



Manager Select: SAA's Proprietary Fixed Income Manager Database

Our Database Consists of:

- 82 Investment Management Firms
- Totaling 4,011 Insurance Fixed Income Accounts and \$5.157 in Fixed Income Assets (unaffiliated)





OVERALL FEE ESTIMATES: BY PORTFOLIO SIZE





Standard Fixed Income Management Fees: Overall *(basis points)*



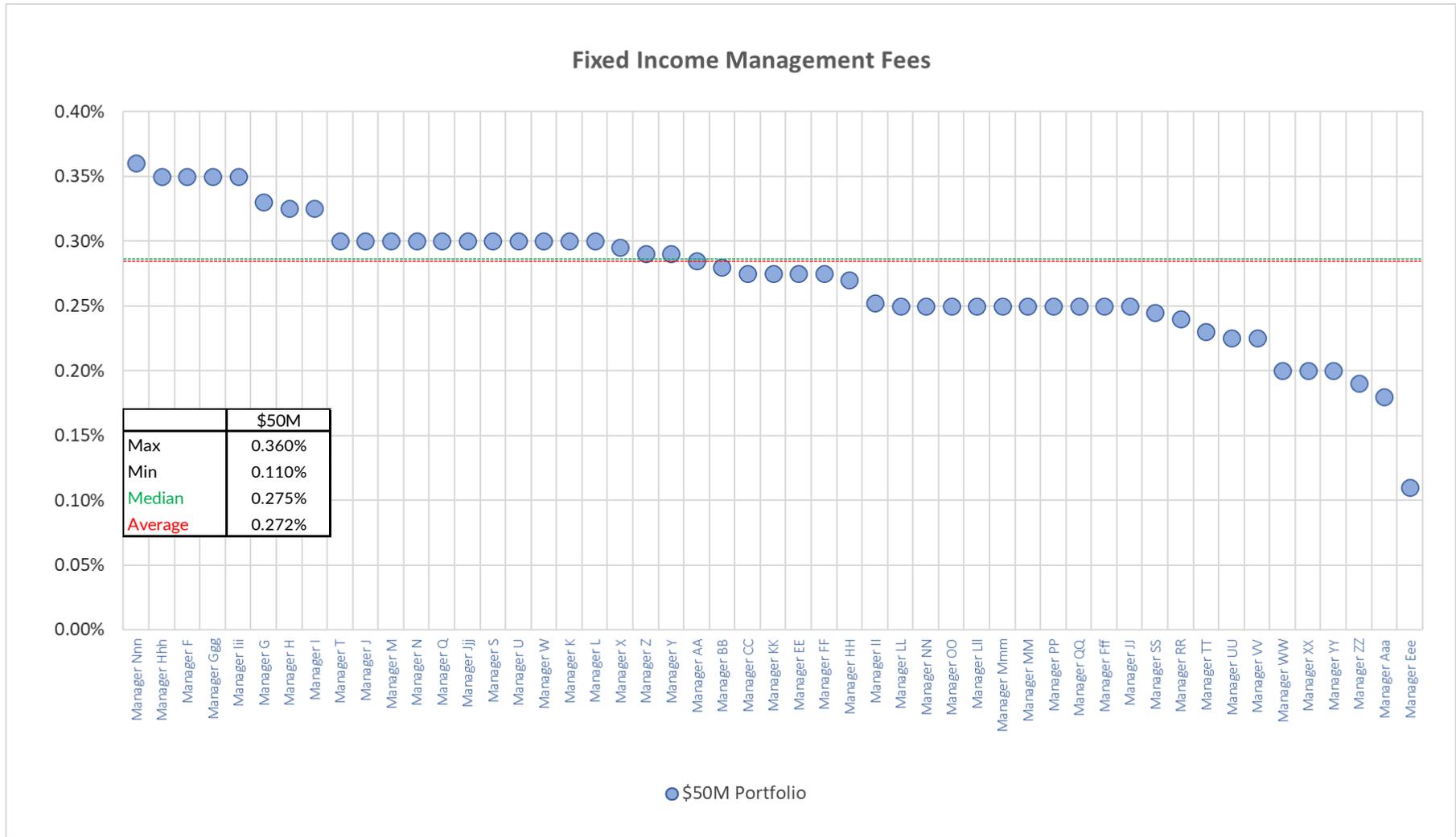


STANDARD FEES: BY FIRM / PORTFOLIO SIZE



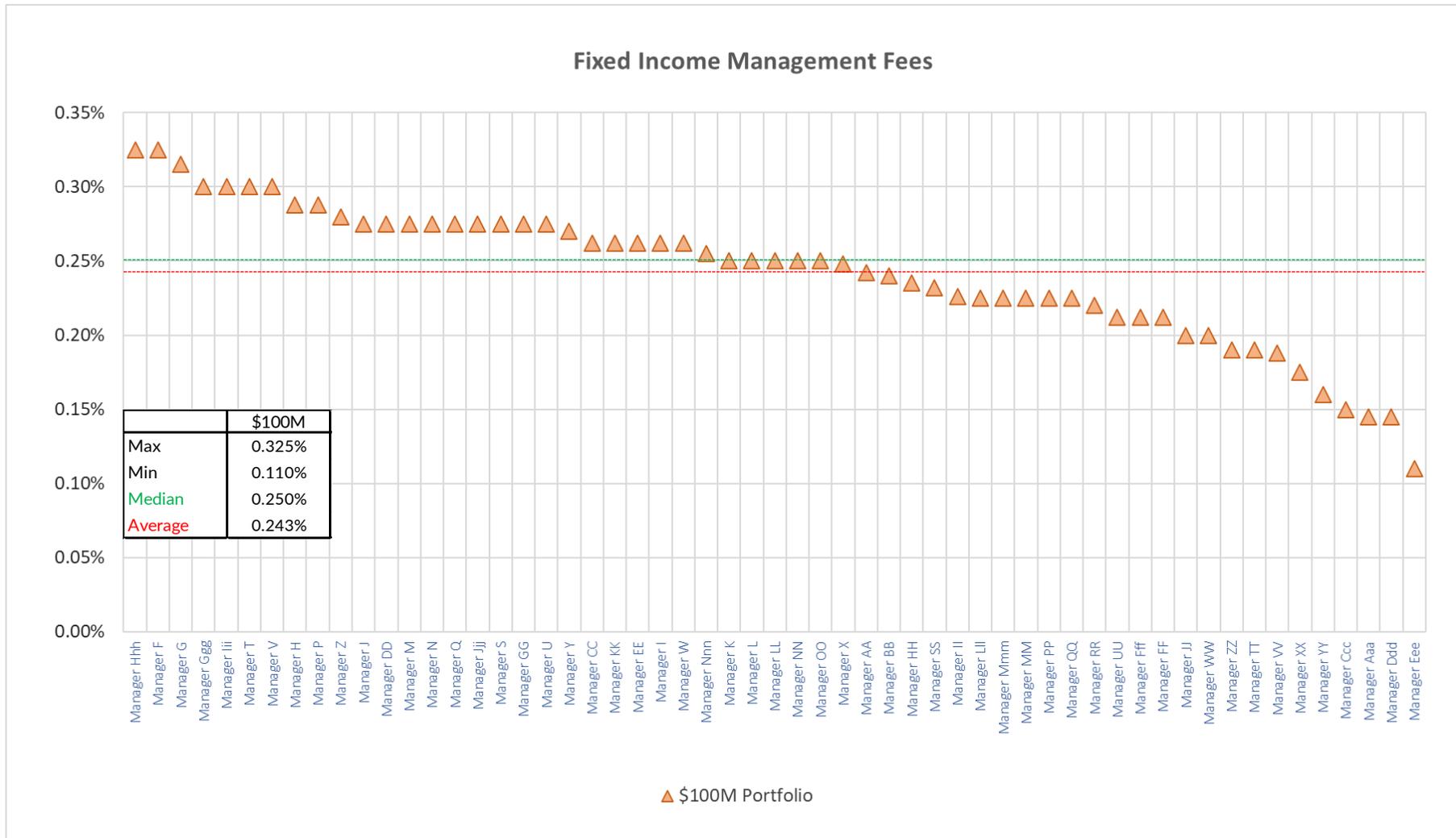


Standard Fixed Income Management Fees by Firm: \$50M (basis points)



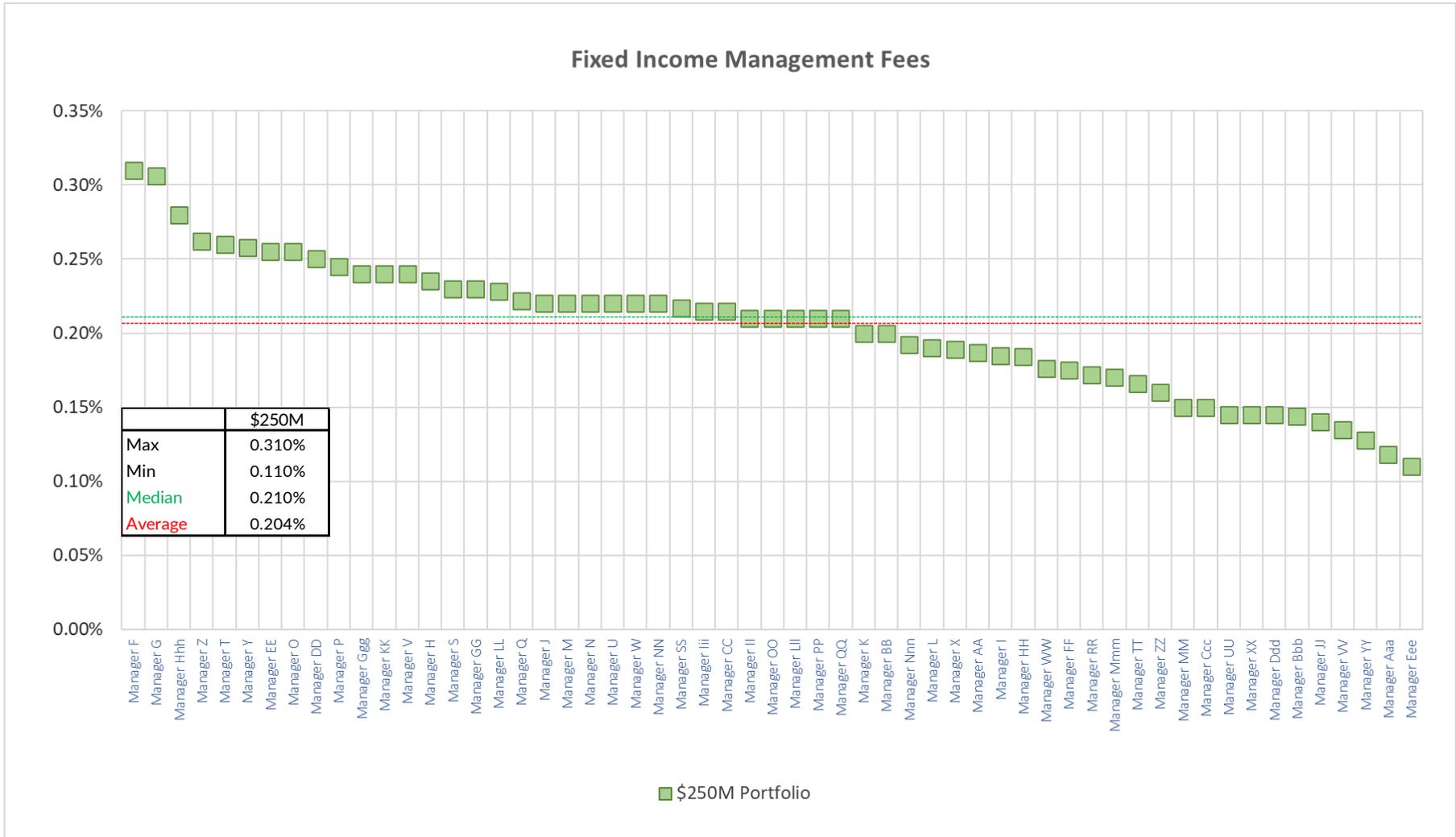


Standard Fixed Income Management Fees by Firm: \$100M (basis points)



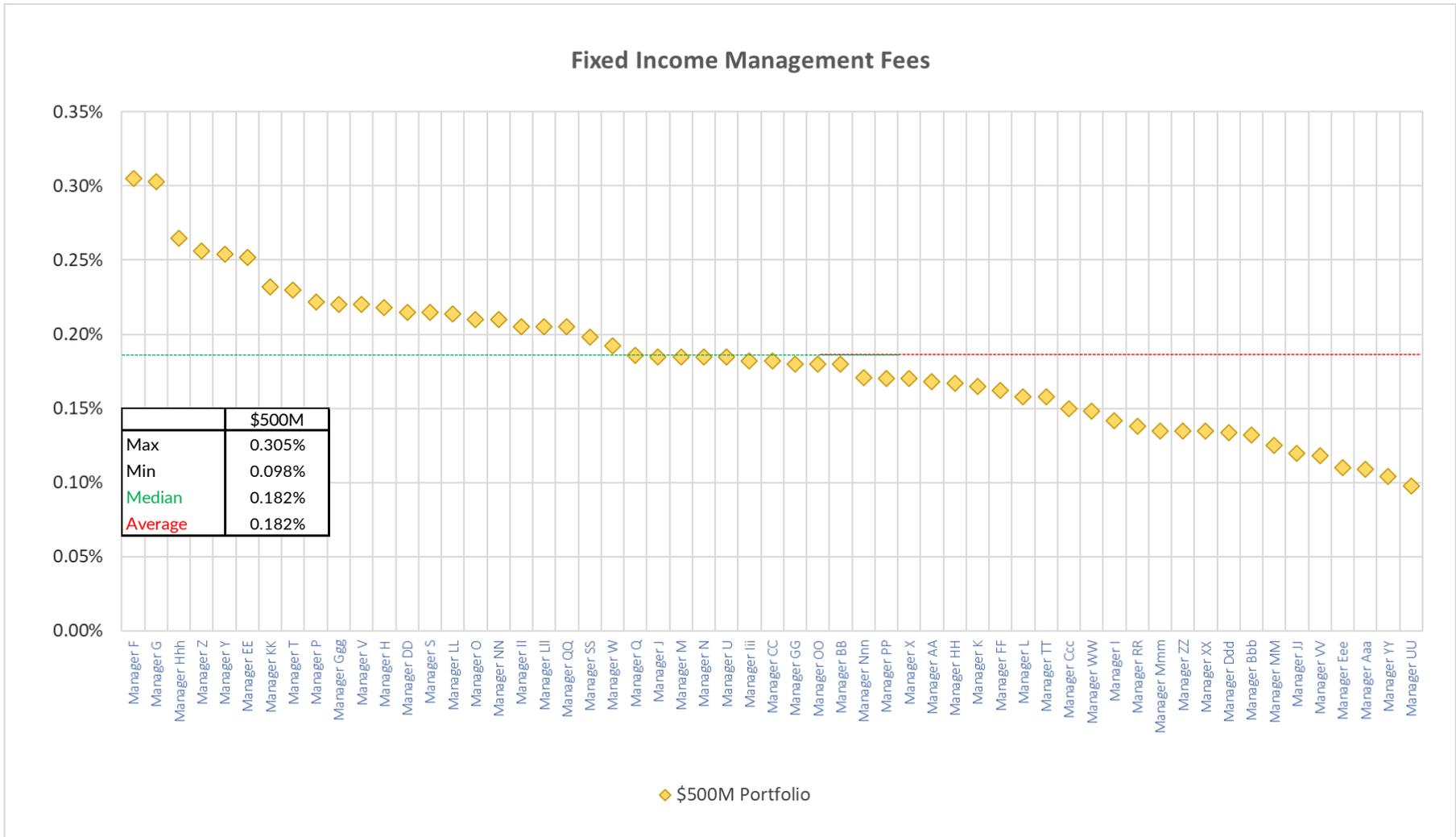


Standard Fixed Income Management Fees by Firm: \$250M (basis points)



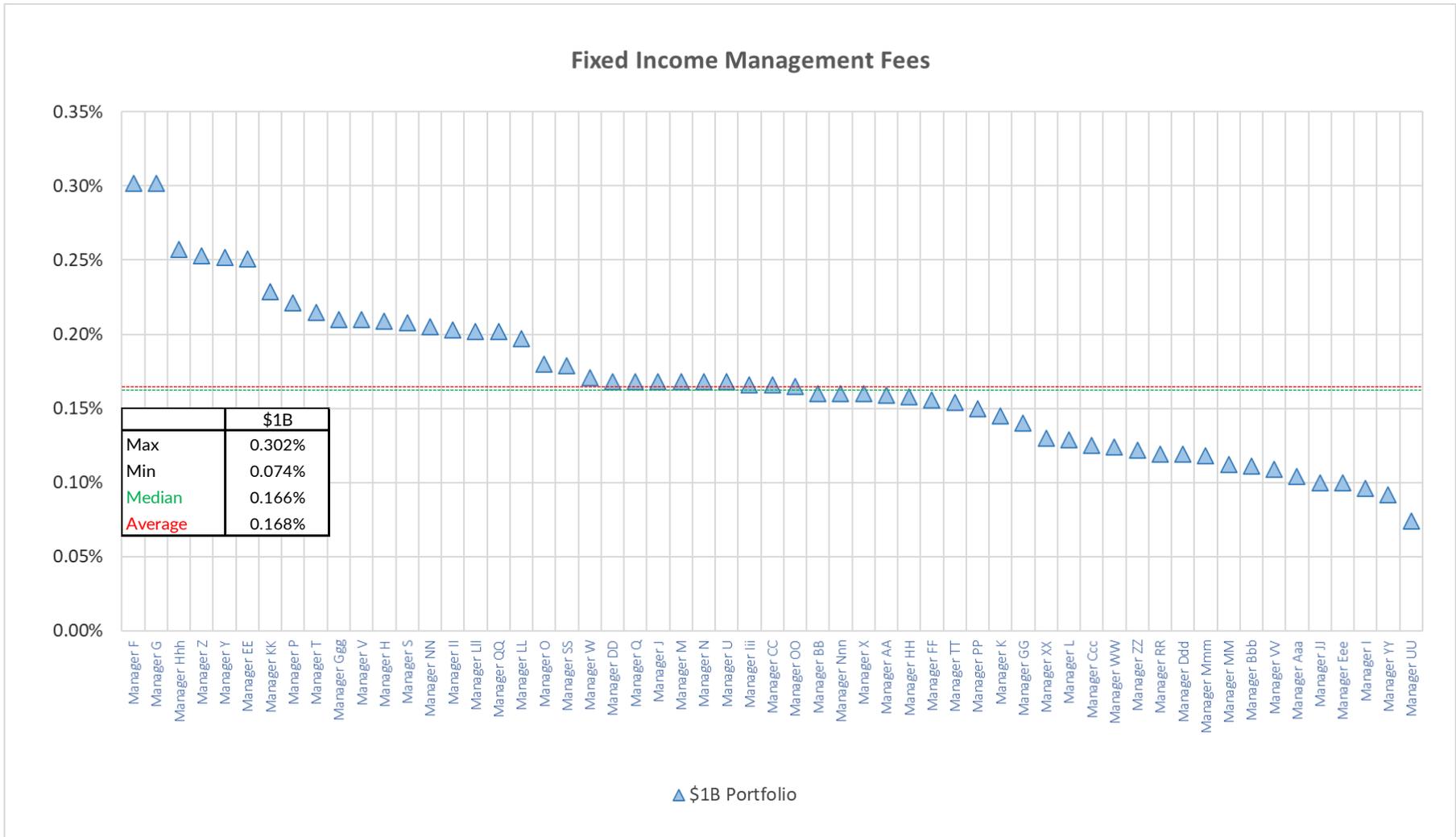


Standard Fixed Income Management Fees by Firm: \$500M (basis points)





Standard Fixed Income Management Fees by Firm: \$1B (basis points)





ABOUT SAA





Who We Are: SAA Principals



Alton Cogert
President & CEO

Phone: (360) 255-2500
Email: acogert@saai.com

Mr. Cogert founded Strategic Asset Alliance in 1994.

Prior to founding SAA, Mr. Cogert accumulated more than twenty years of financial institution experience, including over ten years experience in senior financial management.



Daniel Smereck
Managing Director

Phone: (207) 706-9288
Email: dsmereck@saai.com

Mr. Smereck is the primary consultant for SAA's governmental risk pooling clients.

Mr. Smereck has over twenty years of experience across investments, insurance, corporate finance, statistical analysis, and information technology.





Who We Are

Independent Investment Consulting Firm

Founded in 1994 that Only Focuses on
Insurance Organizations and Governmental Risk Pools

49*
Insurance
Co. Clients

\$10.2B*
Assets Under
Advisement

- Headquartered in Bellingham, WA with an office in Maine.
- Staff of six, including one CEO, one Managing Director and one Director.
- Clients span various segments, including:
 - Governmental Risk Pooling organizations
 - Commercial P&C
 - Commercial Life
 - Commercial Health
 - Captives

*As of 6/30/21

*Within 31 Client Relationships



Our Investment Philosophy



Investment Process

- Asset allocation drives the great majority of returns based on historical studies
- Accountability & Transparency is key within the overall process



Active Management Makes Sense for Fixed Income Mandates Due to:

- The less efficient nature of the asset class due to its over the counter structure
- The necessary customization involved in managing insurer fixed income portfolios



Passive Management Makes Sense for Developed Market Equity Mandates

- In general, passive management makes more sense for developed market equity mandates (Large Cap, Mid Cap, Small Cap) due to:
 - The greater level of efficiency in these markets
 - The higher level of fees associated with managing active equity mandates
 - The difficulty in outperforming benchmarks given the fee drag and adjusting for risk



In general, we don't believe alternatives (i.e. hedge funds), make sense for insurers due to:

- The high level of fees, potential lack of liquidity, agency problems and impact to capital ratios



What Services Do You Receive?

Summary of Deliverables

SWOT Analysis		Initial SWOT Analysis of the investment process, providing blueprint and priority ranking for improvement
Asset Allocation		Advice on the current investment asset allocation and risk profiles, subject to current insurance regulations
Policy Review		Review, consultation and recommendations about the client's investment policy and guidelines
Benchmarking		Advice on establishing benchmarks for the various investment managers
Ongoing Monitoring		Ongoing monitoring of investment portfolio holdings and risks
Manager Evaluation		Review, consultation and recommendations about the performance of the investment managers
Performance Reviews		Performance reporting and monthly/quarterly review with management
On-site Attendance		Attendance and performance reporting at Finance/Investment Committee meetings
Manager Selection		Recommendations and assistance in selecting outside investment managers, when/if necessary.
Peer Analysis		Development of an annual peer group analysis
Ad Hoc Analysis		Ad hoc investment related analysis as necessary



Investment Policy (SWOT Example)



STRENGTHS

- Investment Policy has many of the basic requirements, that make it easily operational from the investment manager's point of view.

WEAKNESSES

- Performance reporting should be specifically stated to be according to GIPS standards with additional requirement for meeting investment income goals.
- No minimum credit rating for any given bond in Core Portfolio.
- Diversification limits set irrespective of credit rating/ state concentration (for municipals).
- No industry concentration limit for fixed income or equity portfolios.
- No specific exclusions, except as required by WA law.

OPPORTUNITIES

- We would recommend that only investment grade fixed income securities be part of the Core Portfolio with all other investments part of the Capital Growth Portfolio.
- There are several other opportunities for consideration that will arise from future discussions.

THREATS

- New investment products may/may not be adequately handled under the existing policy.

