

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

The majority of equity indexes ended the Presidents' Day holiday shortened week in positive territory. Following an earnings miss from Wal-Mart early in the week and business details that disappointed investors, the broader consumer staples sector underperformed. The Nasdaq Composite Index was the best performing index, helped by strength in semiconductor companies throughout the week. Surprisingly strong earnings from tech giant Hewlett-Packard gave a further lift to Nasdaq to end the week. Utilities and materials stocks also had a good week.

It is worth noting, stability in daily equity market closing levels camouflaged sizable intraday volatility. Many market professionals voiced concerns over margin calls, the increase in interest rates, along with the S&P 500 Index dipping below its 50-day moving average before finishing the week in positive territory. Mid-week the markets attention shifted to the release of minutes from the Federal Reserve's January policy meeting. Stocks responded well following the release, but then retracted gains, as investors appeared to sense a hawkish stance among Fed policymakers.

Yields on fixed income instruments increased, with the all-important yield on the 10-Year US Treasury Note touching its highest level since 2014. The yield decreased on Friday, however, as investors appeared to join a flight to safety view. Despite the heaviest new issuance calendar of 2018 totaling roughly \$5 billion, municipal bonds outperformed Treasuries. Investors in municipal bond funds again reversed course and put cash back into the funds in the latest week, according to Lipper data released on Thursday. The weekly reporters saw \$347 million of tax-exempt inflows after outflows of \$443 million in the previous week.

ADAM J. BUCHANAN
SENIOR VICE PRESIDENT

See pages 4-5 for current market rates

Market and other data within this report derived from Bloomberg and other sources deemed to be reliable.

ZIEGLER

200 South Wacker Drive | Suite 2000
Chicago, IL 60606

CONTACT US

800 366 8899
askziegler@ziegler.com



FEATURED ARTICLE

ZIEGLER RELEASES THE SENIOR LIVING MUNICIPAL LONG BOND INDEX (ZSLMLBI)

Ziegler is proud to announce the release of the Senior Living Municipal Long Bond Index (ZSLMLBI). The ZSLMLBI is the first municipal bond market indicator devoted exclusively to naturally rated, long maturity municipal bonds in the senior living sector. This strategic initiative is part of Ziegler's commitment to supporting not-for-profit senior living conduit borrowers' capital raising in the primary market, as well as investors' liquidity of bonds in the secondary market. The ZSLMLBI is designed to help market participants understand and measure total returns when investing in the senior living sector.

The Ziegler Senior Living Municipal Long Bond Index (the Index or ZSLMLBI) is a market-value-weighted total return index established at 100.00 on January 2, 2018 using the opening values of constituent bonds as of that day. No investment products are associated with this index at the current time.

Index make-up:

- Only rated, publicly tradeable, fixed-rate debt of not-for-profit senior living entities.
- Ratings used are based on the fundamental creditworthiness of the senior living borrower.
- Only one long-bond CUSIP per borrower is used, knowing there may be other parity debt outstanding with a series-specific long-bond. The long bond used is the longest maturity of the borrower's rated bond debt.
- Total return value was set to 100.00 as of the close of trading on the last trading day of 2017. Thus, the opening value on January 2, 2018 - the first trading day of 2018 - was the same.
- The constituent member bonds' prices are updated daily. The member constituency is rebalanced immediately after the close of the last trading day of the month.
- Using the ticker symbol: ZSLMLBI (ZSLMLBI <INDEX> <go>), Bloomberg is the primary method by which statistical information about the Index can be accessed.

The market value, as of the Index opening, was \$2,649,952,261 (including accrued interest) and the average weighted coupon was 5.18%.

Ziegler encourages providers and industry professionals to learn more about the Index. Further details can be found on the Ziegler website (www.ziegler.com/zslmlbi). Individuals can also reach out to the Ziegler banker in their region with additional questions.

LISA MCCrackEN
DIRECTOR, SENIOR LIVING RESEARCH & DEVELOPMENT
ZIEGLER

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

FEBRUARY 21 - 27, 2018

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Church Home of Hartford dba Seabury (CT)	Fitch	BB Stable	Affirmed Rating	2/21/18
Kendal on Hudson (NY)	Fitch	BBB Stable	Affirmed Rating	2/26/18
Mayflower Retirement Center (FL)	Fitch	A-Negative	Rating Watch	2/26/18
Noland Health Services (AL)	S&P	A Stable	Affirmed Rating	2/26/18
Brethren Village (PA)	Fitch	BB+ Stable	Affirmed Rating	2/27/18

This ratings table represents review of the reports released by Fitch Ratings, Standard & Poor's, and Moody's Investors Service and has been compiled by Ziegler Investment Banking.

INTEREST RATES

FOR THE WEEK ENDING FEBRUARY 23, 2018

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.05%	3.03%	2.82%
Senior Living 30-Yr "A"	3.85%	3.83%	3.76%
Senior Living 30-Yr "BBB"	4.15%	4.13%	4.15%
Senior Living Unrated	4.85%	4.83%	4.79%
Senior Living New Campus	6.50%	6.50%	6.63%
SIFMA Muni Swap Index	1.09%	1.00%	0.92%

Source: Ziegler Capital Markets

IN YOUR CORNER
2018 ZIEGLER & LEADINGAGE MASSACHUSETTS SENIOR LIVING SYMPOSIUM

Crowne Plaza
Natick, MA
March 15, 2018

[*Click here for more information*](#)

LEADINGAGE PEAK LEADERSHIP SUMMIT

Marriott Wardman Park Hotel
Washington, D.C.
March 18-21, 2018

Ziegler Participants: Amy Castleberry & Keith Robertson

Tuesday, March 20 | 8:00 - 9:30 am
Session: 16-D: CFO Forum

Ziegler Participant: Dan Hermann

Tuesday, March 20 | 8:00 - 9:30 am
Session: 15-D: Technology Forum

Ziegler Participant: Tom Meyers

Tuesday, March 20 | 10:00 - 11:30 am
Session: 17-E: Panel of Pundits: New Partnership Opportunities

MARKET REVIEW

MONEY MARKET RATES

	2/23/18	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	4.50	4.50	4.50	3.75
Federal Funds (weekly average)	1.41	1.41	1.41	0.66
90 Day T-Bills	1.64	1.59	1.42	0.49
30-Day Commercial Paper (taxable)	1.57	1.55	1.50	0.60
Libor (30-day)	1.62	1.58	1.56	0.78
7 Day Tax-Exempt VRDB	1.09	1.00	1.16	0.65
Daily Rate Average	1.15	1.05	1.02	0.56

COMPARATIVE YIELDS
TAXABLE REVENUE

	GOVT	NR*	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	1.99	2.00	2.49	1 Year	1.33	2.58	2.54	2.48	2.08	1.78	1.58
5 Year	2.62	4.00	3.52	5 Year	1.97	3.37	3.60	3.22	2.92	2.62	2.37
7 Year	2.79	4.75	3.94	7 Year	2.19	3.84	3.88	3.59	3.29	2.99	2.69
10 Year	2.87	5.00	4.22	10 Year	2.47	4.27	4.35	3.97	3.57	3.27	2.97
30 Year	3.16	6.25	4.76	30 Year	3.05	4.85	4.95	4.55	4.15	3.85	3.55
5 year ADJ RATE							4.25				

(* Representative of recent non-rated issues underwritten by Ziegler retail sales); (** Representative of institutional sales.)

TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE	2018 HIGH	LOW
Bond Buyer					
20 Bond Index	3.86	3.84	+02	3.86	3.44
11 Bond Index	3.36	3.34	+02	3.36	2.94
Revenue Bond Index	4.36	4.33	+03	4.46	2.92
30 Year MMD	3.05	3.03	+02	3.03	2.56
Weekly Tax-Exempt Volume (Bil)	4.49	2.70	+1.79	5.56	0.71
30 Day T/E Visible Supply (Bil)	5.17	4.69	+48	7.16	4.00
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	121.45	122.97	-1.52	124.02%	120.43%

INTEREST RATE COMPARISON

DATE	7-DAY T/E VRDB	PRIME RATE	FED FUNDS WEEKLY AVG.	13-WEEK T-BILL RATE	C.P.RATE TAXABLE	LIBOR (30-DAY)	30-YEAR T/E BONDS (A-AAA)		
02/23/18	1.09	4.50	1.41	1.64	1.57	1.62	3.85	-	3.55
02/16/18	1.00	4.50	1.41	1.59	1.55	1.58	3.83	-	3.53
02/09/18	0.98	4.50	1.41	1.55	1.50	1.57	3.77	-	3.47
02/02/18	1.08	4.50	1.39	1.48	1.49	1.57	3.73	-	3.43
01/26/18	1.16	4.50	1.41	1.42	1.50	1.56	3.58	-	3.28
01/19/18	1.23	4.50	1.41	1.42	1.51	1.55	3.51	-	3.21
01/12/18	1.31	4.50	1.41	1.41	1.51	1.55	3.51	-	3.21
01/05/18	1.47	4.50	1.41	1.40	1.50	1.55	3.36	-	3.06
12/29/17	1.71	4.50	1.38	1.35	1.49	1.56	3.35	-	3.05
12/22/17	1.40	4.50	1.41	1.34	1.65	1.53	3.50	-	3.20
12/15/17	1.11	4.50	1.15	1.29	1.40	1.49	3.37	-	3.07
12/08/17	1.00	4.25	1.16	1.27	1.30	1.43	3.29	-	2.99
12/01/17	0.97	4.25	1.13	1.26	1.18	1.37	3.59	-	3.29
11/03/17	0.92	4.25	1.14	1.17	1.13	1.24	3.65	-	3.30
10/06/17	0.92	4.25	1.16	1.04	1.10	1.23	3.73	-	3.43
09/01/17	0.79	4.25	1.14	0.99	1.11	1.23	3.60	-	3.30
08/04/17	0.79	4.25	1.14	1.07	1.12	1.23	3.61	-	3.31
07/07/17	0.86	4.25	1.16	1.03	1.08	1.22	3.82	-	3.42
06/02/17	0.76	4.00	0.89	0.95	0.86	1.08	3.75	-	3.35
05/05/17	0.85	4.00	0.91	0.88	0.83	0.99	4.08	-	3.63
04/07/17	0.88	4.00	0.90	0.81	0.86	0.98	4.09	-	3.59
03/03/17	0.62	3.75	0.64	0.69	0.65	0.83	4.26	-	3.76

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