



Capital Markets Review November 30, 2023

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STRATEGIC ASSET ALLIANCE
THE INSURANCE INVESTMENT SPECIALIST



REVIEW



Summary Capital Market Commentary – November 2023

- November was a positive month for both shares and bonds. Slowing inflation in the US and other regions gave rise to hopes that interest rates may have reached their peak. Growth stocks outperformed value. Commodities fell amid weakness in energy prices.
- Equity Markets
 - US equities advanced strongly in November. Gains were supported by the publication of October inflation data which showed that the consumer price index (CPI) reading had fallen to 3.2% year-on-year from 3.7% in September. The release raised hopes that inflation is on course to fall back to the Federal Reserve's (Fed) 2% target, and that further interest rate hikes may not be needed. Economic data painted a mixed picture for the US economy. The second estimate of Q3 GDP showed an upward revision to 5.2% (annualized) compared to the first reading of 4.9% and growth in Q2 of 2.1%. However, data from the manufacturing sector showed weakness with the ISM manufacturing PMI indicating contraction with a reading of 46.7, unchanged versus October.
 - Eurozone shares gained in November amid steeper-than-expected drops in inflation. In the eurozone, annual inflation for November was estimated at 2.4%, down from 2.9% in October. As in the US, this prompted hopes that price pressures may be easing and that interest rates may soon be cut. Other data pointed to weakness in the eurozone economy. The flash HCOB eurozone purchasing managers' index for November showed business activity continuing to fall with a reading of 47.1, albeit this was up from 46.5 in October.
 - The Japanese equity market rebounded with a total return of 5.4% for the TOPIX total return index. Investor sentiment improved as some market trends reversed. Macroeconomic figures in Japan remained somewhat sluggish, including Q3 GDP data, which showed weaker-than-expected domestic demand, consumption, and capital expenditure. Another risk is the Kishida administration, as his popularity continued to decline. However, there are more cases where wage negotiations next year could be solid, as labor unions have raised their demands and corporate management seems to be responding well to them.
 - Asia ex Japan equities achieved strong gains in November as hopes that US interest rates may have peaked led to renewed investor appetite for risk assets across the region. All markets in the MSCI Asia ex Japan index ended the month in positive territory in November. South Korea, Taiwan and the Philippines were the strongest index markets, while gains in Hong Kong, Thailand and Singapore were more modest. Chinese stocks failed to match the gains achieved by some of their regional peers due to ongoing concerns over weaker Chinese economic growth. Fears that stimulus measures by the Chinese government wouldn't be sufficient to spur growth and the ongoing real estate crisis also weakened sentiment towards Chinese stocks. Shares in India and Indonesia achieved robust gains in the month, while price gains in Malaysia were more muted.



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- Bond Markets
 - November was a positive month for fixed income markets. Government bonds, credit (both investment grade and high yield) and securitized assets all rallied amid growing speculation that central banks might be very close to ending rate hikes. Encouragingly, inflation pressures continued to ease as did concern around higher oil prices.
 - The US Federal Reserve (Fed) kept rates on hold as anticipated, with a relatively dovish tone to the accompanying statement. Despite ongoing concerns around expansive fiscal policy, there was better news in terms of supply, with the Quarterly Refunding Announcement being lower than expected (\$112 billion versus \$114 billion). Nevertheless, Moody's announced a change to its AAA US rating outlook from stable to negative due to increased downside fiscal risks.
 - A blend of weaker growth, subsiding inflation pressures, and shifting interest rate expectations resulted in a fall in yields across all major markets. The 10-year yield dropped by 57 basis points (bps) to 4.34% while Germany lagged slightly with a 10-year yield drop of 36bps to 2.45%.
 - Global credit markets registered positive returns in November with upbeat sentiment propelling higher risk assets to outperform government bonds. US investment grade (IG) led the IG space with 1.8% excess return, and high yield (HY) emerging market sovereigns topping the HY space at 3.6% excess return for the month. Issuance increased from last month as rates volatility subsided. Notably, US dollar high yield recorded its highest monthly level since the beginning of the year.



Capital Markets' Performance

Index	Asset Class	Oct-23	Nov-23	QTD	YTD	Trailing 1 Yr	Trailing 2 Yr	Trailing 3 Yr	Trailing 5 Yr	Trailing 10 Yr
Dow Jones Industrial Average	U.S. Equity	-1.26%	9.15%	7.78%	10.72%	6.19%	4.32%	8.85%	9.41%	10.89%
Alerian MLP	Master Limited Partnerships	0.42%	6.86%	7.31%	29.37%	23.29%	32.44%	34.51%	10.33%	2.29%
S&P Composite 1500 Value	U.S. Equity	-2.10%	9.55%	7.25%	14.74%	10.10%	7.67%	12.19%	10.38%	9.52%
S&P 500	U.S. Equity	-2.10%	9.13%	6.84%	20.80%	13.84%	1.66%	9.75%	12.51%	11.82%
S&P Composite 1500	U.S. Equity	-2.38%	9.08%	6.48%	19.52%	12.62%	1.34%	9.53%	12.07%	11.50%
MSCI World Ex. US Index	World Equity	-2.88%	9.43%	6.28%	18.55%	13.56%	0.86%	7.56%	10.53%	8.89%
S&P Composite 1500 Growth	U.S. Equity	-2.61%	8.68%	5.84%	23.92%	14.61%	-4.75%	6.54%	12.81%	12.82%
Dow Jones U.S. Select REIT	U.S. Real Estate	-4.53%	10.77%	5.75%	3.58%	-1.84%	-8.57%	4.93%	2.26%	6.05%
Barclays Capital Municipal Bond	U.S. Fixed Income	-0.85%	6.35%	5.44%	3.98%	4.28%	-2.39%	-0.96%	2.03%	2.77%
MSCI EAFE (Net)	International Equity	-4.04%	9.30%	4.88%	12.84%	12.96%	1.00%	4.32%	6.51%	4.39%
MSCI EAFE Index	International Equity	-4.05%	9.28%	4.85%	12.27%	12.36%	0.48%	3.80%	5.99%	3.89%
MSCI World Index	World Equity	-4.21%	9.42%	4.82%	12.42%	11.92%	0.91%	4.66%	6.72%	4.44%
Barclays Capital U.S. Corporate Investment Grade	U.S. Fixed Income	-1.87%	5.98%	3.99%	4.01%	3.55%	-6.43%	-4.51%	2.06%	2.50%
Citigroup WorldBIG Index	World Fixed Income	-1.19%	5.16%	3.91%	2.15%	2.07%	-8.13%	-6.76%	-0.91%	-0.18%
MSCI EM (Emerging Markets)	International Equity	-3.87%	8.02%	3.83%	6.08%	4.65%	-6.84%	-3.66%	2.73%	2.50%
Barclays Capital U.S. Corporate High Yield	U.S. Fixed Income	-1.16%	4.53%	3.31%	9.37%	8.69%	-0.53%	1.38%	4.15%	4.27%
Barclays Capital U.S. Aggregate	U.S. Fixed Income	-1.58%	4.53%	2.88%	1.64%	1.18%	-6.09%	-4.47%	0.71%	1.37%
Barclays U.S. Government/Credit	U.S. Fixed Income	-1.42%	4.33%	2.85%	1.97%	1.48%	-6.28%	-4.66%	1.06%	1.54%
S&P MidCap 400	U.S. Equity	-5.34%	8.51%	2.72%	1.17%	1.17%	-1.08%	7.36%	8.12%	8.69%
10-Year US Treasury	U.S. Treasury	-2.22%	4.78%	2.45%	-1.17%	-2.27%	-9.23%	-7.46%	-0.23%	0.68%
Merrill Lynch US Treasury Master	U.S. Fixed Income	-1.32%	3.61%	2.24%	0.44%	-0.08%	-6.71%	-5.19%	0.23%	0.89%
Barclays Intermediate U.S. Government/Credit	U.S. Fixed Income	-0.46%	2.67%	2.19%	2.86%	2.67%	-2.91%	-2.31%	1.39%	1.43%
5-Year US Treasury	U.S. Treasury	-0.54%	2.62%	2.06%	1.40%	0.95%	-4.54%	-3.81%	0.56%	0.66%
S&P SmallCap 600	U.S. Equity	-5.73%	8.27%	2.06%	2.89%	-4.02%	-5.01%	5.85%	5.63%	7.51%
Barclays U.S. Treasury: U.S. TIPS	U.S. Fixed Income	-0.72%	2.71%	1.97%	1.17%	0.14%	-5.41%	-1.49%	2.72%	2.00%
S&P/LSTA US Leveraged Loan Index	U.S. Fixed Income	-0.02%	1.22%	1.20%	11.48%	11.94%	5.51%	5.66%	4.91%	4.29%
Citigroup 3-month T-bill	Cash/Cash Equivalent	0.47%	0.46%	0.93%	4.77%	5.12%	3.12%	2.09%	1.86%	1.21%
BofA Merrill Lynch US Convertibles	U.S. Convertible Bond	-4.40%	5.21%	0.58%	6.42%	3.08%	-6.96%	-0.51%	9.55%	8.46%
S&P GSCI Commodities	Commodity	-4.18%	-3.64%	-7.68%	-0.99%	-2.36%	15.8%	22.88%	7.70%	-3.09%
S&P GSCI Crude Oil	Commodity	-8.68%	-5.76%	-13.94%	1.90%	1.69%	21.71%	30.99%	-0.03%	-10.40%

Key Take Aways:

- The “higher for longer” interest rate narrative continued to gain broader traction across markets for August, September, and October. Most fixed income and equity markets posted negative returns for October 2023. In early November, markets breathed a sigh of relief after the Fed’s recent meeting resulted in rates unchanged and the heightened expectations that the rate hikes have peaked following Chairman Powell’s post meeting comments.



Fixed Income Yields & Inflation

Index YTW	12/31/2022	9/30/2023	10/31/2023	11/30/2023	Chg Prior Month	Chg Prior Quarter	Chg Prior Year	Chg from 12/31/2021	CORE Current Real Yields	HEADLINE Current Real Yields	2YR Breakeven Current Real Yields	5YR Breakeven Current Real Yields
Aggregate	4.68%	5.39%	5.65%	5.05%	▼ -0.60%	▼ -0.34%	▲ 0.37%	▲ 3.30%	▲ 1.05%	▲ 1.85%	▲ 2.95%	▲ 2.88%
Intermediate Aggregate	4.63%	5.36%	5.59%	5.02%	▼ -0.57%	▼ -0.34%	▲ 0.39%	▲ 3.47%	▲ 1.02%	▲ 1.82%	▲ 2.92%	▲ 2.85%
U.S. Treasury	4.18%	4.85%	5.03%	4.55%	▼ -0.48%	▼ -0.30%	▲ 0.37%	▲ 3.32%	▲ 0.55%	▲ 1.35%	▲ 2.45%	▲ 2.38%
U.S. 3-Month Treasury	4.38%	5.46%	5.43%	5.40%	▼ -0.03%	▼ -0.06%	▲ 1.02%	▲ 5.35%	▲ 1.40%	▲ 2.20%	▲ 3.30%	▲ 3.23%
U.S. 2-Yr Treasury	4.40%	5.05%	5.06%	4.70%	▼ -0.36%	▼ -0.35%	▲ 0.30%	▲ 3.97%	▲ 0.70%	▲ 1.50%	▲ 2.60%	▲ 2.53%
U.S. 5-Yr Treasury	3.96%	4.61%	4.83%	4.28%	▼ -0.55%	▼ -0.33%	▲ 0.32%	▲ 3.02%	▲ 0.28%	▲ 1.08%	▲ 2.18%	▲ 2.11%
U.S. 10-Yr Treasury	3.83%	4.58%	4.91%	4.34%	▼ -0.57%	▼ -0.24%	▲ 0.51%	▲ 2.84%	▲ 0.34%	▲ 1.14%	▲ 2.24%	▲ 2.17%
U.S. 30-Yr Treasury	3.94%	4.70%	5.07%	4.51%	▼ -0.56%	▼ -0.19%	▲ 0.57%	▲ 2.62%	▲ 0.51%	▲ 1.31%	▲ 2.41%	▲ 2.34%
U.S. Agency MBS	4.71%	5.57%	5.93%	5.26%	▼ -0.67%	▼ -0.31%	▲ 0.55%	▲ 3.28%	▲ 1.26%	▲ 2.06%	▲ 3.16%	▲ 3.09%
ABS	5.14%	5.75%	5.93%	5.52%	▼ -0.41%	▼ -0.23%	▲ 0.38%	▲ 4.39%	▲ 1.52%	▲ 2.32%	▲ 3.42%	▲ 3.35%
CMBS	5.30%	6.12%	6.40%	5.84%	▼ -0.56%	▼ -0.28%	▲ 0.54%	▲ 3.96%	▲ 1.84%	▲ 2.64%	▲ 3.74%	▲ 3.67%
U.S. Credit	5.34%	5.95%	6.25%	5.53%	▼ -0.72%	▼ -0.42%	▲ 0.19%	▲ 3.28%	▲ 1.53%	▲ 2.33%	▲ 3.43%	▲ 3.36%
A-Rated Corporates	5.23%	5.89%	6.19%	5.45%	▼ -0.74%	▼ -0.44%	▲ 0.22%	▲ 3.34%	▲ 1.45%	▲ 2.25%	▲ 3.35%	▲ 3.28%
BBB-Rated Corporates	5.70%	6.29%	6.62%	5.86%	▼ -0.76%	▼ -0.43%	▲ 0.16%	▲ 3.28%	▲ 1.86%	▲ 2.66%	▲ 3.76%	▲ 3.69%
Municipal Bond	3.55%	4.32%	4.49%	3.57%	▼ -0.92%	▼ -0.75%	▲ 0.02%	▲ 2.46%	▼ -0.43%	▲ 0.37%	▲ 1.47%	▲ 1.40%
Taxable Municipal Bond	5.23%	5.59%	5.86%	5.37%	▼ -0.49%	▼ -0.22%	▲ 0.14%	▲ 3.04%	▲ 1.37%	▲ 2.17%	▲ 3.27%	▲ 3.20%
U.S. High Yield	8.96%	8.88%	10.64%	8.43%	▼ -2.21%	▼ -0.45%	▼ -0.53%	▲ 4.22%	▲ 4.43%	▲ 5.23%	▲ 6.33%	▲ 6.26%
Global Aggregate (USD)	3.73%	4.22%	4.35%	3.93%	▼ -0.42%	▼ -0.29%	▲ 0.20%	▲ 2.61%	▼ -0.07%	▲ 0.73%	▲ 1.83%	▲ 1.76%
U.S. Agg. vs. Global Agg.	▲ 0.95%	▲ 1.17%	▲ 1.30%	▲ 1.12%	▼ -0.18%	▼ -0.05%	▲ 0.17%	▲ 0.69%				
Curve Steepness: UST 2yr-10yr Spread (bps)	-57.0	-47.0	-15.0	-36.0	▼ -21.0	▲ 11.0	▲ 21.0	▼ -113.0	Using Core Inflation Rate (ex-Food & Energy) at 10/31/2023 which was 4.0% and down -0.1% from September 2023.	Using Headline Inflation Rate at 10/31/2023 which was 3.2% and down -0.5% from September 2023.	Using 2YR breakeven inflation rate of 2.10% as of 11/30/2023.	Using 5YR Breakeven inflation rate of 2.17% as of 11/30/2023.
UST 2yr-5yr Spread (bps)	-44.0	-44.0	-23.0	-42.0	▼ -19.0	▲ 2.0	▲ 44.0	▼ -95.0				
UST 5yr-10yr Spread (bps)	-13.0	-3.0	8.0	6.0	▼ -2.0	▲ 9.0	▲ 24.0	▼ -18.0				
Curve Steepness: UST 5yr-30yr Spread (bps)	-2.0	9.0	24.0	23.0	▼ -1.0	▲ 14.0	▲ 25.0	▼ -40.0				
Curve Steepness: UST 90-Day-30yr Spread (bps)	-44.0	-76.0	-36.0	-89.0	▼ -53.0	▼ -13.0	▼ -45.0	▼ -273.0				

Source: Bloomberg Barclays Indices & BofA ICE Indices

Key Take Aways:

- Using various inflation metrics, inflation continues to cool overall and real yields are positive across the U.S. fixed income markets.



Fixed Income Spreads



Index (OAS) In Basis Points	12/31/2021	12/31/2022	9/30/2023	10/31/2023	11/30/2023	Chg Prior Month	Chg Prior QTR	Chg Prior Year	Chg from 12/31/2021	Chg 3/31/2020
Aggregate	36.1	51.1	52.0	56.7	45.4	▼ -11.3	▼ -6.6	▼ -5.7	▲ 9.3	▼ -49.7
Intermediate Aggregate	26.7	43.8	48.1	53.4	42.3	▼ -11.1	▼ -5.8	▼ -1.5	▲ 15.6	▼ -40.0
U.S. Agency MBS	31.3	51.3	65.8	74.6	56.5	▼ -18.1	▼ -9.3	▲ 5.2	▲ 25.2	▼ -3.8
ABS	38.1	75.7	67.1	79.3	77.7	▼ -1.6	▲ 10.6	▲ 2.0	▲ 39.6	▼ -135.0
CMBS	67.9	119.6	130.3	139.9	133.8	▼ -6.1	▲ 3.5	▲ 14.2	▲ 65.9	▼ -54.2
U.S. Credit	87.1	121.2	111.9	119.4	97.1	▼ -22.3	▼ -14.8	▼ -24.1	▲ 10.0	▼ -157.6
A-Rated Corporates	77.0	109.2	105.4	113.0	88.4	▼ -24.6	▼ -17.0	▼ -20.8	▲ 11.4	▼ -142.6
BBB-Rated Corporates	120.0	159.2	146.7	156.5	129.5	▼ -27.0	▼ -17.2	▼ -29.7	▲ 9.5	▼ -262.5
U.S. High Yield	283.0	468.7	394.3	437.1	369.9	▼ -67.2	▼ -24.4	▼ -98.8	▲ 86.9	▼ -509.7

Source: Bloomberg Barclays Indices & BofA ICE Indices

OAS = Option-Adjusted Spread to similar maturity U.S. Treasury

Key Take Aways:

- ❑ Overall spreads are slightly higher across fixed income sectors since 12/31/2021 as investors repriced risk for non-Treasury securities with similar duration. This is a positive, long-term development for income-oriented investors.
- ❑ However, higher rates across fixed income markets today, unlike 2008/2009, are almost completely driven by a higher “base” or “risk free” rate, derived from U.S. Treasuries, from which all non-Treasury fixed income instruments are priced and not from the “spread” or “additional yield” relative to the “base” or “risk free” rate.
- ❑ Commercial Real Estate (CRE) has been in the spotlight given the workforce trends, office space vacancy and a string of defaults. The CRE and CMBS sectors have been broadly tainted, but acute concerns remain security specific regarding expected performance and default probability.



Fixed Income Yields & Earnings Impact – Work with what you got!



Index	YTW @ 12/31/2021	YTW @ 11/30/2023	Chg In YTW	YTW Multiple relative to 12/31/2021	Additional Annual Income per \$10M
					\$ 10,000,000
Aggregate	1.75%	5.05%	↑ 3.30%	2.89	\$ 330,000
Intermediate Aggregate	1.55%	5.02%	↑ 3.47%	3.24	\$ 347,000
U.S. Treasury	1.23%	4.55%	↑ 3.32%	3.70	\$ 332,000
U.S. 3-Month Treasury	0.05%	5.40%	↑ 5.35%	108.00	\$ 535,000
U.S. 2-Yr Treasury	0.73%	4.70%	↑ 3.97%	6.44	\$ 397,000
U.S. 5-Yr Treasury	1.26%	4.28%	↑ 3.02%	3.40	\$ 302,000
U.S. 10-Yr Treasury	1.50%	4.34%	↑ 2.84%	2.89	\$ 284,000
U.S. 30-Yr Treasury	1.89%	4.51%	↑ 2.62%	2.39	\$ 262,000
U.S. Agency MBS	1.98%	5.26%	↑ 3.28%	2.66	\$ 328,000
ABS	1.13%	5.52%	↑ 4.39%	4.88	\$ 439,000
CMBS	1.88%	5.84%	↑ 3.96%	3.11	\$ 396,000
U.S. Credit	2.25%	5.53%	↑ 3.28%	2.46	\$ 328,000
A-Rated Corporates	2.11%	5.45%	↑ 3.34%	2.58	\$ 334,000
BBB-Rated Corporates	2.55%	5.86%	↑ 3.31%	2.30	\$ 331,000
Municipal Bond	1.11%	3.57%	↑ 2.46%	3.22	\$ 246,000
Taxable Municipal Bond	2.33%	5.37%	↑ 3.04%	2.30	\$ 304,000
U.S. High Yield	4.21%	8.43%	↑ 4.22%	2.00	\$ 422,000
Global Agg. (USD)	1.31%	3.93%	↑ 2.62%	3.00	\$ 262,000

Key Take Aways:

- ☐ With materially higher reinvestment yields available as fixed income portfolios turnover, increasing investment income per-dollar-invested will help offset mark-to-market volatility prospectively.





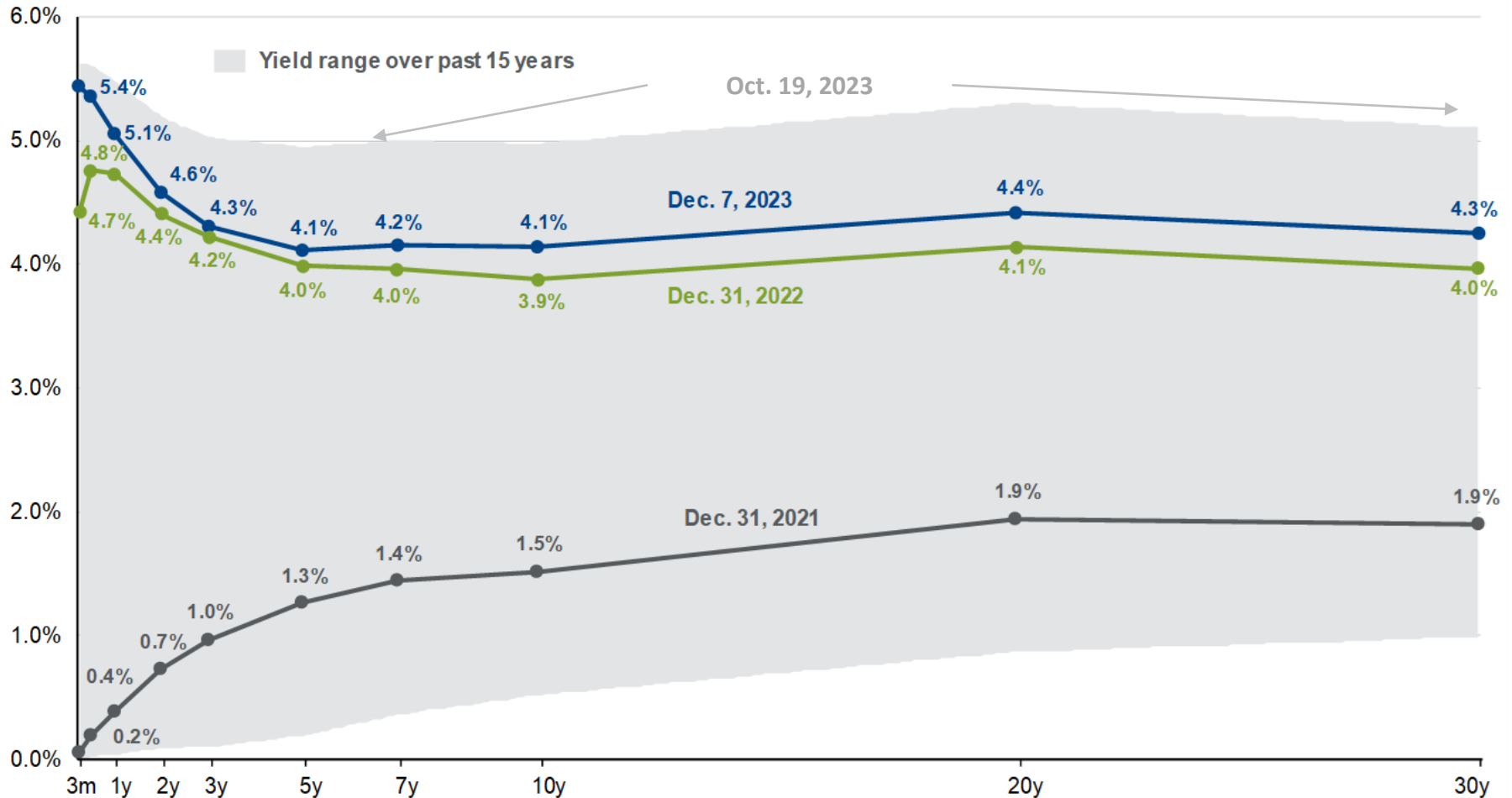
INTERMEDIATE OUTLOOK



UST Yield Curve & Expectations



U.S. Treasury yield curve



Key Take Aways:

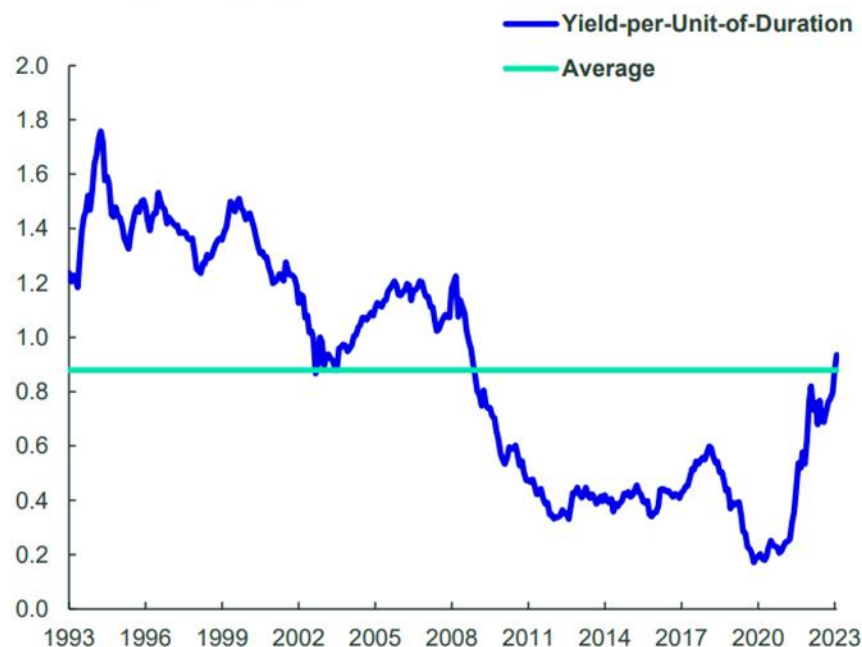
- ❑ Longer-term UST yields touched 16-year highs in mid-October signaling and reinforcing the “higher for longer” narrative. Subsequent economic data and commentary from the Fed in late Oct/early Nov moved markets to embrace that markets are a “peak yields” and that cuts were now back on the table for 2024...
- ❑ In addition to rising investment income, higher yields also mean the cost of credit has risen sharply since 12/31/2021 and is now affecting all consumers but in varying degrees. The real questions in how the consumer continues to adapt to higher yields and how this manifests into prospective GDP results in Q4 and 2024.



Fixed Income Markets – Bonds are Now More Fairly Balanced

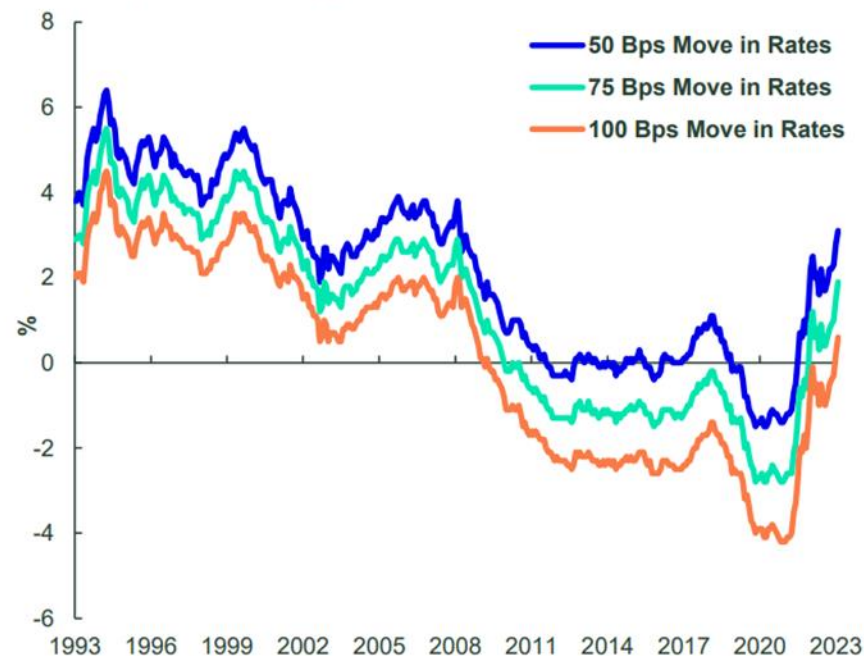
Yet with rates moving higher, core bond yields are now more inline with their duration — creating a more balanced breakeven ratio not seen since 2009

Bloomberg US Aggregate Bond Index Yield-per-unit-of-Duration



The yield-per-unit-of-duration on the Agg is now back above the long-term average for the first time since 2009

Return Impacts on the Agg Based on Different Rate Movements



The Agg's potential one-year return could be positive with a 100 bps rise in rates

Source: Bloomberg Finance, L.P., as of October 31, 2023. Past performance is not a reliable indicator of future performance.

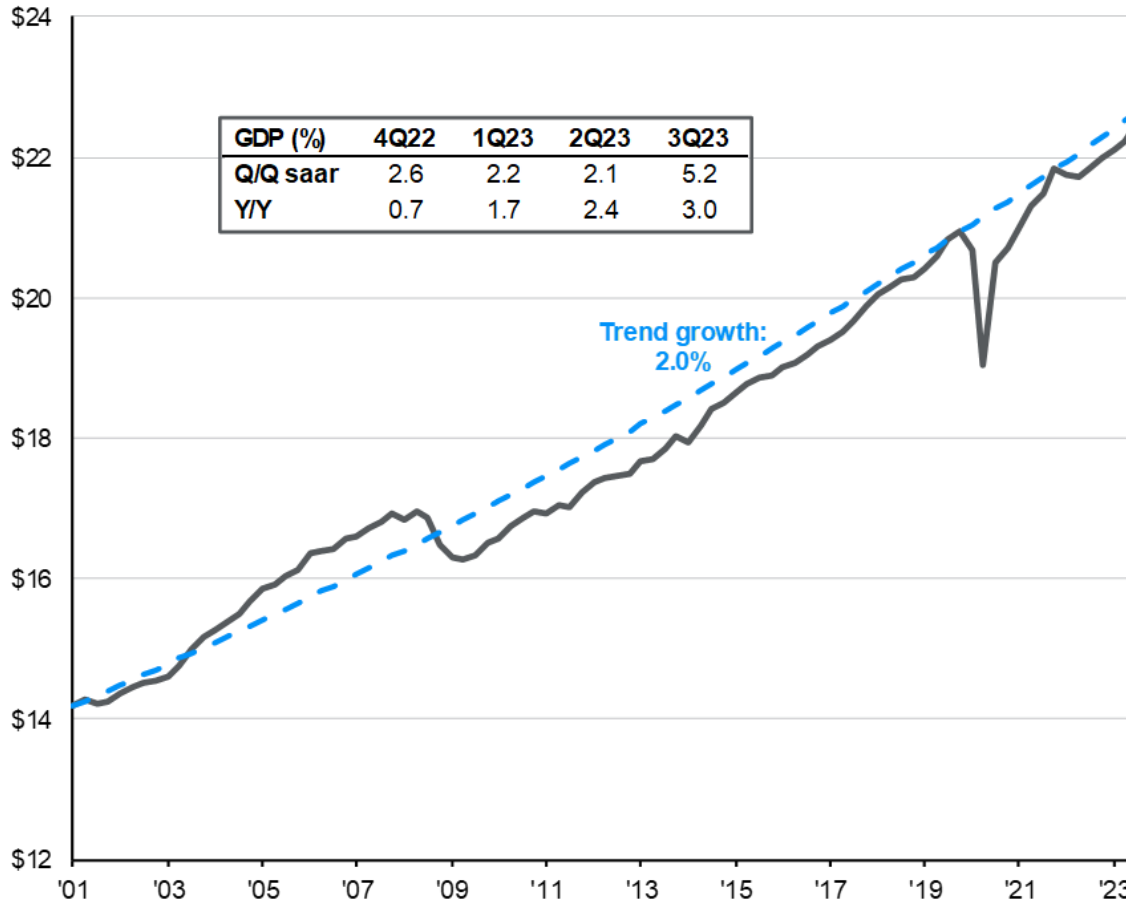
The potential subsequent return chart on the right hand side is based on duration effects only by taking $(-\text{Rate Change} \times \text{Duration}) + \text{Yield} + \text{Rate Change}$.

Economic Growth and the Composition of GDP



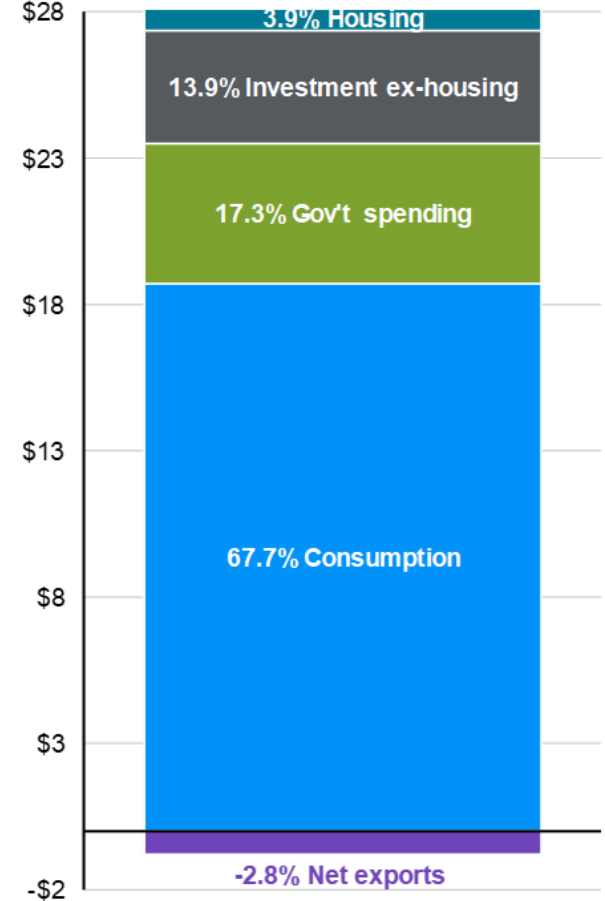
Real GDP

Trillions of chained (2017) dollars, seasonally adjusted at annual rates



Components of GDP

3Q23 nominal GDP, USD trillions



Key Take Aways:

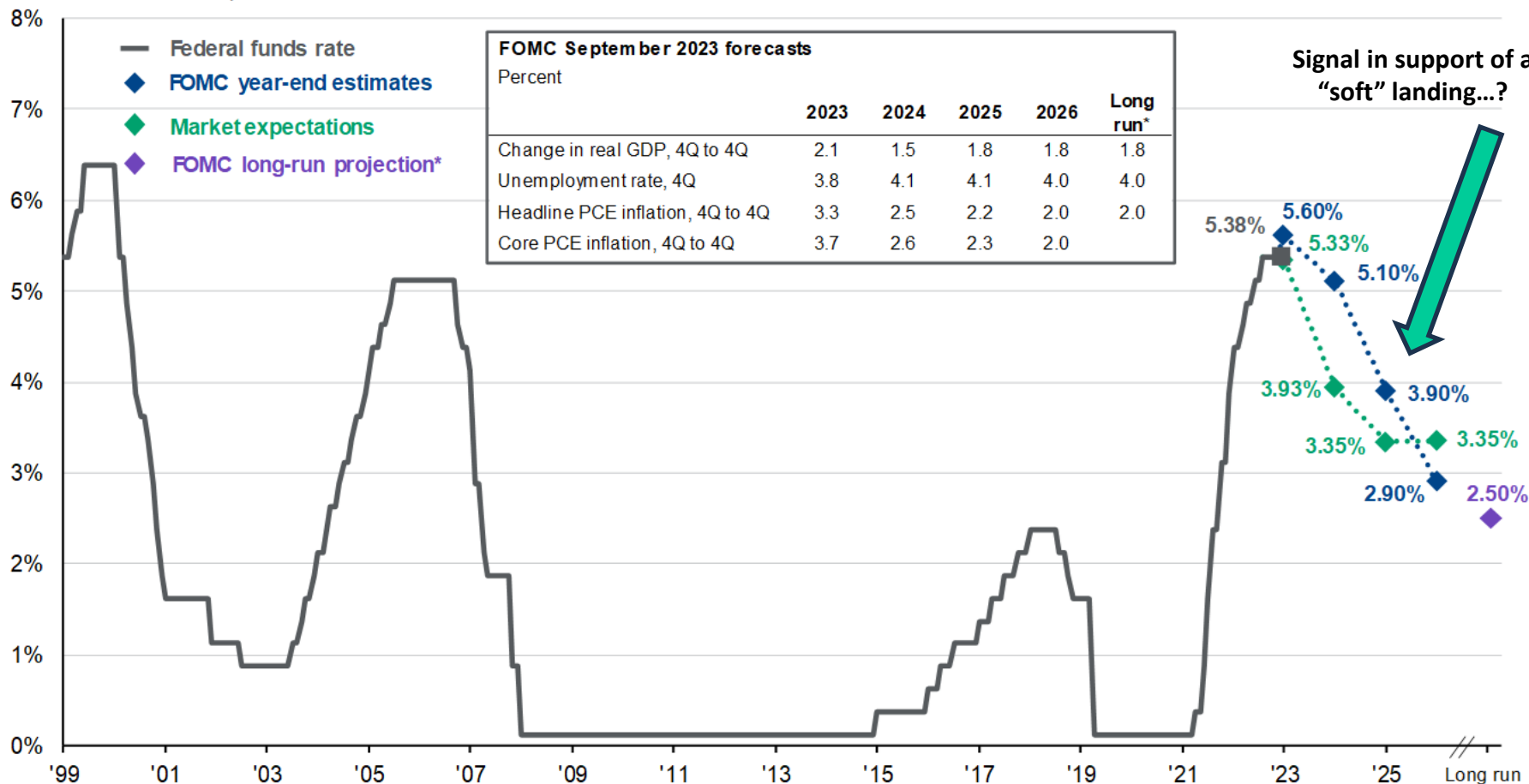
- ☐ In the third quarter, easing inflation and stronger economic growth helped fuel optimism for a soft landing. However, monthly data suggest economic momentum is slowing, and we may not be out of the woods just yet.



The Fed & Interest Rates

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Key Take Aways:

- As compared to last year's tug-of-war between the market expectations and Fed guidance, market expectations have become more in-line with Fed guidance since the September 2022 meeting. Recently, market expectations have moved toward a "higher for longer" interest scenarios with expected future rates now higher than FOMC guidance.
- The members of FOMC appear to have more diverging views of late and it is always worth remembering that Fed jawboning remains a powerful tool to affect market behavior in tandem with rate actions. **Something always worth repeating – Don't fight the Fed and stick to your long-term, enterprise-aligned strategic asset allocation.**

Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.

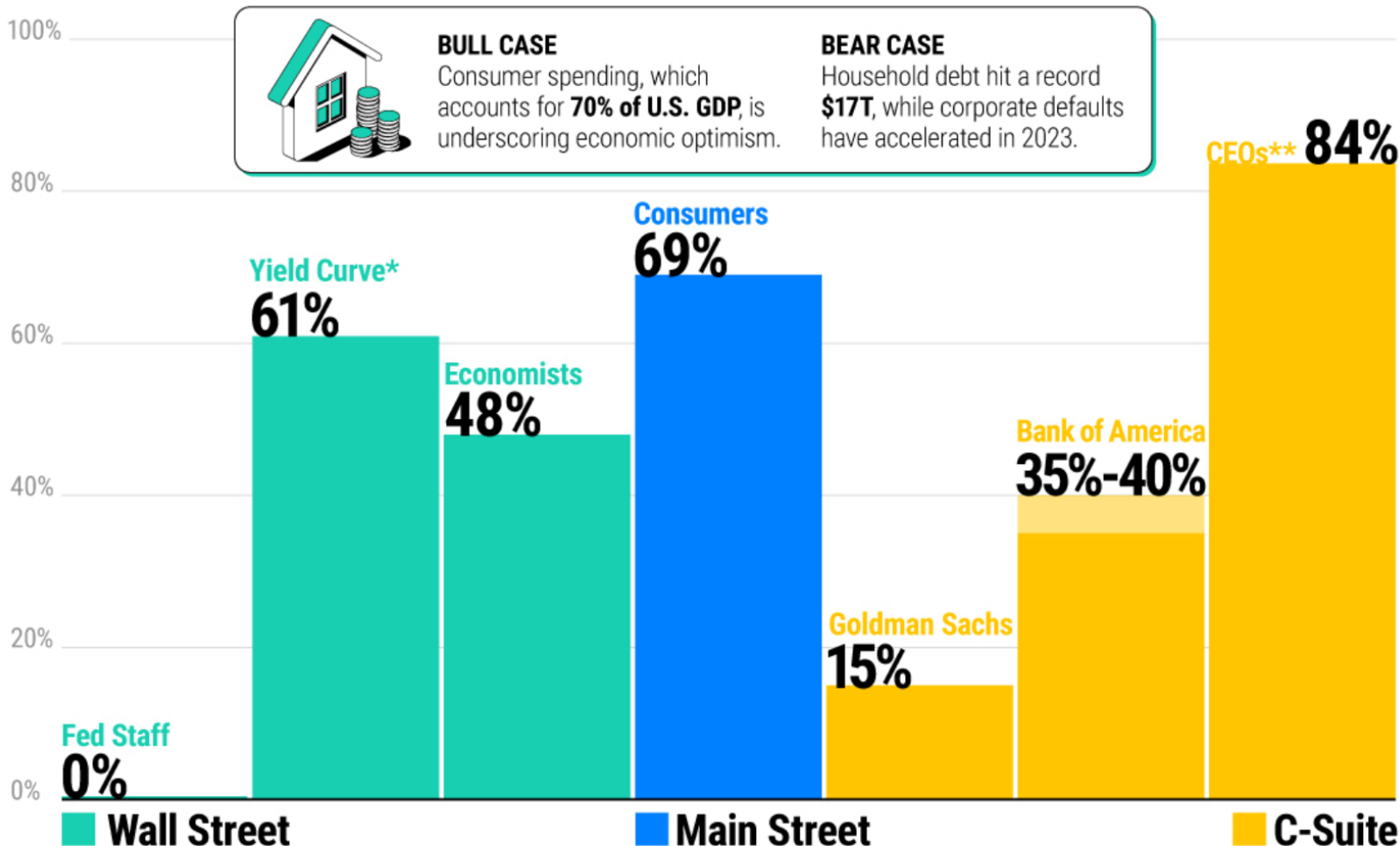
Market expectations are based off of the respective Federal Funds Futures contracts for December expiry. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.

Guide to the Markets – U.S. Data are as of December 7, 2023

Recession Odds from Various Peanut Galleries

Who Thinks a Recession is Coming?

ESTIMATED U.S. RECESSION PROBABILITY IN THE NEXT 12 MONTHS



Source: Federal Reserve Bank of New York, Wolters Kluwer, The Conference Board, Goldman Sachs Investment Research, Bank of America. Data based on surveys and projections conducted August-September.

*Based on a New York Fed model estimating recession probabilities using 10-year minus 3-month Treasury yield spreads, based on data from 1959-2009.

**Conference Board Q3 CEO survey probability of a recession over the next 12-18 months.



ABOUT SAA





Who We Are

Independent Investment Consulting Firm

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

63*
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 9/30/23

*Within 33 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

