

**Debt Mark To Market: Effect of using remaining versus original term
in discounting process**

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For illustrative purposes only
Preliminary and subject to revision
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Initial yield curve

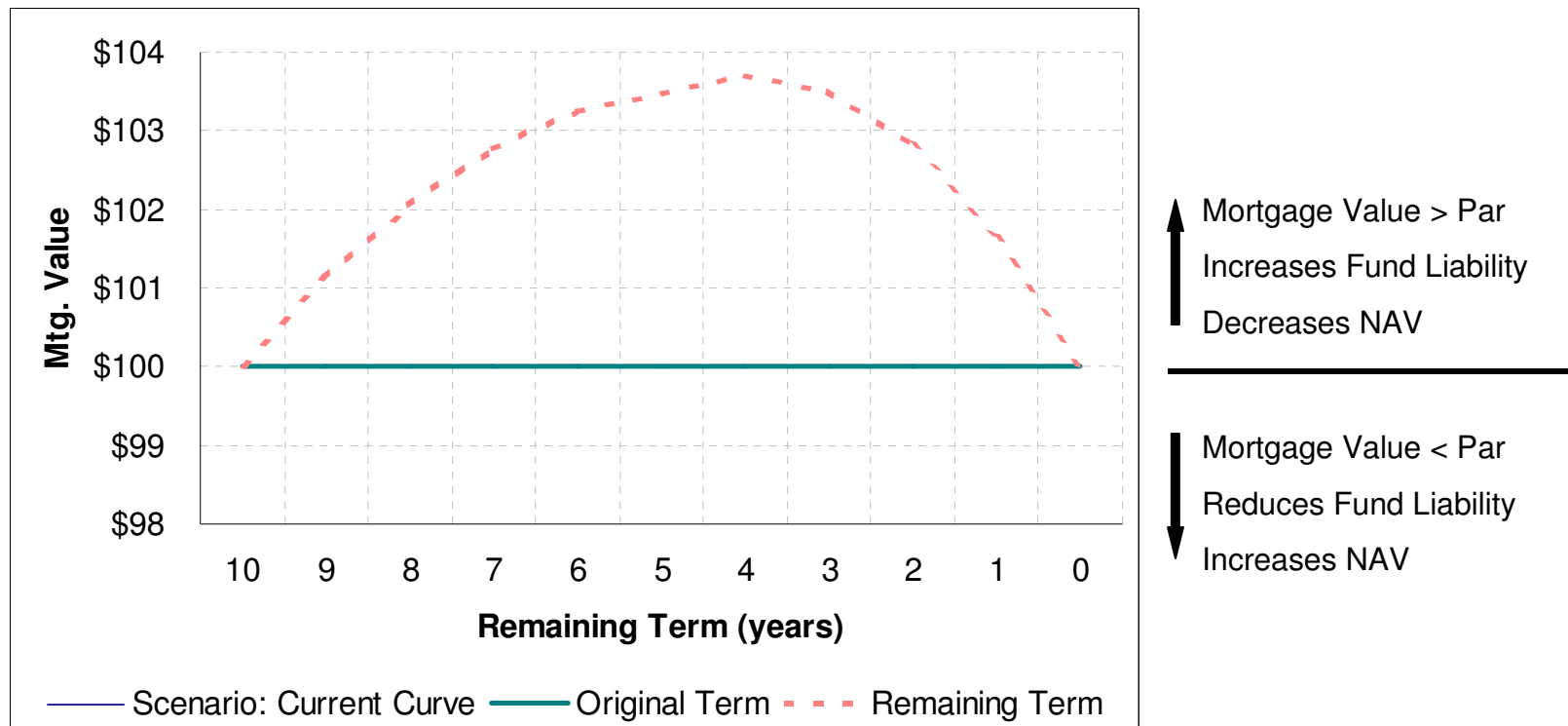
Years to Maturity	Treasury Current Curve	Interpolated Treasury	Mortgage Spread	Mortgage Discount Rate
1	2.60%	2.60%	1.20%	3.80%
2	2.80%	2.80%	1.20%	4.00%
3		3.03%	1.20%	4.23%
4		3.27%	1.20%	4.47%
5	3.50%	3.50%	1.20%	4.70%
6		3.66%	1.20%	4.86%
7		3.82%	1.20%	5.02%
8		3.98%	1.20%	5.18%
9		4.14%	1.20%	5.34%
10	4.30%	4.30%	1.20%	5.50%

Alternative scenarios:

1. Yield curve never changes
2. Yield curve increases by 50 basis points
3. Yield curve decreases by 50 basis points

Yield curve never changes

Discounted value of mortgage cash flows



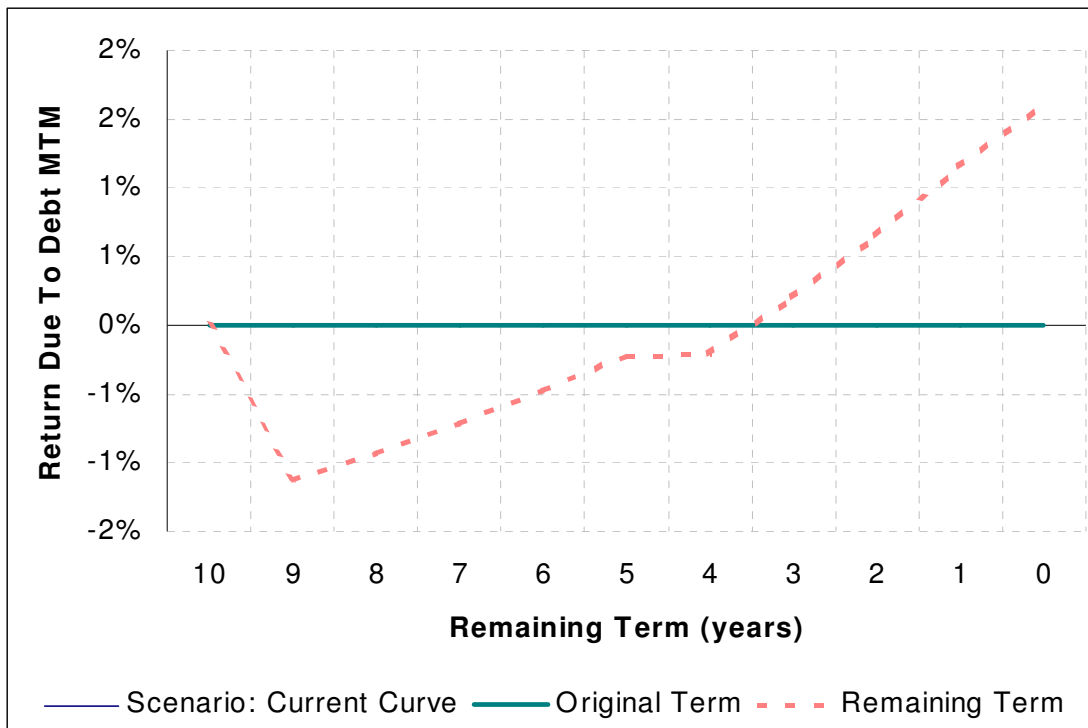
Mortgage Value

OT: Always at par

RT: Increasing value until 4 years remain, then converges to par

Yield curve never changes

Annual return from mortgage mark to market



Positive Contribution to Fund NAV

Negative contribution to Fund NAV

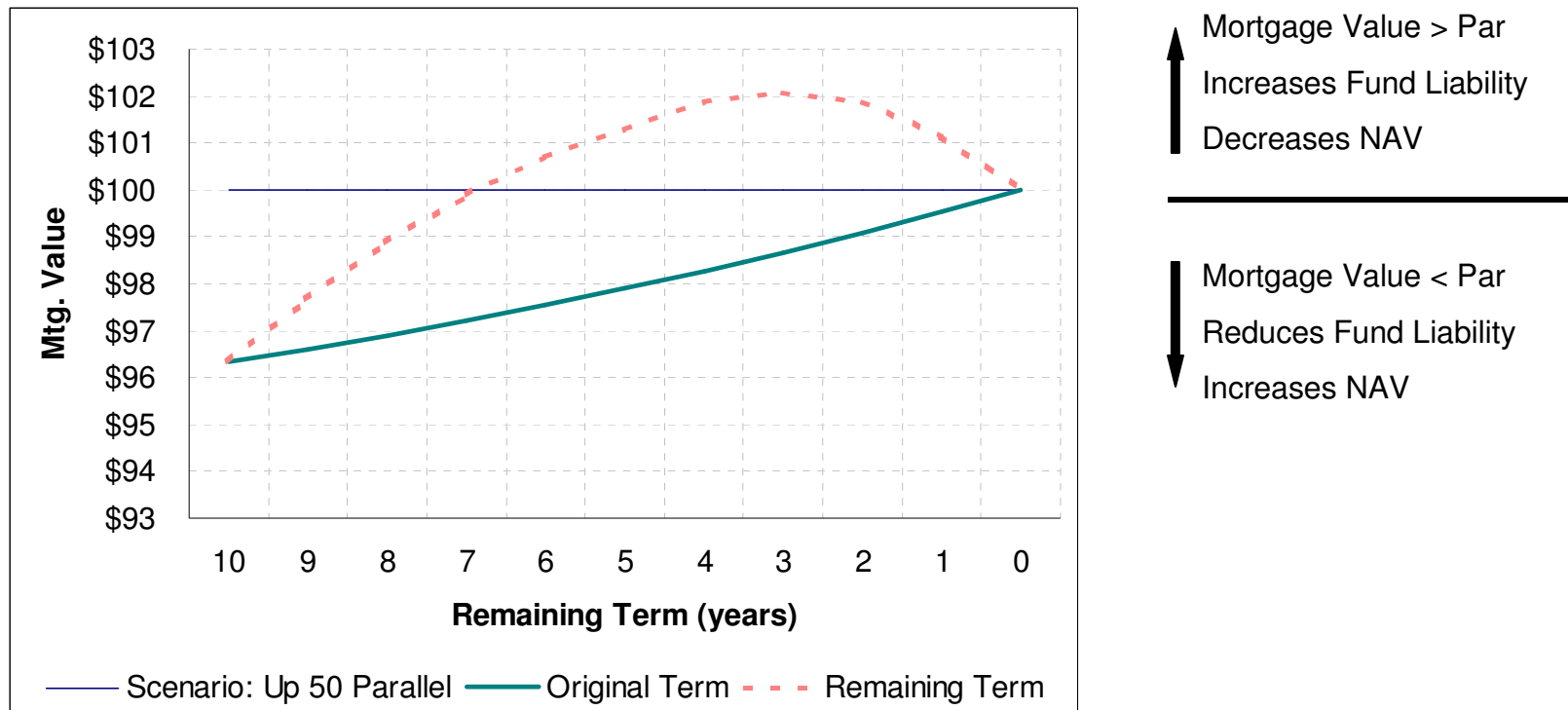
Fund Return Due to Mortgage Value

OT: No effect

RT: Writedowns until 4 years remain, then write-ups

Yield curve immediately increases by 50 basis points

Discounted value of mortgage cash flows



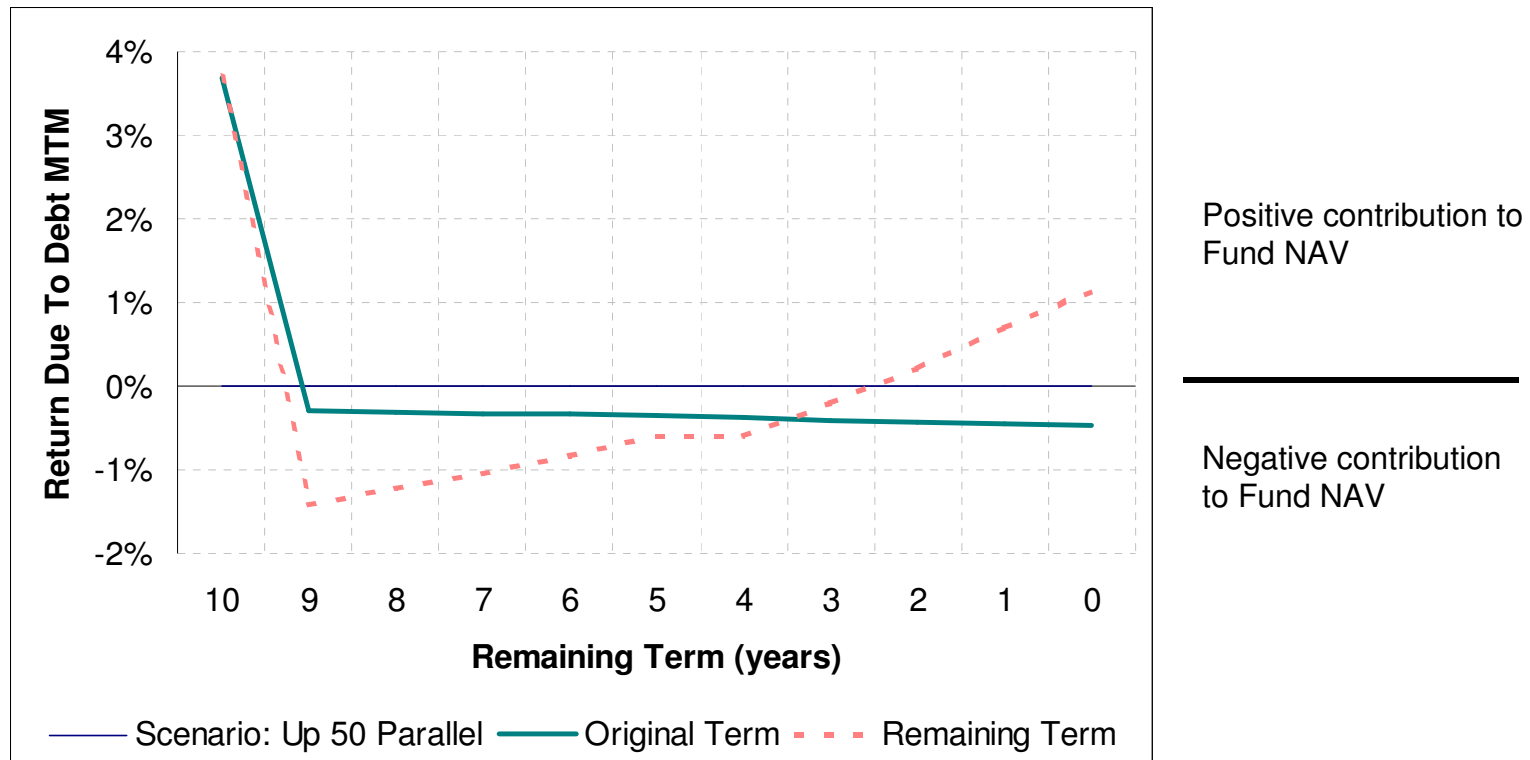
Mortgage Value

OT: Registers initial decline, which then “amortizes” to zero as value converges to par

RT: Registers initial decline, which erodes to zero and then turns into gains, then declines as value converges to par

Yield curve immediately increases by 50 basis points

Annual return from mortgage mark to market



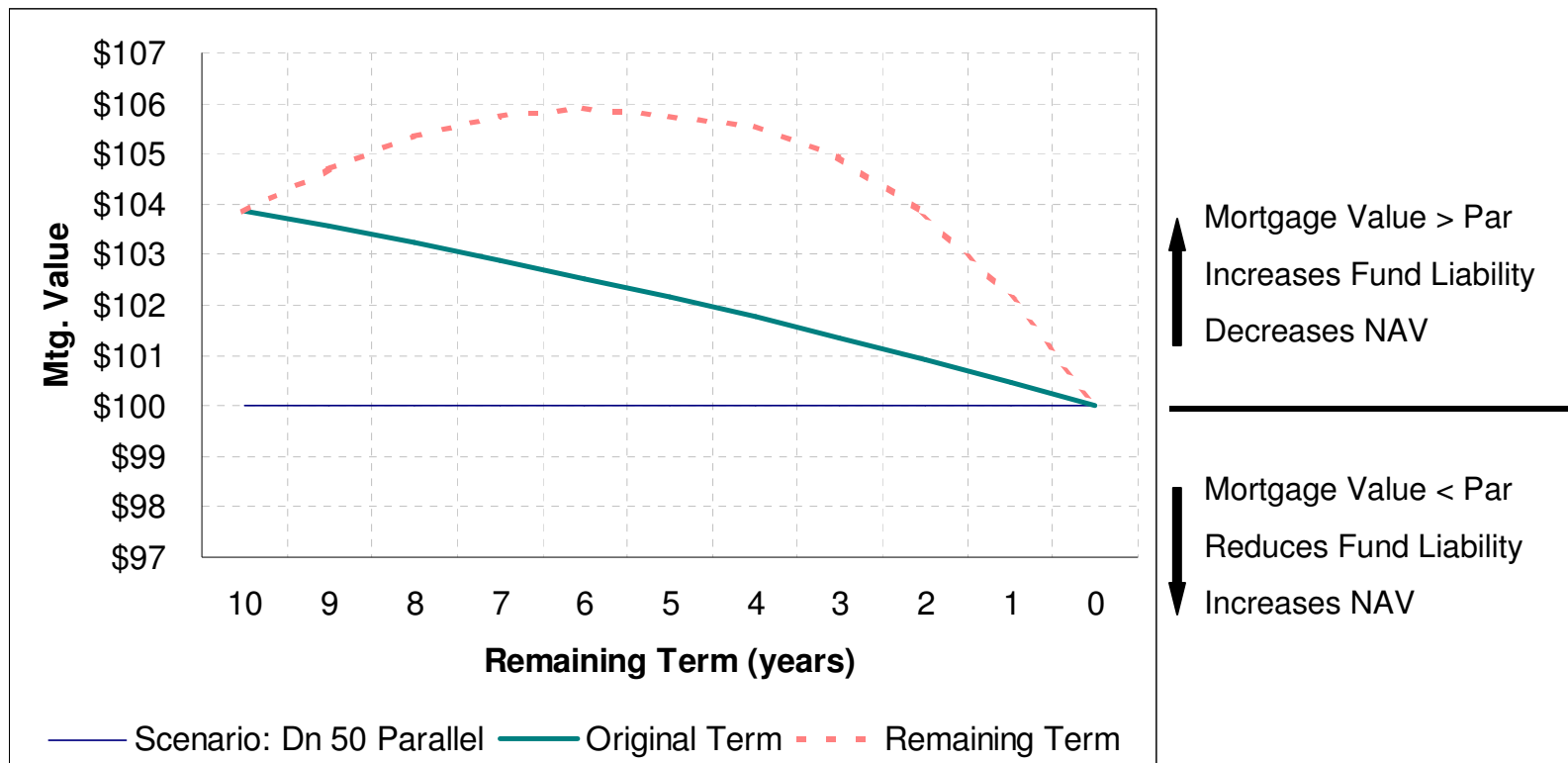
Fund Return Due to Mortgage Value

OT: Large one-time write-up, followed by small annual writedowns

RT: Large write-up, then series of writedowns until 3 years remain, then write-ups

Yield curve immediately decreases by 50 basis points

Discounted value of mortgage cash flows



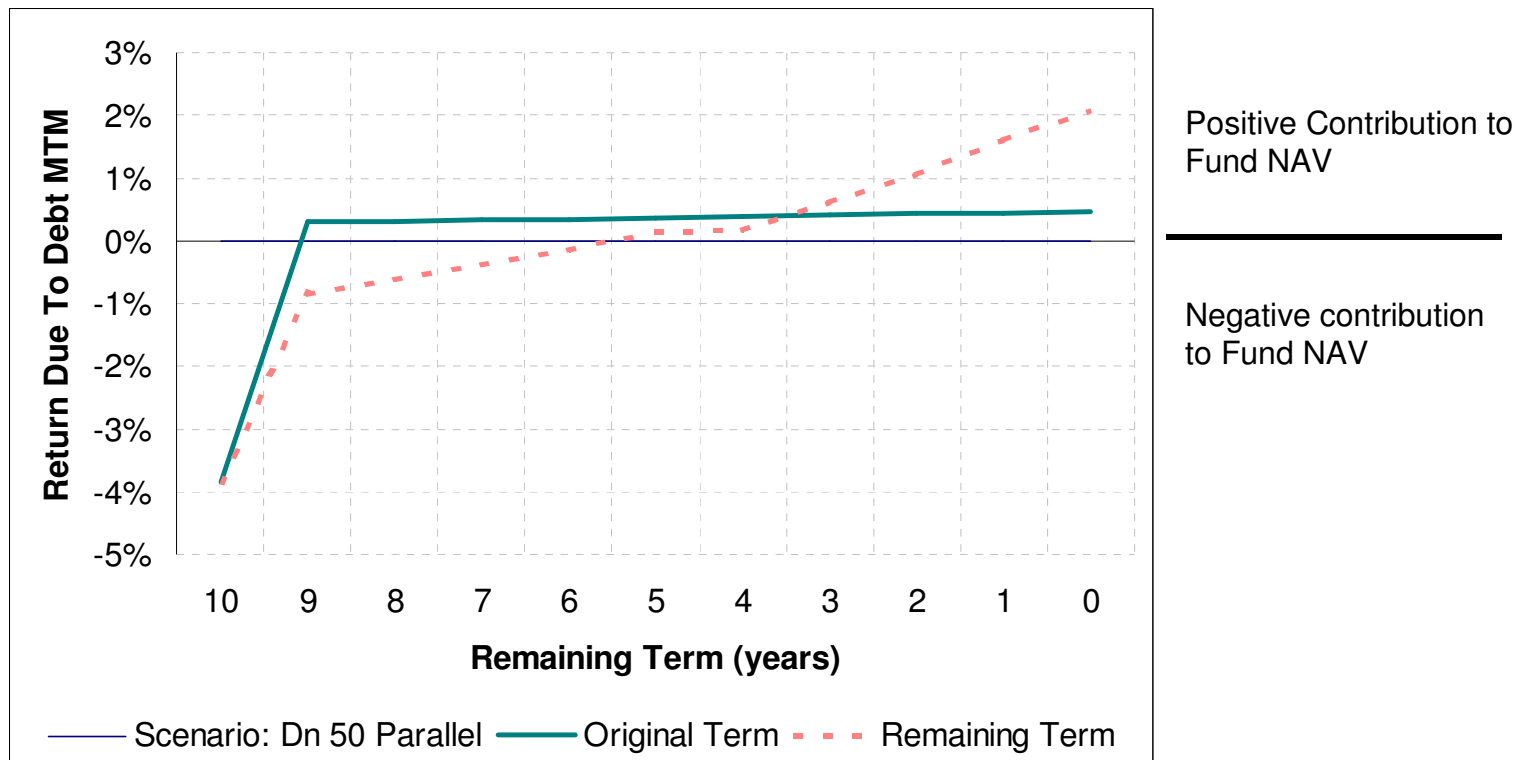
Mortgage Value

OT: Registers initial increase, which then “amortizes” to zero as value converges to par

RT: Increases until 5 years remain, then declines as value converges to par

Yield curve immediately decreases by 50 basis points

Annual return from mortgage mark to market



Fund Return Due to Mortgage Value

OT: Large one-time writedown, then small annual write-ups

RT: Large initial writedown, then small writedowns until 5 years remain, then annual write-ups