

BOND INSURANCE UPDATE

ASSURED GUARANTY

JANNEY FIXED INCOME STRATEGY

DECEMBER 1, 2011



After an eleven month review of its bond insurance rating methodology, S&P lowered rating of Assured Guaranty to AA- from AA+.

S&P downgrade was due to methodology change and not credit or financial erosion.

ASSURED GUARANTY DOWNGRADE NO SURPRISE

- The downgrade was based on a methodology change, rather than any change in Assured Guaranty's financial strength.
- We believe Assured Guaranty's creditworthiness and investor value remain strong.
- S&P's outlook on AA- rating is stable.

As expected, Standard and Poor's lowered its rating on the insurance strength of Assured Guaranty, including its operating bond insurance subsidiaries AGM and AGC, to AA- from AA+. A downgrade has been widely anticipated since S&P announced a review of its methodology for rating bond insurers in January 2011. In their report, S&P noted:

"The AA- financial strength ratings on AGM, AGC, and AG Re reflect Standard & Poor's view, based on our updated bond insurance criteria, of a strong competitive position and strong capital. However, the consolidated group of insurance companies, though maintaining strong capital, does not maintain enough capital to mitigate largest obligor (LOT) concentrations for a higher rating."

Largest obligor concentrations refer to an insurer's exposure to single or closely related bond issuers. To assess capital adequacy for a rating category, S&P applies stress tests to various scenarios such as default of two largest obligors, or default of six largest obligors rated below A-. The LOT test is only one of many inputs in determination of rating, but in the case of Assured Guaranty, the revision of this component of methodology led to a lower rating. As of June 30, 2011, Assured Guaranty's five largest concentrations were the states of NJ, CA, MA, NY along with the City of New York.

S&P assigned a stable outlook to the AA- rating. Moody's has rated Assured Guaranty Aa3 since November 2009, and has a negative outlook on the rating. As noted in our October report, the creditworthiness and business capabilities of Assured Guaranty remain strong, adding value for investors. Since this rating action was widely expected, we anticipate minimal market or price impact.

Janney reports with more complete information on Assured Guaranty, as well as other municipal bond insurers and the bond insurance industry as a whole are available upon request.

Bond Insurance – Part 1 – Industry Overview - October 11, 2011

Bond Insurance – Part 2 – Assured Guaranty and BHAC - October 12, 2011

Bond Insurance – Part 3 – National/MBIA, Ambac, Radian, Syncora and ACA - October 21, 2011

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