

ZIEGLER INVESTMENT BANKING

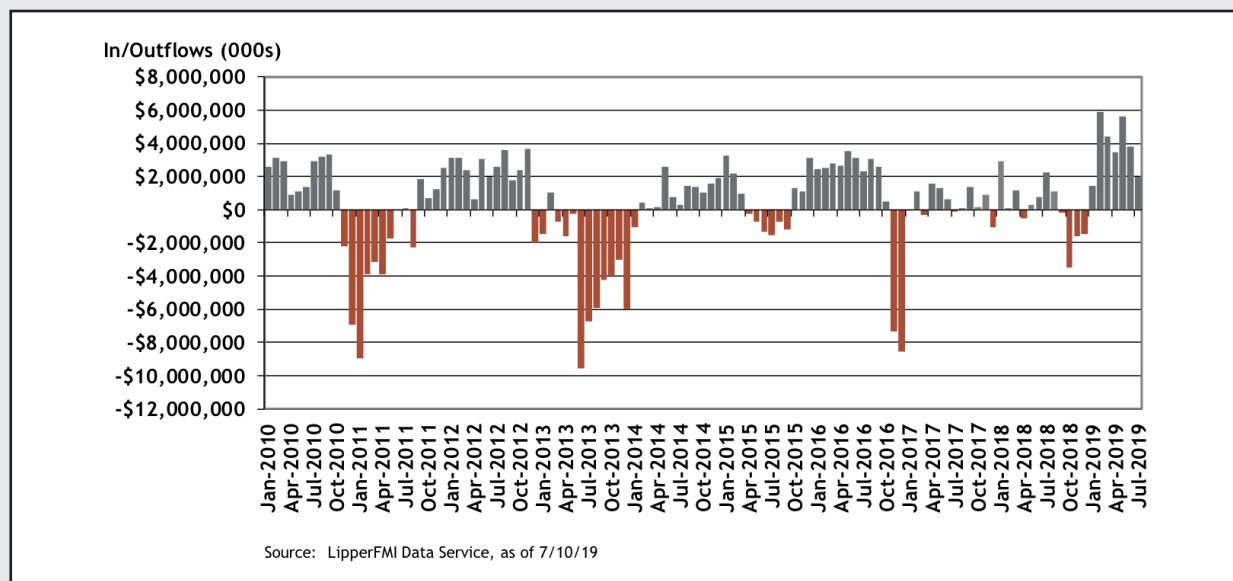
SENIOR LIVING FINANCE Z-NEWS

FEATURED ARTICLE

THE 16TH ANNUAL ZIEGLER SENIOR LIVING INVESTOR WORKSHOP

This year's *16th Annual Ziegler Senior Living Investor Workshop* assembled together nearly 70 of the nation's top tax-exempt senior living bond investors at Ziegler's headquarters in Chicago. Among those in attendance were credit analysts, research analysts and portfolio managers from some of the leading municipal bond funds, asset management and hedge fund firms. Attendees participated in a one-day workshop with Ziegler banking and sales professionals to explore issues and opportunities in the senior living sector.

In addition to the veteran buyers, there were a number of new participants this year as non-traditional buyers have entered the senior living sector over the past several years. Cash flows into long-term municipal bond funds have remained strong in 2019 with consistent inflows, and investors are buying at relatively low fixed rate borrowing costs for providers. Generally positive total returns for high yield municipal bond funds have helped to attract investor dollars and fund inflows into high yield municipal bond funds have been strongly positive since January. For Ziegler-underwritten transactions, historically, the top 20 institutional buyers purchase roughly 80% of the institutionally-placed par value on senior living bonds. Through June 30, 2019, the top 5 buyers have purchased roughly 28% of the institutionally-placed par value.



After a brief welcome and introduction of the Ziegler team, Dan Hermann, Lisa McCracken and Stephen Johnson opened with the *State of Senior Living* covering the latest trends in senior living, strategic and operational trends, for-profit competition, and sponsorship transitions.

A true highlight of the workshop was when Jerrold Frumm (Senior Lifestyle) and Gary Smith (Vi) along with Ziegler's Don Husi, spoke with investors about the intersection between not-for-profit and for-profit senior living. *Insights from For-Profit Senior Living Owners/Operators* offered a Q&A panel discussion on how for-profit owners and operators are viewing the current and future marketplace.

After hearing from Ziegler about the latest trends in the not-for-profit senior living sector and enhanced data around the pace of activity with affiliations, acquisitions and dispositions, investors heard from Ziegler's Adam Buchanan, Chad Himel and Rob Gall on *Rental Senior Housing Bond Financings*. This session introduced both the positive and negative side of 142(d) rental financings that has attracted both for-profits and not-for-profits in the senior living sector. They also explored the mechanics of non-traditional non-profit bonds, the value of the housing rating, and shared their thoughts on the expansion of non-traditional non-profits. The graph on the following page reflects the 142(d) rental financings for senior living since 2011.

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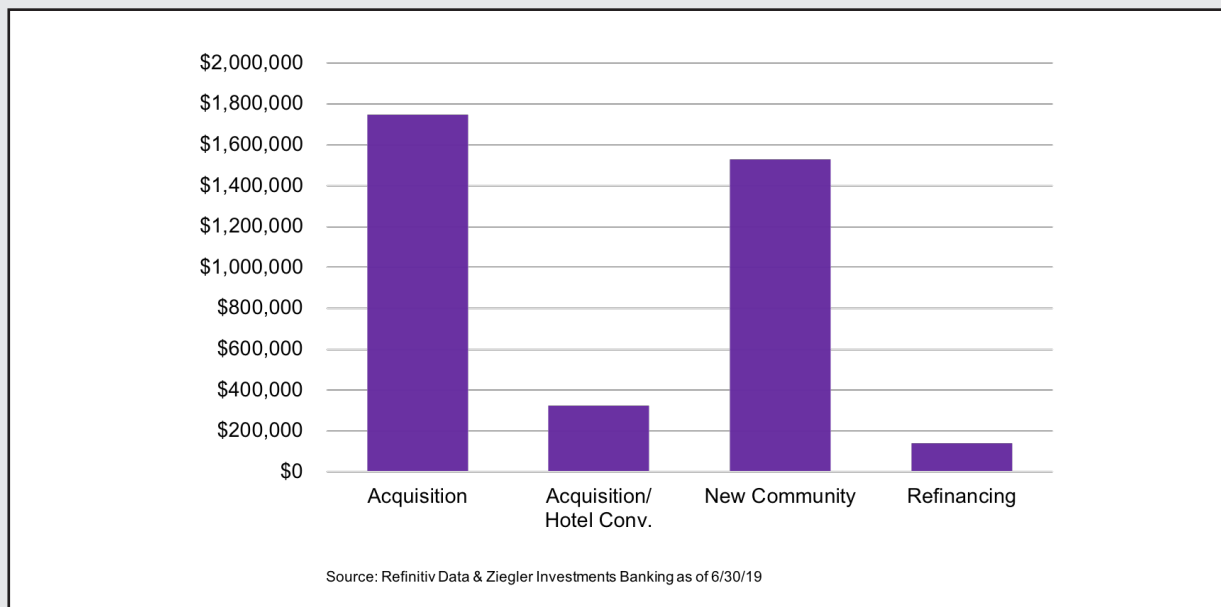
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FEATURED ARTICLE

THE 16TH ANNUAL ZIEGLER SENIOR LIVING INVESTOR WORKSHOP CONTINUED



During lunch, investors were informed of Ziegler's forward calendar of new issues expected to come to market over the next few months going into the third and fourth quarters. Investors should see a good mix of bonds coming to market for both refinancing and new money issues to fund new projects and community expansions.

The afternoon wrapped up with an overview of *Capital Market Trends and Dialogue* with Adam Buchanan, Tom Myers and Rich Scanlon (Ziegler) where the latest volume updates for fixed rate and bank financings were presented along with predictions for the senior living sector on evolving borrowing structures in a post-tax reform environment. Further review of investor-driven changes in covenants and indenture structures for non-investment grade credits, approaches to forbearance, and new campus financings since 2009 were also discussed. The last session of the day with Mike Vitiello (Ziegler) offered an industry update from the Ziegler Research team.

We would like to thank everyone who participated in this year's event and look forward to seeing a number of the investor representatives at the annual *Ziegler Senior Living Finance + Strategy Conference* in September at Amelia Island in Jacksonville, Florida.

If you have any questions regarding the items in this article or anything else related to Ziegler, please reach out to the Ziegler banker in your region.

CATHY OWEN
VICE PRESIDENT, SENIOR LIVING RESEARCH
ZIEGLER

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF JULY 17, 2019

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
The Evergreens (NJ)	Fitch	BBB Stable	Assigned Rating	7/10/19
Brethren Home Community dba Cross Keys Village (PA)	S&P	A- Stable	Affirmed ICR	7/11/19
HumanGood California Obligated Group (CA)	Fitch	A- Stable	Assigned Rating Affirmed Rating	7/11/19
Morningside Ministries (TX)	Fitch	BB+ Stable	Affirmed Rating	7/12/19
Willow Valley Communities (PA)	Fitch	A Stable	Assigned Rating Affirmed Rating	7/17/19

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*ICR – Issuer Credit Rating (Standard & Poor's)

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INTEREST RATES/YIELDS

(AS OF JULY 12, 2019)

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.28%	2.27%	2.86%
Senior Living 30-Yr "A"	2.98%	2.97%	3.72%
Senior Living 30-Yr "BBB"	3.18%	3.27%	4.01%
Senior Living Unrated	4.08%	4.07%	4.80%
Senior Living New Campus	6.50%	6.50%	6.50%
SIFMA Muni Swap Index	1.18%	1.49%	1.56%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
*ZSLMLB Index	4.43%	4.43%	2.15%

*Ziegler Senior Living Municipal Long Bond Index

Source: Ziegler Capital Markets

FEATURED FINANCINGS


MT. SAN ANTONIO GARDENS
Pomona, California

California Municipal Finance Authority, Senior Living Revenue Bonds, Series 2019

\$31,610,000

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

Last week in equities, the three major indexes each rode the rally to record highs. The Dow Jones ended the week up 1.5% at 27,332; S&P 500 broke the 3000 mark, ending the week at 3,013; and the NASDAQ ended the week up 1.0% at 8,244. The Trump administration made a surprise decision to leave drug rebates in place for government plans, partially catalyzing the Dow's push past the 27,000 mark. In response to the news, healthcare companies rose by as much as 9.5% in intraday trading last Thursday. In the week ahead, all eyes will be on corporate earnings as analysts expect earnings have declined in the second quarter YoY. Yet, Citigroup posted a better-than-expected 12% jump in EPS amid declines in trading revenue and investment banking activities; the jump in EPS for Citi came as a result of cost control, share repurchases, and improved performance at its U.S. consumer bank, per the Financial Times.

U.S.-China trade talks appear to be moving in the right direction, as the two countries' presidents reached a go-ahead agreement last week, but this may be hindered by China's decision late last week to impose new sanctions on the U.S. Worries of inflation hit the market last week, as the Consumer Price Index climbed 0.1% in June MoM, or 1.6% YoY. Core prices—which include basic consumer staples excluding food and energy—were up 0.3% in June MoM, marking the largest MoM increase since January 2018.

In fixed income, the inversion between the 3-month and the 10-year U.S. Treasuries has now lasted more than 6 weeks. Additionally, during his two days of testimony on Capitol Hill, Fed Chairman Jerome Powell took a dovish tone, further signaling a rate cut at the Fed's July meeting. Last week, Munis outperformed Treasuries, as the yields on the 10-Year and 30-Year U.S. Treasuries increased from 2.048% to 2.108% and 2.529% to 2.634%, respectively, amidst a selloff. Compare this to the downward pressure on MMD yields last week, as yields on the 10-Year and 30-Year MMD decreased from 1.62% to 1.58% and 2.29% to 2.28%, respectively, amidst a slight rally.

ADAM J. BUCHANAN
SENIOR VICE PRESIDENT

See pages 5-6 for current market rates

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

MARKET REVIEW

MONEY MARKET RATES

	7/12/19	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	5.50	5.50	5.50	5.00
Federal Funds (weekly average)	2.38	2.38	2.36	1.90
90 Day T-Bills	2.13	2.17	2.18	1.96
30-Day Commercial Paper (taxable)	2.23	2.36	2.38	1.97
Libor (30-day)	2.32	2.39	2.40	2.07
7 Day Tax-Exempt VRDB	1.18	1.49	1.71	1.01
Daily Rate Average	1.03	1.30	1.80	0.58

COMPARATIVE YIELDS

TAXABLE REVENUE									
	GOVT	A		MMD	NR*	BB	BBB	A	AAA
1 Year	1.95	2.25	1 Year	1.15	2.55	2.25	1.65	1.30	1.15
5 Year	1.86	2.61	5 Year	1.22	2.72	2.47	1.92	1.62	1.32
7 Year	1.98	2.93	7 Year	1.36	3.06	2.76	2.21	1.91	1.51
10 Year	2.12	3.62	10 Year	1.58	3.38	3.08	2.48	2.28	1.73
30 Year	2.64	4.14	30 Year	2.27	4.08	3.78	3.18	2.98	2.43

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

				2019	
Bond Buyer	THIS WEEK	LAST WEEK	CHANGE	HIGH	LOW
20 Bond Index	3.46	3.49	-.03	4.24	3.46
11 Bond Index	3.00	3.03	-.03	3.71	3.00
Revenue Bond Index	3.94	3.97	-.03	4.71	3.94
30 Year MMD	2.28	2.27	+.01	3.11	2.27
Weekly Tax-Exempt Volume (Bil)	4.68	4.39	+.29	6.41	0.20
30 Day T/E Visible Supply (Bil)	5.70	5.65	+.05	6.97	.93
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	112.45	116.92	-4.47	134.42%	109.21%

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)		
7/12/09	1.18	5.50	2.38	2.13	2.23	2.32	2.98	-	2.43
07/05/19	1.49	5.50	2.38	2.17	2.36	2.39	2.97	-	2.47
06/28/19	1.90	5.50	2.36	2.13	2.28	2.40	3.01	-	2.51
06/21/19	1.90	5.50	2.36	2.11	2.34	2.38	3.02	-	2.52
06/14/19	1.71	5.50	2.36	2.18	2.38	2.40	3.05	-	2.55
06/07/19	1.40	5.50	2.37	2.26	2.38	2.41	3.03	-	2.53
05/31/19	1.42	5.50	2.37	2.34	2.42	2.43	3.06	-	2.56
05/24/19	1.32	5.50	2.37	2.33	2.40	2.43	3.12	-	2.62
05/17/19	1.35	5.50	2.37	2.38	2.42	2.43	3.08	-	2.58
05/10/19	1.59	5.50	2.39	2.42	2.43	2.45	3.13	-	2.63
05/03/19	2.12	5.50	2.42	2.41	2.42	2.48	3.23	-	2.73
04/26/19	2.30	5.50	2.41	2.41	2.41	2.48	3.29	-	2.79
04/05/19	1.48	5.50	2.40	2.42	2.47	2.47	3.40	-	2.90
03/01/19	1.74	5.50	2.40	2.43	2.43	2.49	3.88	-	3.43
02/01/19	1.43	5.50	2.40	2.39	2.40	2.51	4.02	-	3.47
01/04/19	1.63	5.50	2.40	2.42	2.47	2.52	3.93	-	3.38
12/07/18	1.65	5.25	2.19	2.39	2.30	2.38	4.08	-	3.55
11/02/18	1.61	5.25	2.18	2.25	2.25	2.31	3.83	-	3.38
10/05/18	1.53	5.25	2.16	2.21	2.21	2.28	4.11	-	3.76
09/07/18	1.49	5.00	1.91	2.13	2.04	2.12	3.86	-	3.51
08/03/18	1.29	5.00	1.90	2.00	1.94	2.08	3.80	-	3.50
07/06/18	1.19	5.00	1.90	1.91	1.96	2.09	3.67	-	3.37

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