuance Rebound for CMBS or CDOs in the Coming Year

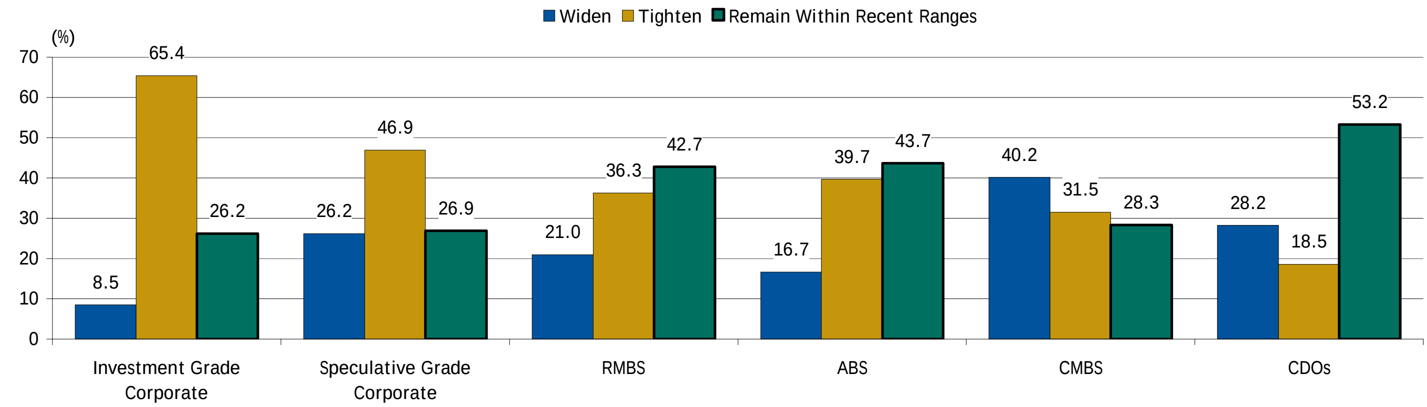
When Will Issuance Rebound?



Source: Fitch Ratings/Fixed Income Forum Survey.

Mixed Views on Spreads but Bullish Sentiment Continues for High Grade Corporates

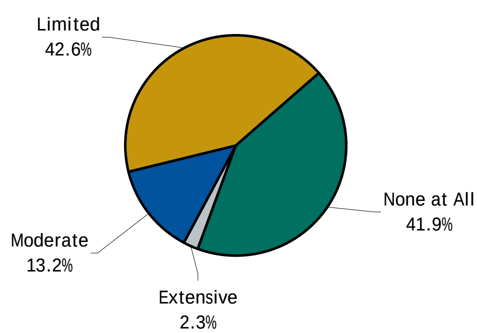
Expected Spread Movement



Source: Fitch Ratings/Fixed Income Forum Survey.

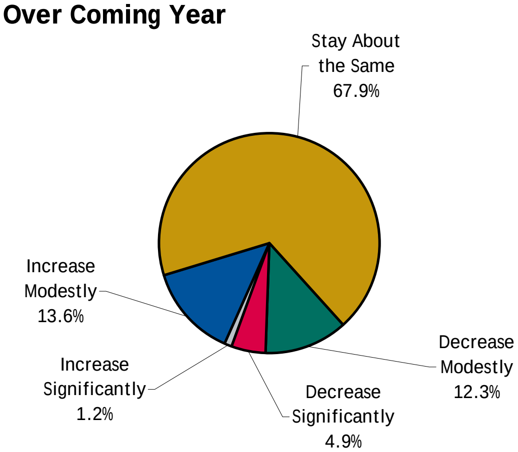
Enthusiasm for Credit Derivatives Dips Further

How Would You Describe Your Firm's Current Use of Derivatives?



Source: Fitch Ratings/Fixed Income Forum Survey.

Respondents' Anticipated Derivative Usage Over Coming Year



Source: Fitch Ratings/Fixed Income Forum Survey.

Appendix

Fitch Ratings/Fixed Income Forum Survey of Senior Investors
(%)

Which of the following best describes your firm?

	1/08	6/08	1/09	6/09
Bank	4.5	2.8	3.3	11.5
Foundation or Endowment	1.1	1.4	0.0	0.8
Hedge Fund	4.5	4.2	1.6	3.1
Insurance Company	23.9	29.2	32.8	32.1
Pension Fund	5.7	5.6	8.2	7.6
Traditional Asset Management Firm	60.2	56.9	54.1	45.0
Total	**100.0**	**100.0**	**100.0**	**100.0**

Which of the following best describes the amount of fixed income assets under management at your firm?

	1/08	6/08	1/09	6/09
Up to $20 Bil.	26.1	27.8	23.0	44.3
$20-$50 Bil.	11.4	8.3	13.1	16.0
$50-$100 Bil.	20.5	20.8	26.2	16.8
Over $100 Bil.	42.0	43.1	37.7	22.9
Total	**100.0**	**100.0**	**100.0**	**100.0**

What type of recession will affect the following regions over the next 12 months?

	U.S.		Europe		Emerging Markets	
	1/09	**6/09**	**1/09**	**6/09**	**1/09**	**6/09**
Very Deep	49.2	16.0	52.5	32.6	42.6	14.7
Deep	49.2	61.1	45.9	63.6	49.2	42.6
Mild	1.6	22.9	1.6	3.9	8.2	42.6
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Going forward, how long will the economic recession impact the following regions?

	U.S.		Europe		Emerging Markets	
	1/09	**6/09**	**1/09**	**6/09**	**1/09**	**6/09**
One Year or Less	24.6	22.9	4.9	5.4	19.7	30.5
One to Two Years	52.5	42.7	59.0	42.6	47.5	46.1
Two or Three Years	14.8	21.4	29.5	34.9	21.3	15.6
More Than Three Years	8.2	13.0	6.6	17.1	11.5	7.8
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

When do you expect the following will stabilize?

	Housing Market 6/09	Credit Markets 6/09	Banks' Willingness to Lend 6/09
Q3 2009	3.1	36.2	11.5
Q4 2009	16.0	26.9	19.2
Q1 2010	32.8	21.5	41.5
Q2 2010 or Later	48.1	15.4	27.7
Total	**100.0**	**100.0**	**100.0**

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Fitch Ratings/Fixed Income Forum Survey of Senior Investors (Cont.)

How important are the following in the context of bringing back stability to the credit markets?

	U.S. Home Price Stabilization				U.S. Economic Recovery				Government-Driven U.S. Mortgage-Market Remedies (e.g. Rate Freezes, etc.)				Confidence in Financial Institution Disclosure of Mark-to-market Losses			
	1/08	**6/08**	**1/09**	**6/09**	**1/08**	**6/08**	**1/09**	**6/09**	**1/08**	**6/08**	**1/09**	**6/09**	**1/08**	**6/08**	**1/09**	**6/09**
Critical	23.0	34.7	55.7	48.5	12.6	28.2	30.0	34.6	8.0	2.8	14.8	8.6	54.5	43.1	27.9	11.6
Important	67.8	59.7	41.0	47.7	49.4	63.4	63.3	63.1	26.1	25.0	55.7	50.0	39.8	48.6	57.4	58.9
Not Important	8.0	5.6	3.3	3.8	32.2	7.0	6.7	1.5	37.5	25.0	13.1	21.9	4.5	8.3	13.1	27.9
Harmful	1.1	0.0	0.0	0.0	5.7	1.4	0.0	0.8	28.4	47.2	16.4	19.5	1.1	0.0	1.6	1.6
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Foreign Interest in U.S. Assets				Increased Market Demand for Distressed Assets				Expanded Role of the Federal Reserve in the Credit Markets			Fiscal Stimulus Package		
	1/08	**6/08**	**1/09**	**6/09**	**1/08**	**6/08**	**1/09**	**6/09**	**6/08**	**1/09**	**6/09**	**6/08**	**1/09**	**6/09**
Critical	11.4	15.5	9.8	22.5	11.5	12.5	13.1	8.5	2.8	8.2	3.9	1.4	29.5	6.3
Important	58.0	66.2	73.8	62.0	67.8	55.6	70.5	67.4	22.5	59.0	42.6	31.4	47.5	38.3
Not Important	29.5	18.3	16.4	14.0	20.7	30.6	16.4	23.3	47.9	16.4	25.6	51.4	14.8	25.0
Harmful	1.1	0.0	0.0	1.6	0.0	1.4	0.0	0.8	26.8	16.4	27.9	15.7	8.2	30.5
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Which is a greater risk going forward?

	1/09	**6/09**
Inflation	45.9	71.1
Deflation	54.1	28.9
Total	**100.0**	**100.0**

Over the next 12 months, fundamental credit conditions in the following U.S. asset classes will:

	Investment Grade Corporate				High Yield Corporate				Asset-Backed				Prime Mortgage-Backed			
	1/08	**6/08**	**1/09**	**6/09**	**1/08**	**6/08**	**1/09**	**6/09**	**1/08**	**6/08**	**1/09**	**6/09**	**1/08**	**6/08**	**1/09**	**6/09**
Deteriorate Significantly	6.8	2.8	6.7	1.5	49.4	38.9	56.7	14.7	13.6	8.3	20.3	4.1	2.3	5.6	3.4	3.2
Deteriorate Somewhat	70.5	50.0	53.3	13.1	44.8	48.6	16.7	26.4	51.1	44.4	30.5	24.4	48.3	40.8	37.3	30.4
Stay the Same	9.1	18.1	5.0	21.5	2.3	5.6	3.3	19.4	18.2	25.0	28.8	26.0	23.0	21.1	23.7	22.4
Improve Somewhat	11.4	29.2	25.0	51.5	3.4	6.9	15.0	31.8	14.8	22.2	16.9	39.0	21.8	29.6	30.5	35.2
Improve Significantly	2.3	0.0	10.0	12.3	0.0	0.0	8.3	7.8	2.3	0.0	3.4	6.5	4.6	2.8	5.1	8.8
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Alt-A Mortgage-Backed				Subprime Mortgage-Backed				Commercial Mortgage-Backed				SF CDOs			
	1/08	**6/08**	**1/09**	**6/09**	**1/08**	**6/08**	**1/09**	**6/09**	**1/08**	**6/08**	**1/09**	**6/09**	**1/08**	**6/08**	**1/09**	**6/09**
Deteriorate Significantly	24.1	31.4	28.3	16.9	29.9	31.9	25.4	20.8	12.6	8.5	36.7	44.0	43.0	35.3	37.0	26.3
Deteriorate Somewhat	51.7	45.7	45.0	33.1	50.6	37.7	37.3	29.6	71.3	60.6	56.7	32.0	39.5	35.3	42.6	38.6
Stay the Same	16.1	12.9	10.0	33.9	14.9	18.8	25.4	38.4	9.2	16.9	0.0	8.0	12.8	25.0	20.4	28.9
Improve Somewhat	6.9	10.0	15.0	16.1	4.6	11.6	10.2	11.2	5.7	12.7	5.0	16.0	4.7	4.4	0.0	6.1
Improve Significantly	1.1	0.0	1.7	0.0	0.0	0.0	1.7	0.0	1.1	1.4	1.7	0.0	0.0	0.0	0.0	0.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

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Fitch Ratings/Fixed Income Forum Survey of Senior Investors (Cont.)

Over the next 12 months, fundamental credit conditions in the following U.S. asset classes will:

	Corp. CDOs				Emerging Markets				Tax-Exempt Municipals		
	1/08	**6/08**	**1/09**	**6/09**	**1/08**	**6/08**	**1/09**	**6/09**	**6/08**	**1/09**	**6/09**
Deteriorate Significantly	19.5	20.6	33.9	17.0	2.3	5.7	33.9	4.8	1.5	11.9	8.2
Deteriorate Somewhat	56.3	51.5	41.1	39.3	53.4	42.9	35.6	26.2	27.9	50.8	32.0
Stay the Same	14.9	17.6	23.2	29.5	40.9	41.4	20.3	22.2	35.3	20.3	17.2
Improve Somewhat	8.0	10.3	1.8	14.3	3.4	10.0	10.2	38.9	32.4	13.6	37.7
Improve Significantly	1.1	0.0	0.0	0.0	0.0	0.0	0.0	7.9	2.9	3.4	4.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Over the next 12 months, fundamental credit conditions in the following U.S. industries will:

	Consumer Cyclical				Consumer Non-Cyclical				Energy			
	1/08	**6/08**	**1/09**	**6/09**	**1/08**	**6/08**	**1/09**	**6/09**	**1/08**	**6/08**	**1/09**	**6/09**
Deteriorate Significantly	24.7	30.0	46.7	4.1	2.4	4.3	1.7	0.8	1.2	0.0	5.1	0.8
Deteriorate Somewhat	68.2	60.0	35.0	27.6	41.2	45.7	45.0	14.6	31.0	24.3	42.4	4.0
Stay the Same	3.5	4.3	8.3	19.5	49.4	38.6	33.3	43.1	45.2	52.9	32.2	18.5
Improve Somewhat	3.5	5.7	8.3	42.3	5.9	10.0	18.3	38.2	21.4	21.4	18.6	62.9
Improve Significantly	0.0	0.0	1.7	6.5	1.2	1.4	1.7	3.3	1.2	1.4	1.7	13.7
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Financials				Health Care			
	1/08	**6/08**	**1/09**	**6/09**	**1/08**	**6/08**	**1/09**	**6/09**
Deteriorate Significantly	13.8	5.7	13.3	0.8	1.2	0.0	3.3	4.1
Deteriorate Somewhat	42.5	40.0	31.7	8.0	14.5	26.1	31.7	31.7
Stay the Same	6.9	10.0	15.0	12.8	61.4	56.5	45.0	34.1
Improve Somewhat	31.0	44.3	35.0	64.0	21.7	17.4	18.3	26.0
Improve Significantly	5.7	0.0	5.0	14.4	1.2	0.0	1.7	4.1
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Industrials/Manufacturing				Telecommunications/Cable				Media/Broadcasting			
	1/08	**6/08**	**1/09**	**6/09**	**1/08**	**6/08**	**1/09**	**6/09**	**1/08**	**6/08**	**1/09**	**6/09**
Deteriorate Significantly	3.5	0.0	11.7	0.8	1.2	0.0	1.7	0.8	2.4	1.4	28.8	8.1
Deteriorate Somewhat	60.0	55.1	65.0	25.8	33.7	29.0	48.3	11.5	51.2	42.0	54.2	29.3
Stay the Same	24.7	24.6	11.7	29.0	54.2	47.8	37.9	51.6	33.3	46.4	13.6	30.9
Improve Somewhat	11.8	20.3	10.0	38.7	10.8	23.2	10.3	32.8	10.7	10.1	1.7	30.1
Improve Significantly	0.0	0.0	1.7	5.6	0.0	0.0	1.7	3.3	2.4	0.0	1.7	1.6
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Basic Materials				Utilities			
	1/08	**6/08**	**1/09**	**6/09**	**1/08**	**6/08**	**1/09**	**6/09**
Deteriorate Significantly	4.8	10.1	31.7	0.8	0.0	0.0	1.7	0.8
Deteriorate Somewhat	54.8	44.9	38.3	11.4	18.8	15.9	20.0	13.8
Stay the Same	23.8	20.3	18.3	25.2	60.0	59.4	65.0	43.1
Improve Somewhat	14.3	24.6	10.0	56.9	20.0	23.2	11.7	37.4
Improve Significantly	2.4	0.0	1.7	5.7	1.2	1.4	1.7	4.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

How do you expect the default rate over the next 12 months to compare to the current trailing 12-month default rate of 13.2%?

	1/08	**6/08**	**1/09**	**6/09**
Significantly Higher	48.9	40.8	52.5	8.6
Moderately Higher	51.1	57.7	42.6	46.9
About the Same	0.0	1.4	4.9	22.7
Moderately Lower	0.0	0.0	0.0	21.9
Significantly Lower	0.0	0.0	0.0	0.0
Total	**100.0**	**100.0**	**100.0**	**100.0**

Over the next 12 months do you expect corporate leverage (debt/EBITDA) to:

	1/08	**6/08**	**1/09**	**6/09**
Increase Substantially	11.5	5.7	25.0	0.8
Increase Modestly	54.0	70.0	43.3	27.9
Stay About the Same	16.1	11.4	11.7	23.3
Decrease Modestly	17.2	11.4	18.3	45.0
Decrease Substantially	1.1	1.4	1.7	3.1
Total	**100.0**	**100.0**	**100.0**	**100.0**

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Fitch Ratings/Fixed Income Forum Survey of Senior Investors (Cont.)

Over the next 12 months, how do you expect U.S. firms to use cash?

	Capital Expenditures				Share Repurchases				Dividends				Mergers and Acquisitions			
	1/08	6/08	1/09	6/09	1/08	6/08	1/09	6/09	1/08	6/08	1/09	6/09	1/08	6/08	1/09	6/09
Significant	1.2	1.4	0.0	1.5	12.8	7.0	0.0	4.6	3.5	4.3	0.0	0.0	1.2	5.7	0.0	3.1
Moderate	48.8	45.1	13.6	30.8	38.4	36.6	12.1	15.4	47.7	42.9	20.3	19.2	49.4	50.0	32.8	51.2
Limited	50.0	50.7	78.0	63.8	44.2	47.9	50.0	55.4	46.5	51.4	66.1	69.2	47.1	41.4	56.9	39.5
Not at All	0.0	2.8	8.5	3.8	4.7	8.5	37.9	24.6	2.3	1.4	13.6	11.5	2.4	2.9	10.3	6.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Debt Amortizations/Paydowns				Maintain Cash Cushion			
	1/08	6/08	1/09	6/09	1/08	6/08	1/09	6/09
Significant	4.7	5.6	26.7	30.8	27.9	36.6	65.6	50.8
Moderate	50.0	43.7	48.3	56.2	51.2	49.3	31.1	42.3
Limited	38.4	43.7	20.0	10.8	19.8	12.7	3.3	6.9
Not at All	7.0	7.0	5.0	2.3	1.2	1.4	0.0	0.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Please rate the degree of risk posed by the following factors to the U.S. credit markets over the next 12 months.

	Hedge Fund Collapse				Geopolitical Risk				Housing Market Disruptions				Stock Market Volatility	
	1/08	6/08	1/09	6/09	1/08	6/08	1/09	6/09	1/08	6/08	1/09	6/09	1/09	6/09
High	20.5	18.3	19.7	7.7	30.7	16.9	31.7	43.1	44.3	25.4	26.2	20.8	38.3	35.4
Moderate	58.0	52.1	65.6	49.2	55.7	67.6	53.3	50.8	48.9	62.0	60.7	65.4	56.7	58.5
Low	21.6	29.6	14.8	43.1	13.6	15.5	15.0	6.2	6.8	12.7	13.1	13.8	5.0	6.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Excessive Reliance on Foreign Demand for U.S. Fixed Income Assets				Failure of Financial Institution				Banks' Reluctance to Lend				Shareholder-Oriented Activities (e.g., LBOs, M&A, Share Buybacks)			
	1/08	6/08	1/09	6/09	1/08	6/08	1/09	6/09	1/08	6/08	1/09	6/09	1/08	6/08	1/09	6/09
High	11.4	21.7	34.4	40.8	31.8	28.2	21.3	15.4	14.8	10.0	57.4	26.9	3.4	1.4	3.3	2.3
Moderate	62.5	50.7	47.5	45.4	39.8	42.3	42.6	36.9	50.0	55.7	37.7	52.3	38.6	38.0	19.7	26.2
Low	26.1	27.5	18.0	13.8	28.4	29.6	36.1	47.7	35.2	34.3	4.9	20.8	58.0	60.6	77.0	71.5
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Unintended Effects of New Regulation/Legislation
	6/09
High	60.0
Moderate	34.6
Low	5.4
Total	**100.0**

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Fitch Ratings/Fixed Income Forum Survey of Senior Investors (Cont.)

When do you expect issuance to rebound for the following categories?

	Investment Grade Corporate 6/09	Speculative Grade Corporate 6/09	RMBS 6/09	ABS 6/09	CMBS 6/09	CDOs 6/09
3Q09	61.5	34.4	3.2	19.0	0.8	0.0
4Q09	23.8	18.8	14.3	16.7	8.7	3.2
1Q10	9.2	20.3	39.7	28.6	21.4	8.1
2Q10 or Later	5.4	26.6	42.9	35.7	69.0	88.7
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

What is your expectation for spread movement over the next 12 months in these areas?

	Investment Grade Corporate		Speculative Grade Corporate		RMBS		ABS		CMBS		CDOs	
	1/09	6/09	1/09	6/09	1/09	6/09	1/09	6/09	1/09	6/09	1/09	6/09
Widen	10.0	8.5	28.3	26.2	10.0	21.0	8.3	16.7	31.7	40.2	36.2	28.2
Tighten	71.7	65.4	33.3	46.9	51.7	36.3	55.0	39.7	38.3	31.5	10.3	18.5
Remain Within Recent Ranges	18.3	26.2	38.3	26.9	38.3	42.7	36.7	43.7	30.0	28.3	53.4	53.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

How would you describe your firm's current use of credit derivatives?

	1/08	6/08	1/09	6/09
Extensive	12.5	15.5	3.3	2.3
Moderate	36.4	35.2	31.1	13.2
Limited	51.1	49.3	65.6	42.6
None at All	0.0	0.0	0.0	41.9
Total	**100.0**	**100.0**	**100.0**	**100.0**

To what extent do you expect your firm to modify its use of credit derivatives over the next year?

	1/08	6/08	1/09	6/09
Increase Significantly	4.5	2.9	6.1	1.2
Increase Modestly	51.1	31.4	16.3	13.6
Stay About the Same	40.9	61.4	57.1	67.9
Decrease Modestly	2.3	2.9	14.3	12.3
Decrease Significantly	1.1	1.4	6.1	4.9
Total	**100.0**	**100.0**	**100.0**	**100.0**

How would you characterize your firm's use of credit derivatives for the following purposes?

	Hedging				Diversification				Alternative Asset Class				Short-Term Trading			
	1/08	6/08	1/09	6/09	1/08	6/08	1/09	6/09	1/08	6/08	1/09	6/09	1/08	6/08	1/09	6/09
Extensive	10.5	20.3	8.5	7.0	4.7	5.3	1.7	0.0	8.2	8.6	0.0	0.0	4.7	8.6	0.0	0.0
Moderate	27.9	35.6	33.9	23.3	29.1	31.6	23.7	13.4	11.8	15.5	19.0	12.0	22.1	29.3	15.3	7.1
Limited	40.7	30.5	32.2	21.7	33.7	31.6	32.2	26.8	35.3	31.0	20.7	19.2	37.2	20.7	27.1	18.9
Not at All	20.9	13.6	25.4	48.1	32.6	31.6	42.4	59.8	44.7	44.8	60.3	68.8	36.0	41.4	57.6	74.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Long/Short Strategies				High Yield Exposure				Capital Structure Arbitrage			
	1/08	6/08	1/09	6/09	1/08	6/08	1/09	6/09	1/08	6/08	1/09	6/09
Extensive	10.5	13.8	0.0	0.0	4.7	5.4	0.0	1.6	5.8	5.3	0.0	0.0
Moderate	32.6	27.6	22.0	15.6	22.1	26.8	8.5	8.7	12.8	5.3	3.4	1.6
Limited	18.6	24.1	28.8	18.0	30.2	21.4	32.2	17.3	26.7	42.1	23.7	19.7
Not at All	38.4	34.5	49.2	66.4	43.0	46.4	59.3	72.4	54.7	47.4	72.9	78.7
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**