
From: Barrett, Paul S [REDACTED]
Sent: Friday, October 19, 2012 3:17 PM
To: Jeffrey
Cc: Giuffrida, David J; Schaffer, Susannah
Subject: To Do - NEW HY RMBS - \$7.521mm of SEMT 03-5 B1 @ \$80-16 (6.15% yield / 5.62 durn)

=0A

Hi Jeffrey

=span style="font-size:11.0pt;font-family:"Calibri","san-serif";color:#1F497D">

This bond looks interesting. =0A

I would like to take profits on our Barclays Pfd which is yielding 3.70% and buy this mortgage bond. We are up \$154K all in on the Barclays Pfd.

Let me know

<= class="MsoNormal"> =/p>

Paul

=span style="font-size:11.0pt;font-family:"Calibri","san-serif";color:#1F497D">

US Onshore Clients – Blue Sky (U.S. State Securities Law): Please confirm Blue Sky eligibility before soliciting to a US Onshore client by entering the CUSIP into the web tool located at:

<http://pscppv1.amer.jpmchase.net:8080/BlueSkyPage.html>

<<http://pscppv1.amer.jpmchase.net:8080/BlueSkyPage.html>> and review to see if your client's state of residence is listed. If you receive 'NO SECURITY FOUND', 'NO STATES FOUND' or the security DOES NOT HAVE A CUSIP or is not USD-denominated, then please contact your SM or local compliance office and provide the requested security and client information. Please note that a suitability review and other pre-trade procedures must still be followed.

The SEMT 03-5 B1 is a prime subordinate bond rated BB+/B2/BBB and is backed by 110 month seasoned Prime Vanilla ARM mortgages. The pool has 60.35% updated LTV, 84% always current borrowers (looking back 2 years), 271k average balance and most importantly, 4.7% credit support vs only 3.55% 60+ delinquency. The way I look at it, if 100% of the

60+ delinquent borrowers were immediately evicted and foreclosed on and the reposessed homes sold for \$0, the pool would incur 3.55% losses. In this given scenario I painted, this B1 bond would still receive no write-downs=2E

Additionally, this deal is immediately callable by the servicer since the collateral factor is below the 10% range.&nb=p; This deal becomes more callable as time passes and in the scenario where rates were to back up, the ARM mortgages in this pool would be worth considerably more on bank balance sheets. With only 3.55% delinquent loans, this deal is already clean enough to call, it's really a matter of economics for the servicer at this point. In our recovery scenario, we are assuming the deal is called 3 years from today&n=sp; even though the bonds are callable right now.

In our stress scenario, we default approximately 2.6x the current 60+ delinquent population at 60 severity ramping down over 2 years to 40. =We're also running half the 6 month speeds and see this bond producing a 5.02% yield for a 6.03 duration bond.

*** THI= BOND IS OFFERED TO US AND THE STREET AT 84-16. I see value in this bond @ 80-16 but there is no guarantee we can trade it there.

=br>

HIGHLIGHT=

-&n=sp; HPI Updated LTV = 60%

- 84% of the borrowers have not missed a payment in the past 2 years

- =0D 110 months seasoned

=0D

- 732 FICO

- =0D \$271k average balance

**Source: Bloomberg

SEMT 2003-5 B1 Offered @ 80-16

=/td> <td width="184" nowrap="" valign="bottom" style="width:138.0pt;padding:0in 5.4pt 0in 5.4pt;height:15.75pt">

<td width="231" nowrap="" valign="bottom" style="width:173.45pt;padding:0in 5.4pt 0in 5.4pt;height:6.75pt">
=td>

BOND DESCRIPTION

3=CPR

5 CPR=/span>

8 CPR

=/td>

Cusip:

=/td> 81743PCRS

2.5 ramp 24 1 CDR

2 ramp 24 0.75 0.5 CDR

<=d width="256" nowrap="" valign="bottom" style="width:192.0pt;background:#F2F2F2;padding:0in 5.4pt 0in 5.4pt;height:12.75pt">

2 ramp 24 0.5 CDR

Original Face:

=OD 7,521,500

Default Severity

60 ramp 24 40

=0A

Current Face:

=OD Delinq Rate

4 Percent

=OD 4 Percent

=OD

Bond Type:

<td> Seasoned Prime Subs

Delinq Advance (% of P&I)

100

=td width="175" nowrap="" valign="bottom" style="width:131.0pt;background:#F2F2F2;padding:0in 5.4pt 0in 5.4pt;height:12.75pt">

100

10=

Ratings (S&P/Moodys/Fitch):

BB+/=3/BBB/*-

N

N

10/2015</=>
Current Coupon:=/span>

** Run to Fwd LIBOR<=p> =0A =0D
Yield @ Base Case<=pan>

6.149%

=0D =0D
WAL @ Base Case

=/td> =/tr>
Nov12 to Aug33

Price @ 80-16

=0A Stress Case

Base Case

Recovery Case

Writedown %

</=d> 6.149

10.416

Current Credit Enhancement:

Spread over Tsy

=span style="font-size:8.0pt;font-family:"Arial","sans-s=rif";color:black">357

=0A

996

60+ Delinquencies

=0A Duration=/p> =0A

6.03

=0D

<=pan style="font-size:8.0pt;font-family:"Arial","sans-se=if";color:black">2.29

=0D

<=pan style="font-size:8.0pt;font-family:"Arial","sans-se=if";color:black">60+ Delinquency Coverage

=0D 1.32x

7.69

7.11

2.53

=0D =0D Principal Window

=0A Nov12 to Aug33<=:p>

Nov12 to Nov15

=0A

UNDERLYING COLLATERAL DESCRIPTION

=0D =0D Principal Writedown

=0A 8.63%

0.00%=/p> =p class="MsoNormal" align="center" style="text-align:center">0.00%

<=r style="height:12.75pt"> 271

Total C=llat Loss

0.56%</=> 0.35%=/span>

=0ALoan Count=/o:p>

211

=0A Total Liquidation

9.20=

5.13%

2.57%

=0D

Mortgage Type

Seasoned Prime Van=lla ARMs

=0D <=tr>

2.332%

=span style="font-size:8.0pt;font-family:"Arial","sans-s=rif";color:black">HISTORICAL PERFORMANCE