

Investment Seminar for Government Risk Pools

March 29, 2023



STRATEGIC ASSET ALLIANCE
THE INSURANCE INVESTMENT SPECIALIST

Looking Back

Returns – Time Horizon

2001-2020

● 100% US Stocks	7.91% / 15.66%
● 100% US Fixed Income	+4.62% / 3.45%
● 50% / 50%	+6.73% / 7.57%
● 100% HY Fixed Income	+6.40% / 7.89%

Return / Volatility

Returns – Time Horizon

2022

	<u>Return</u>
● 100% US Stocks	-19.60%
● 100% US Fixed Income	-13.25%
● 50% / 50%	-16.43%
● 100% HY Fixed Income	-9.06%
● 100% Commodities	+24.08%
● 100% Cash	+1.82%



Returns – Time Horizon

2021-2023

- 100% US Stocks
- 100% US Fixed Income
- 50% / 50%
- 100% HY Fixed Income

Return / Volatility

+2.45% / 18.59%

-6.88% / 6.75%

-1.94% / 11.74%

-1.92% / 8.77%



Risk Pool Peer Group Summary

As of 12/31/22

SAA Risk Pool Peer Group Overview – As of 12/31/2022

TOTAL

- **23 Clients**
- **51 Portfolios**
 - **\$5.58B In Assets**
 - **\$4.7B Core Fixed Income (84.22%)**
 - **\$0.88B Risk Assets (15.78%)**

MULTI-LINE P&C

- 18 Clients
- 31 Portfolios
 - \$4.29B In Assets
 - \$3.63B Core Fixed Income (84.62%)
 - \$0.66B Risk Assets (15.38%)

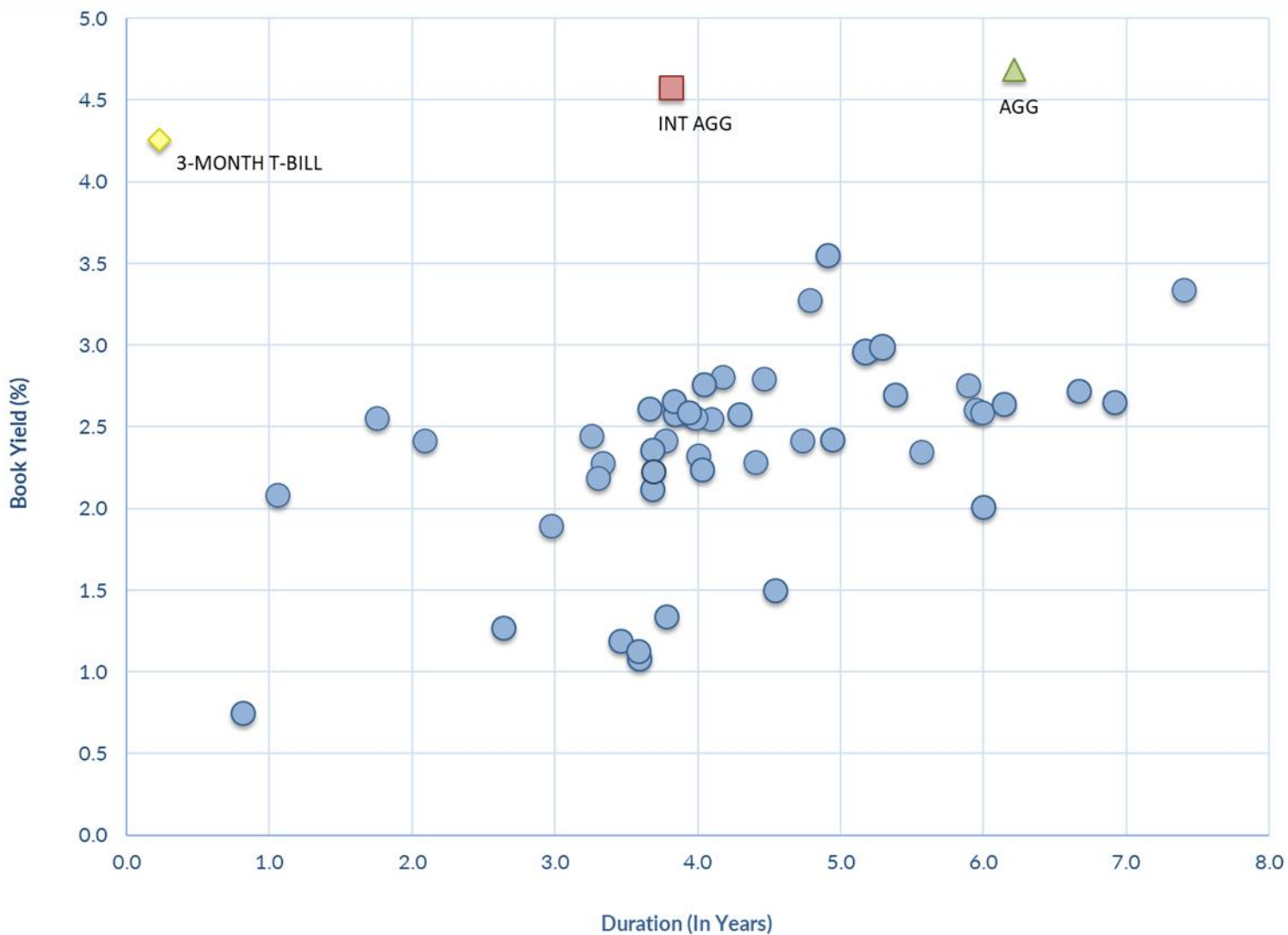
HEALTH

- 9 Client Portfolios
 - \$333M In Assets
 - \$288M Core Fixed Income (86.49%)
 - \$45.2M Risk Assets (13.51%)

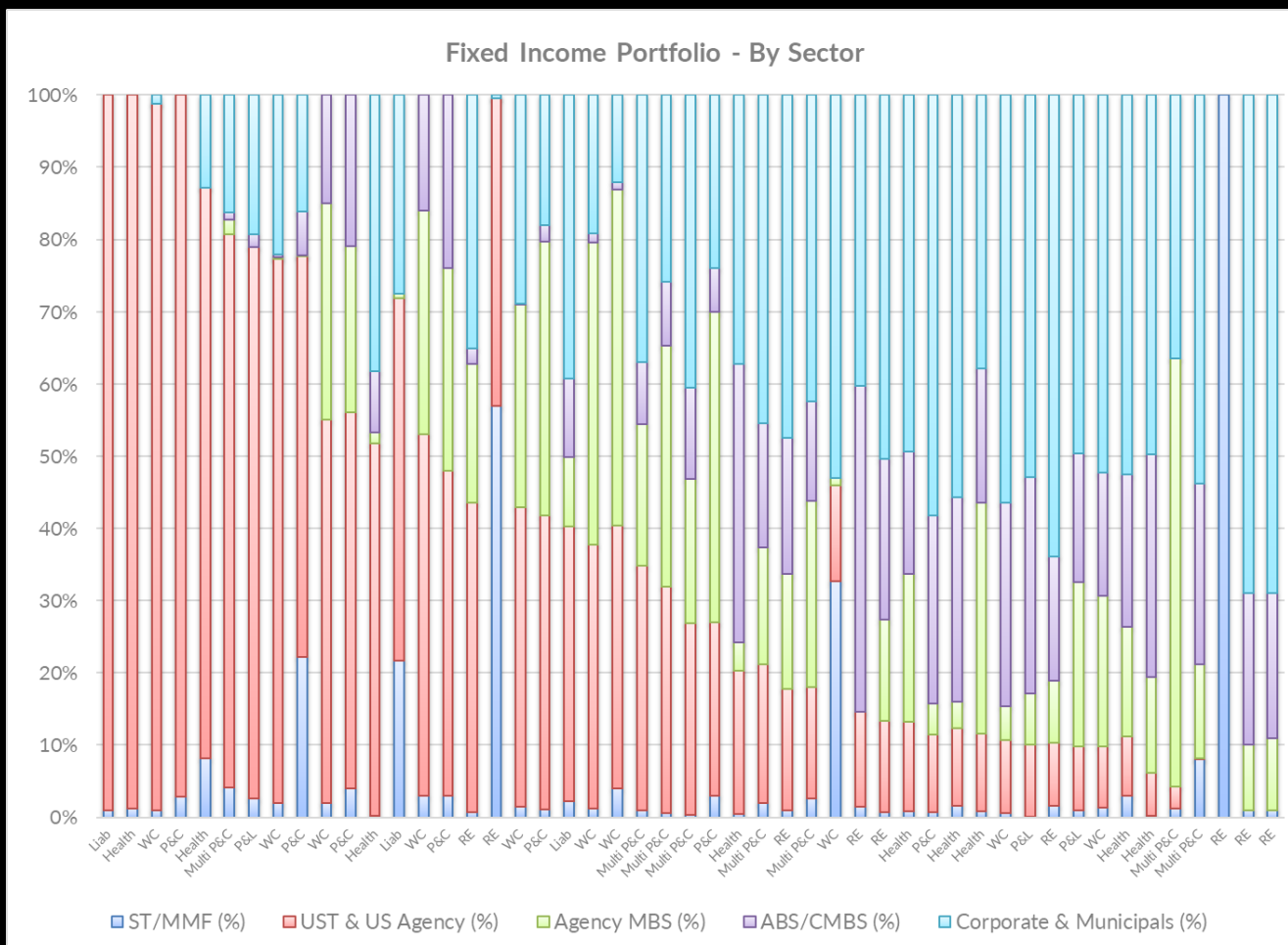
REINSURERS

- 9 Client Portfolios
 - \$961M In Assets
 - \$776M Core Fixed Income (80.75%)
 - \$185M Risk Assets (19.25%)

Fixed Income: Book Yield & Duration

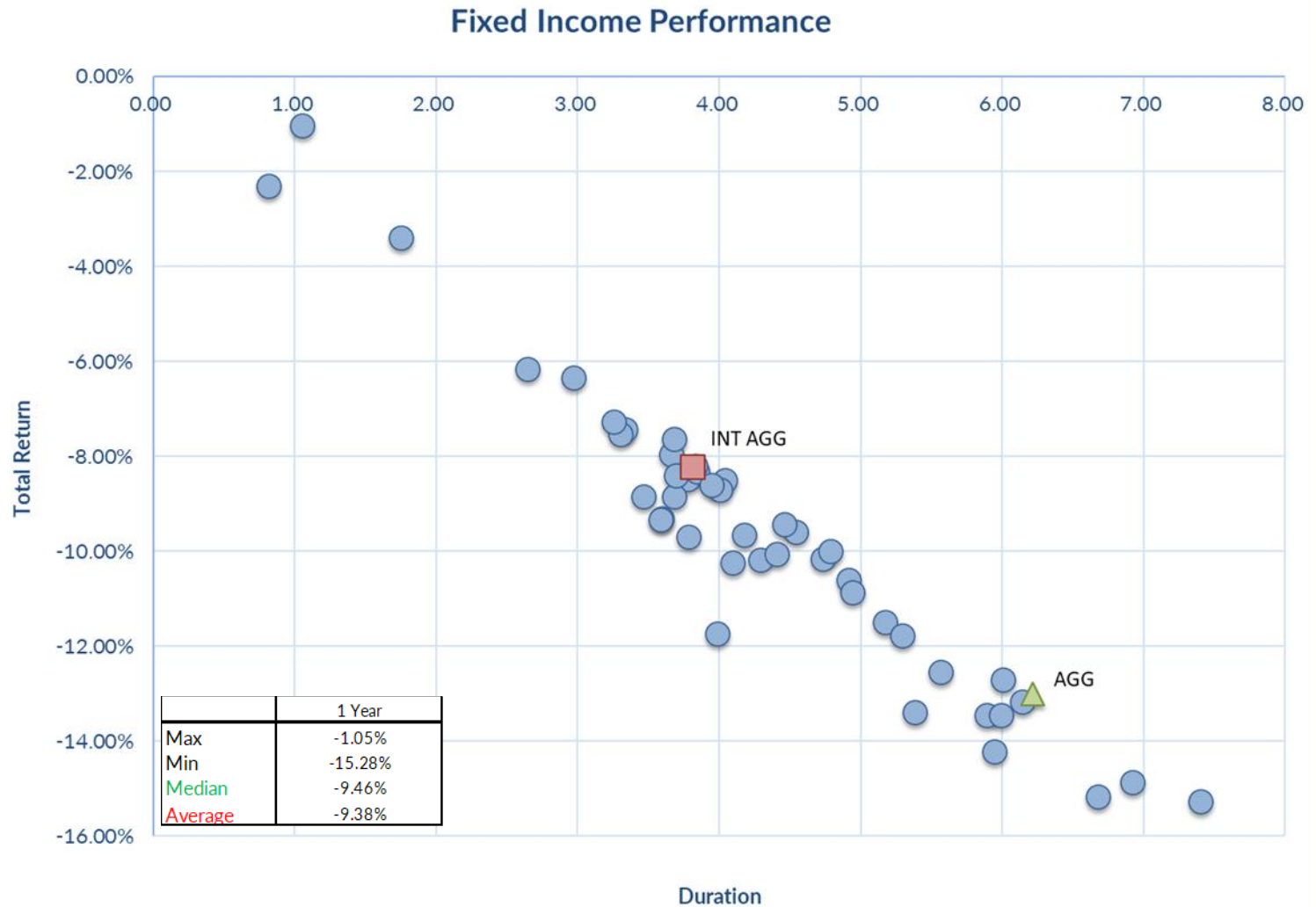


Fixed Income Allocation By Sector

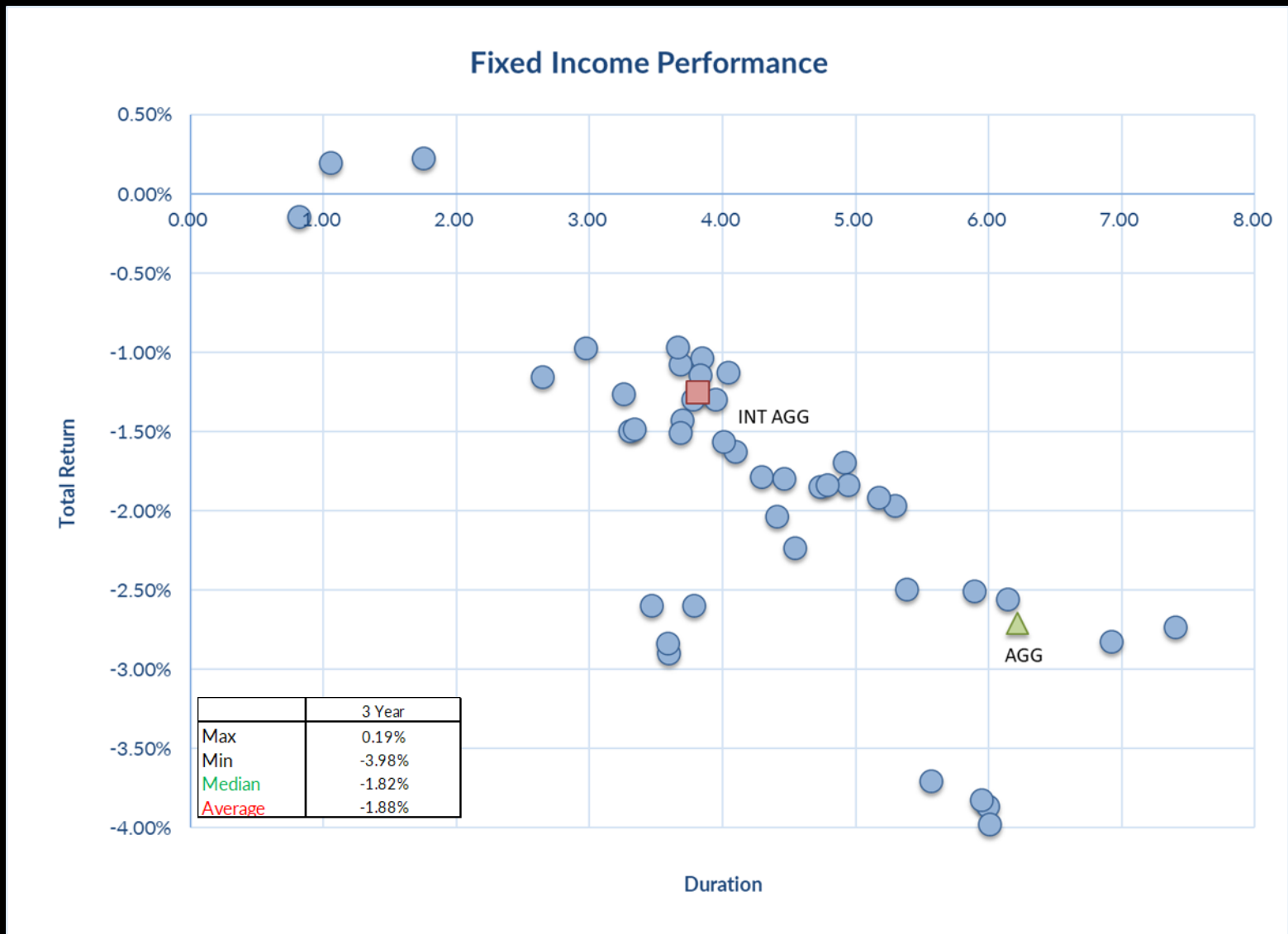


	ST/MMF (%)	UST & US Agency (%)	Agency MBS (%)	ABS/CMBS (%)	Corporate & Taxable Muni (%)	Credit (%) Corp/Structured
Max	100.00%	99.10%	59.20%	45.00%	100.00%	100.00%
Min	0.10%	0.00%	0.00%	0.00%	0.00%	0.00%
Median	1.40%	26.50%	13.10%	12.64%	37.15%	46.17%
Average	6.42%	34.06%	15.02%	12.66%	33.13%	45.54%

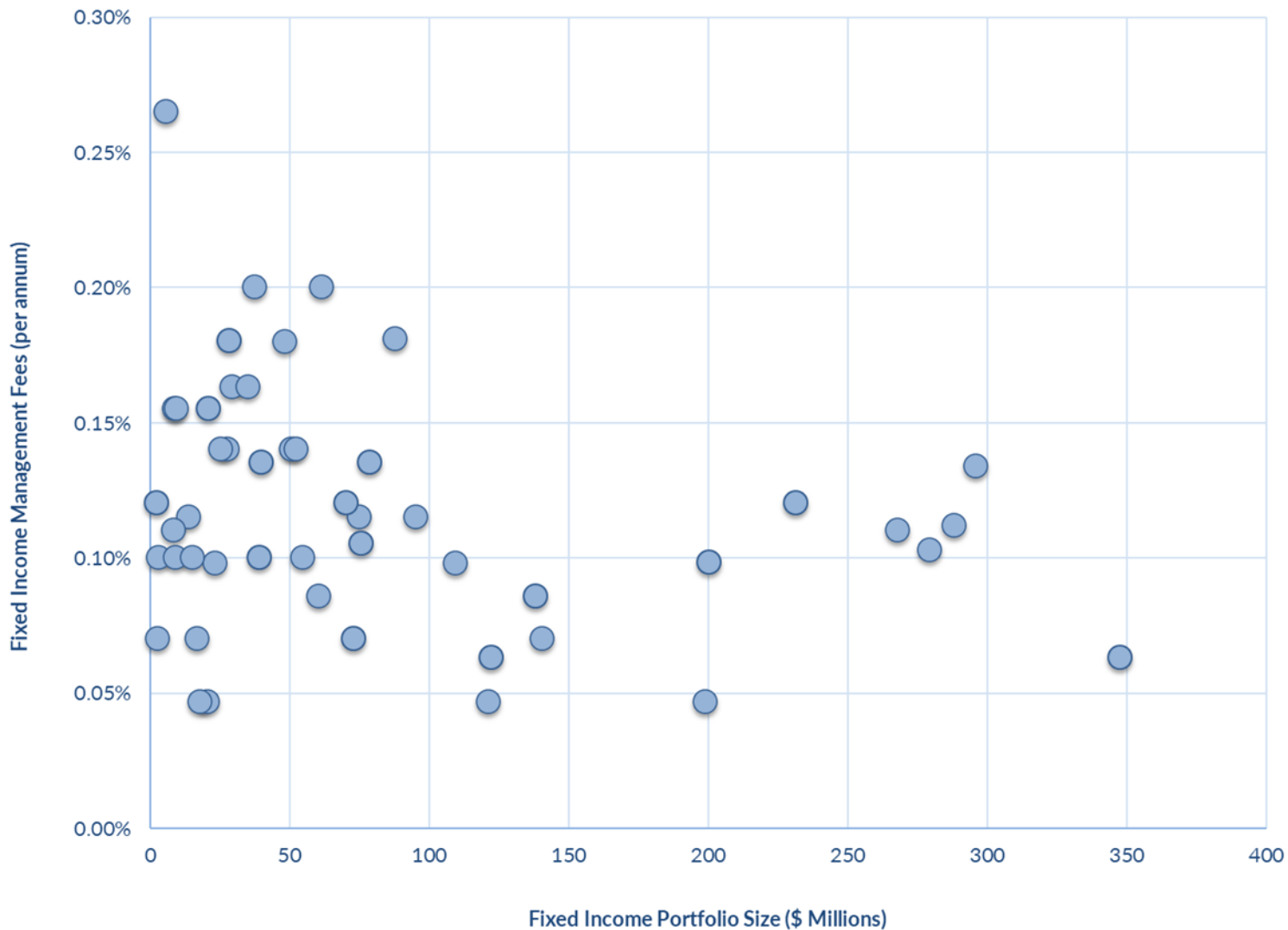
Fixed Income: One-Year Performance



Fixed Income: Three-Year Performance (Annualized)

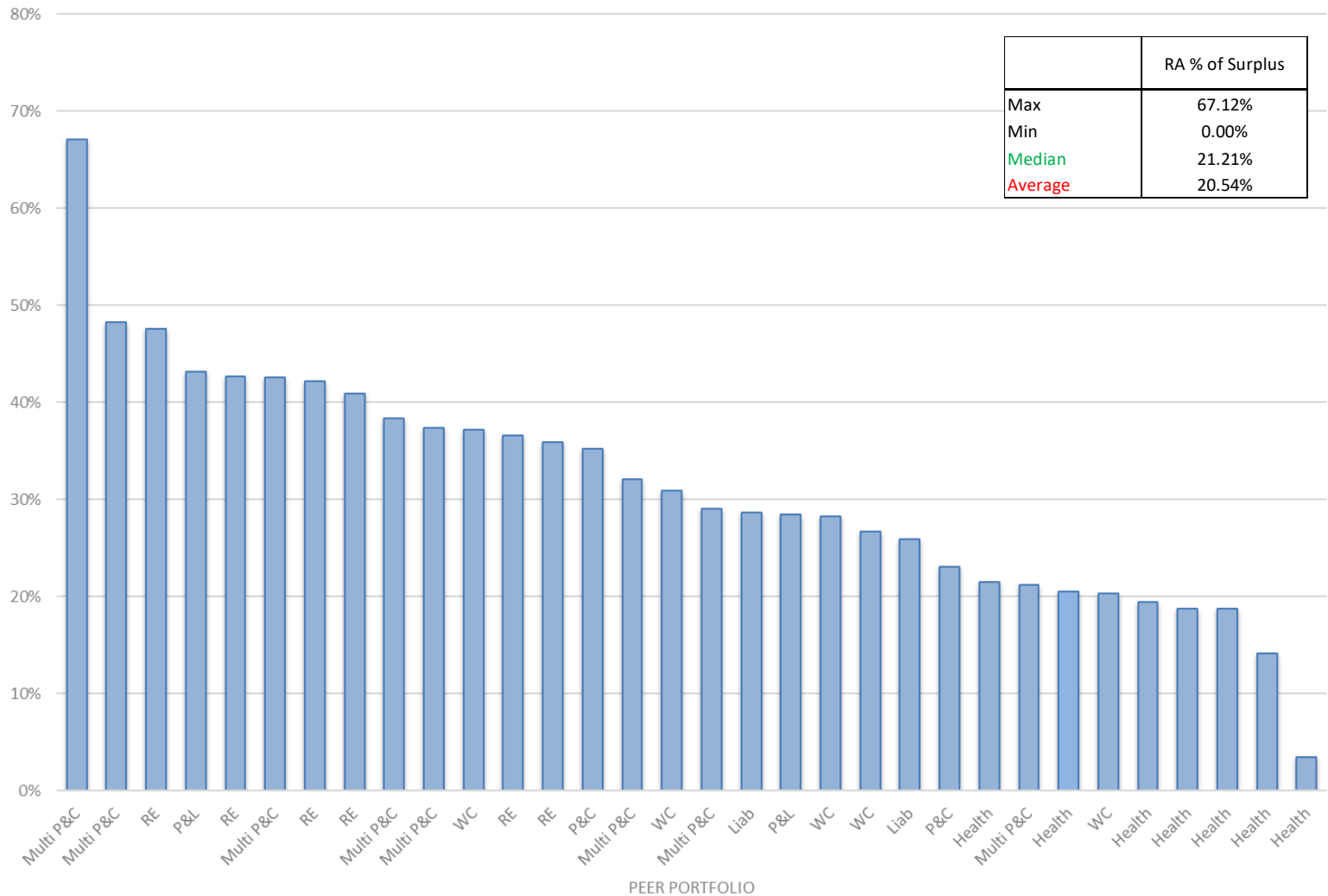


Fixed Income Investment Management Fees (ex Investment Accounting)



Risk Asset Allocation - % of Surplus / Net Position

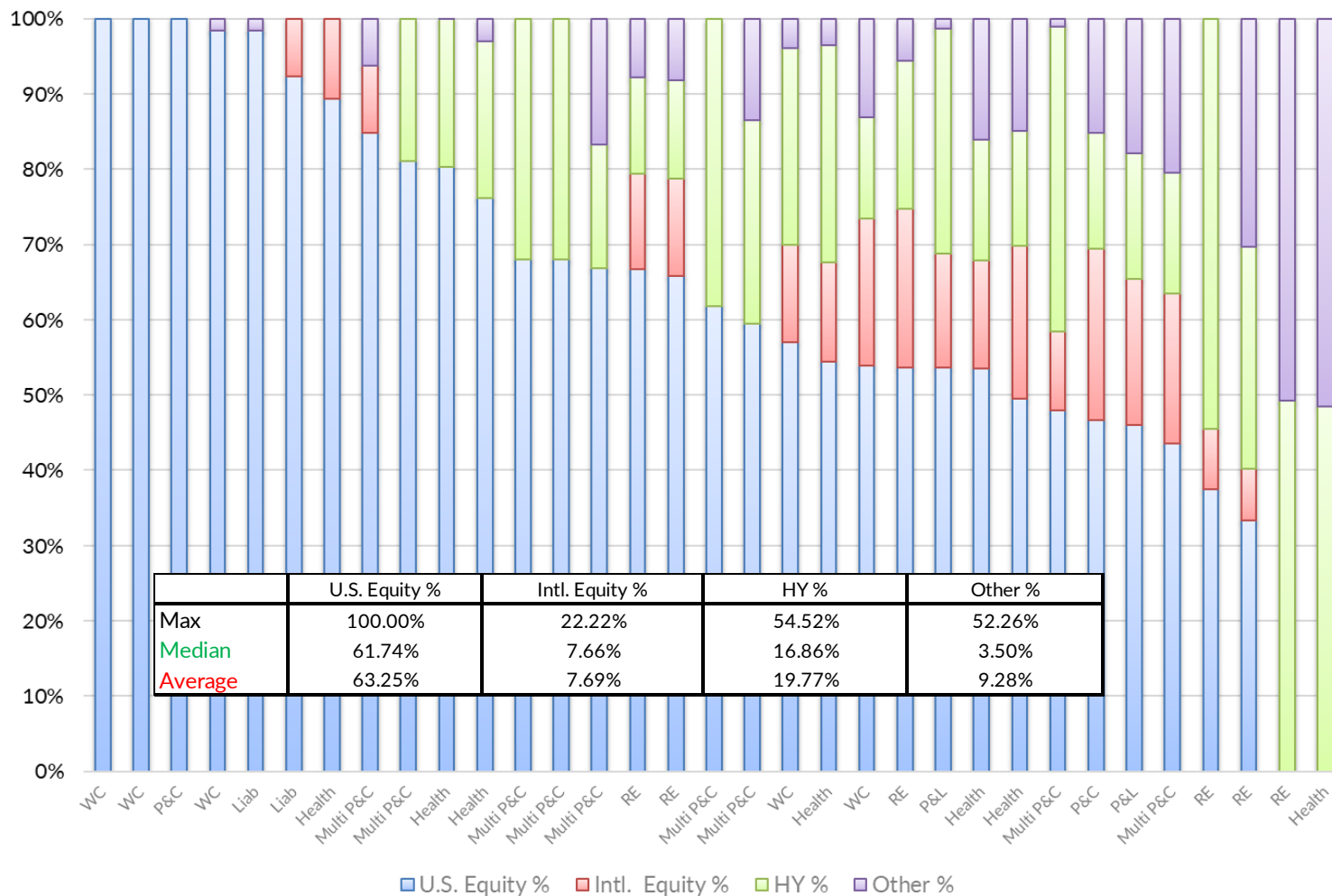
Risk Asset Allocation - **As % of Surplus / Net Position**



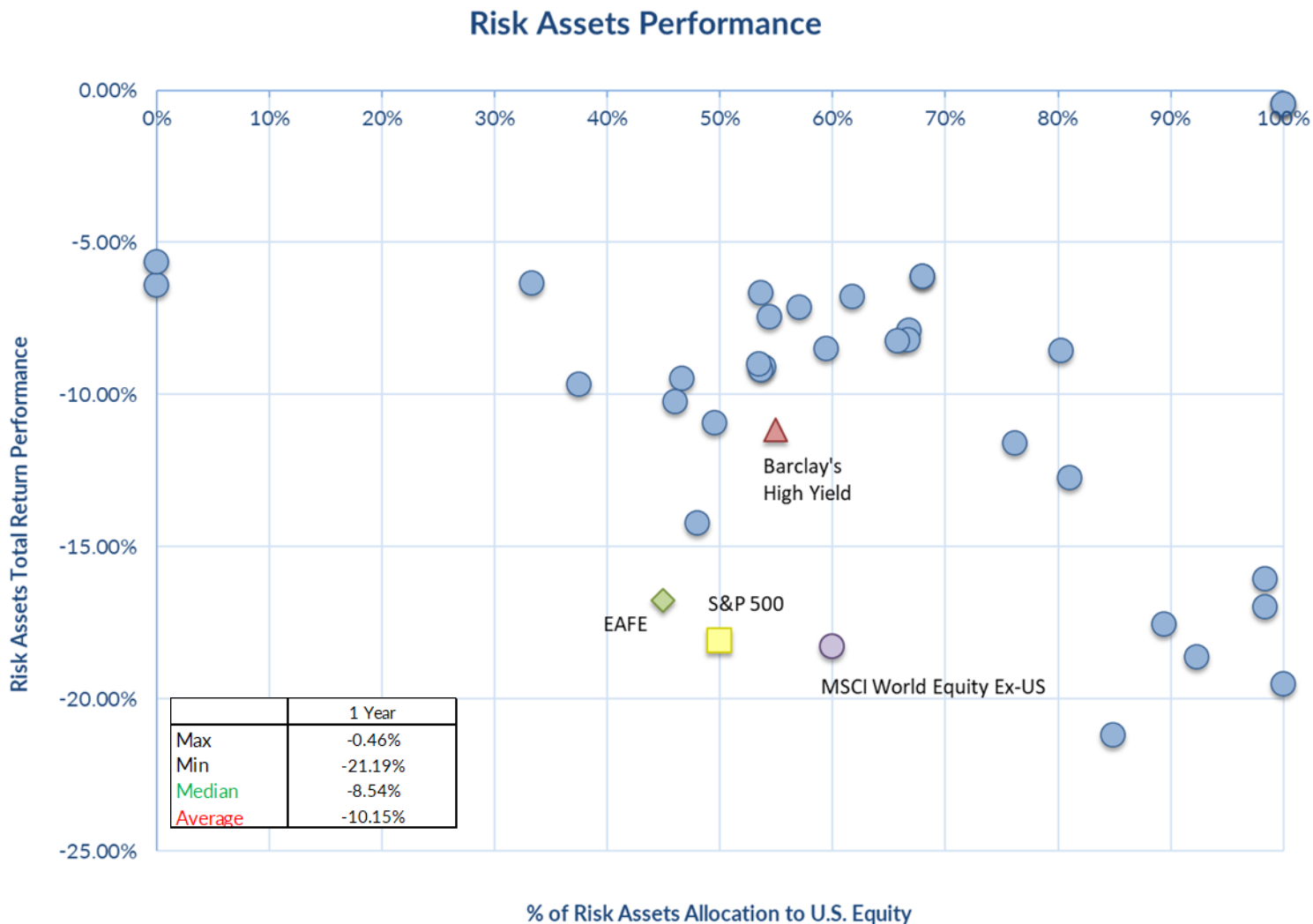
	RA % of Surplus
Max	67.12%
Min	0.00%
Median	21.21%
Average	20.54%

Risk Asset Allocation

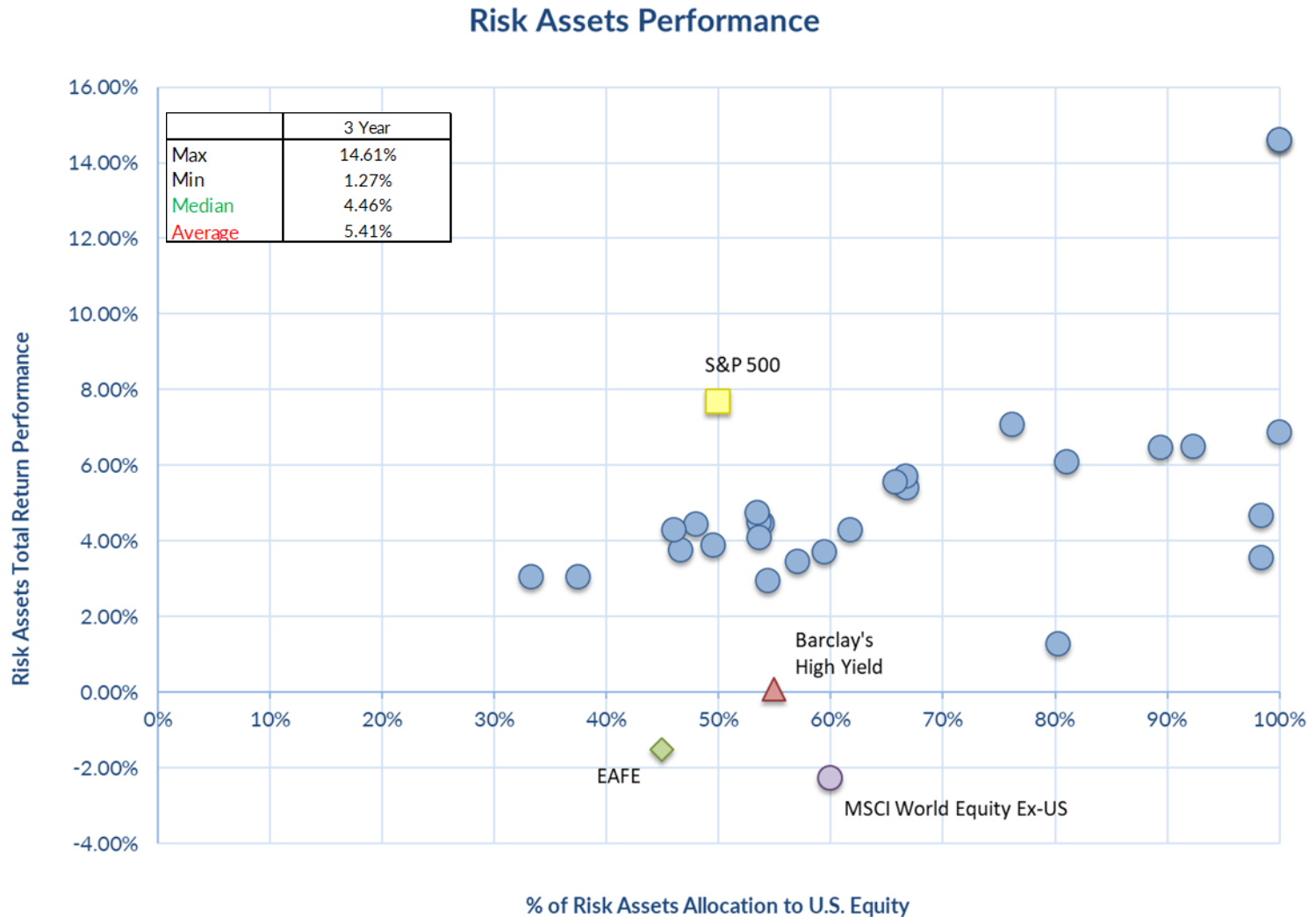
Risk Asset Portfolio Composition



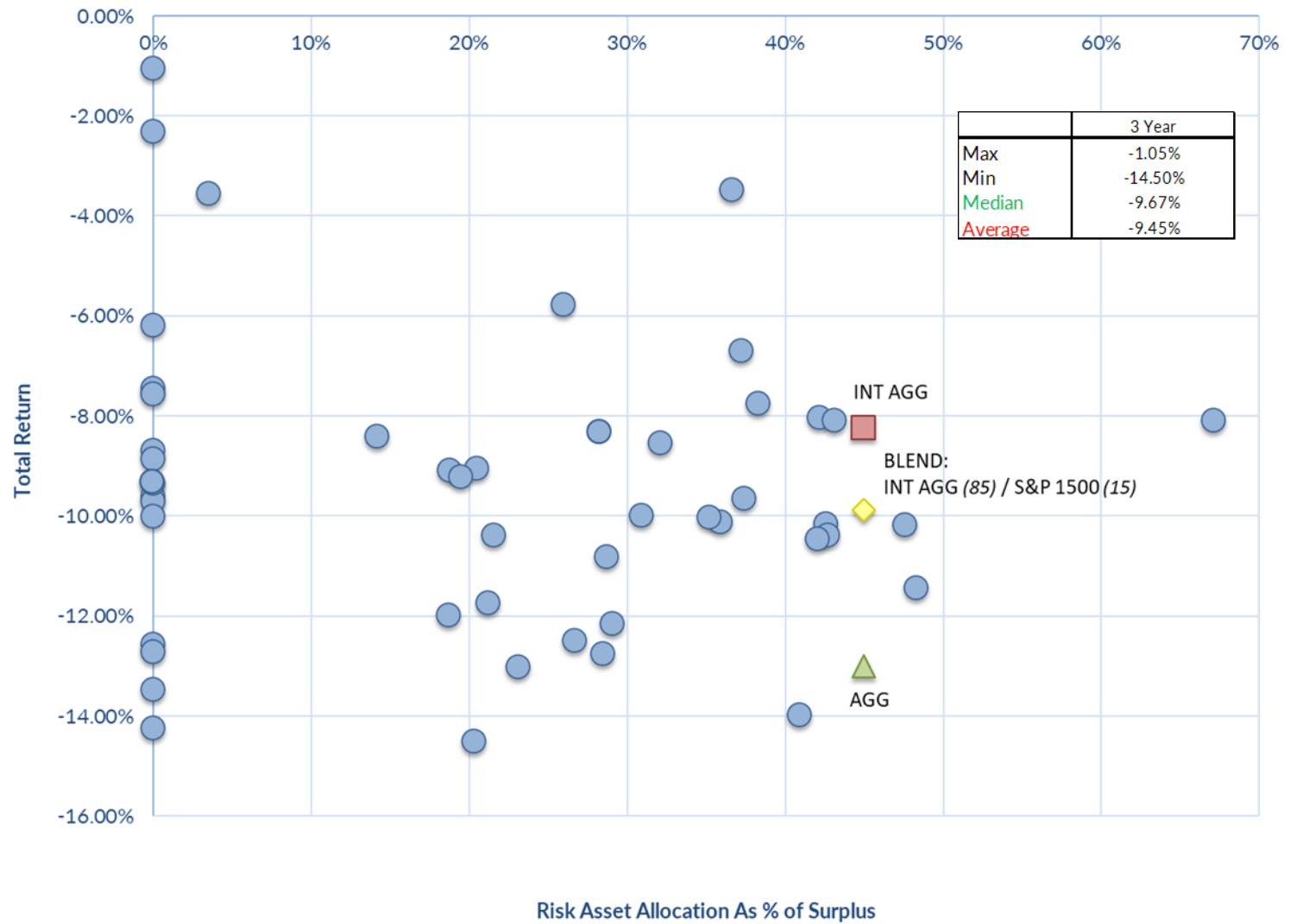
Risk Assets: One-Year Performance



Risk Assets: Three-Year Performance (Annualized)



Total Performance: One-Year Performance



Total Portfolio Performance: Three-Year Performance



Here & Now



Key Pooling Issues

- Cybersecurity
- Climate Change
- Regulatory Change
- Aging Infrastructure
- Evolving Liabilities
- Inflation
- Member Value Proposition
- Technological Change
- Talent & Workforce Management
- Reinsurance
- Capital Efficiency





Things to Consider



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Investment Income:

- **Investment Income:**

- *Is a cornerstone to the risk transfer business model, and...*
- *maximizing risk-adjusted investment income can mean the difference between remaining competitive or losing members to aggressive pricing.*

- **How much can you expect to earn?**
- **How much risk are you willing to prudently take?**
- **What liabilities are you funding by design or presumption?**
- **“NEW” How much reinsurance is available and at what cost?**

Investment Performance Objectives

Where do you fall on this objective continuum and why?





Considerations for your Risk Pools/JPA's Investment Process

- How is your investment process addressing these trends?
 - ✓ Asset allocation (Yield vs. Growth)
 - ✓ Enterprise risk management modeling vs. culture
 - ✓ Board/staff education
 - ✓ (data vs. information vs. knowledge)
 - ✓ Investment policy flexibility
 - ✓ Captive formation





Considerations for your Risk Pools/JPA's Investment Process *(continued)*

- How is your investment process addressing these trends?
 - ✓ Internal Staffing
 - ✓ Investment manager(s)
 - ✓ Investment advisors
 - ✓ Investment manager Technology platform & flexibility
 - ✓ Investment accounting & reporting

