

# SENIOR INVESTMENT MANAGERS SEMINAR 2019



NOVEMBER 3-6

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# Life Insurance Industry Investments

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Vice President, Conning

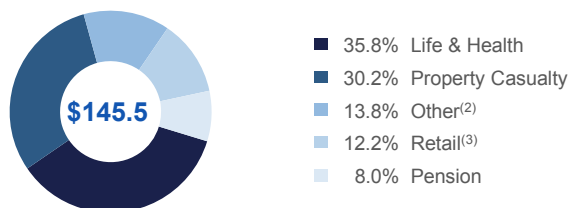


## Conning Overview, Insurance Research & Consulting Solutions

### Conning Firm Overview

- ◆ Global asset management firm founded in 1912
- ◆ \$145.5 billion in assets under management<sup>(1)</sup>

**Assets by Client Type<sup>(1)</sup>**



### Insurance Research and Consulting

- ◆ 17 professionals, with average experience of 24+ years<sup>(4)</sup>
- ◆ Backgrounds include actuarial, strategic planning, equity research, underwriting, investment banking
- ◆ Insurance expertise supports asset management business and is key differentiator for Conning, Inc.

### Publications and Services



### Consulting & Proprietary Research

- ◆ Business development and strategic planning
- ◆ Advisory services, including modeling and M&A support
- ◆ Peer and competitor analyses
- ◆ Ratings support and related services

<sup>(1)</sup> As of June 30, 2019, represents the combined global assets under management for the affiliated firms under Conning Holdings Limited, Cathay Securities Investment Trust Co., Ltd. ("SITE") and Global Evolution Fondsmæglerelskab A/S and its group of companies (the "Global Evolution Companies"). The Global Evolution Companies are affiliates of Conning. SITE reports internally into Conning Asia Pacific Limited, but is a separate legal entity under Cathay Financial Holding Co., Ltd. which is the ultimate controlling parent of all Conning controlled entities.

<sup>(2)</sup> Includes Asset Managers, Banks, Corporations, Foundations, Family Offices, Fund of Funds, Sovereign Wealth Funds, Sub-advised /Third-party Funds, Trusts, and other investors.

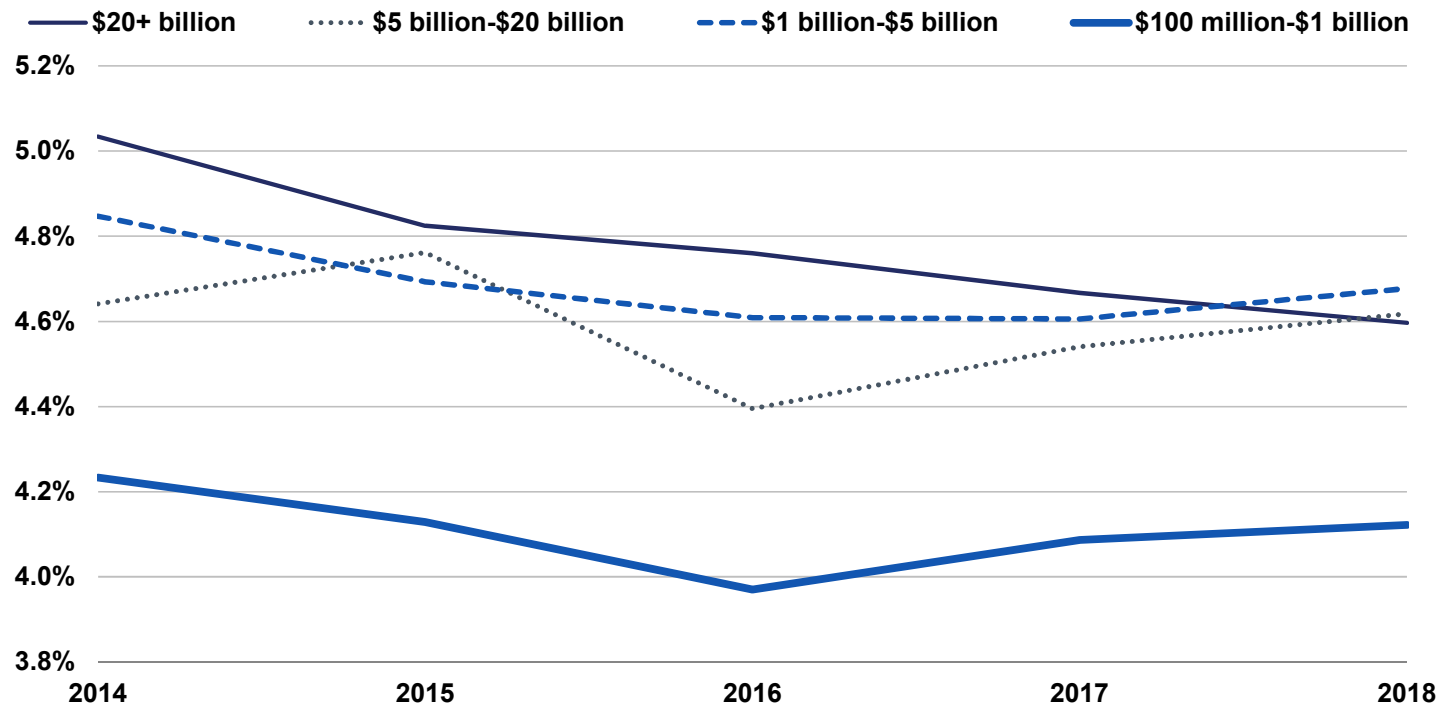
<sup>(3)</sup> Retail Funds including Emerging Markets Public Funds, CLO Funds and SITE Mutual Funds.

<sup>(4)</sup> As of August 2019

## Book Yield Remains a Challenge

### Gross Book Yield by Insurer Size

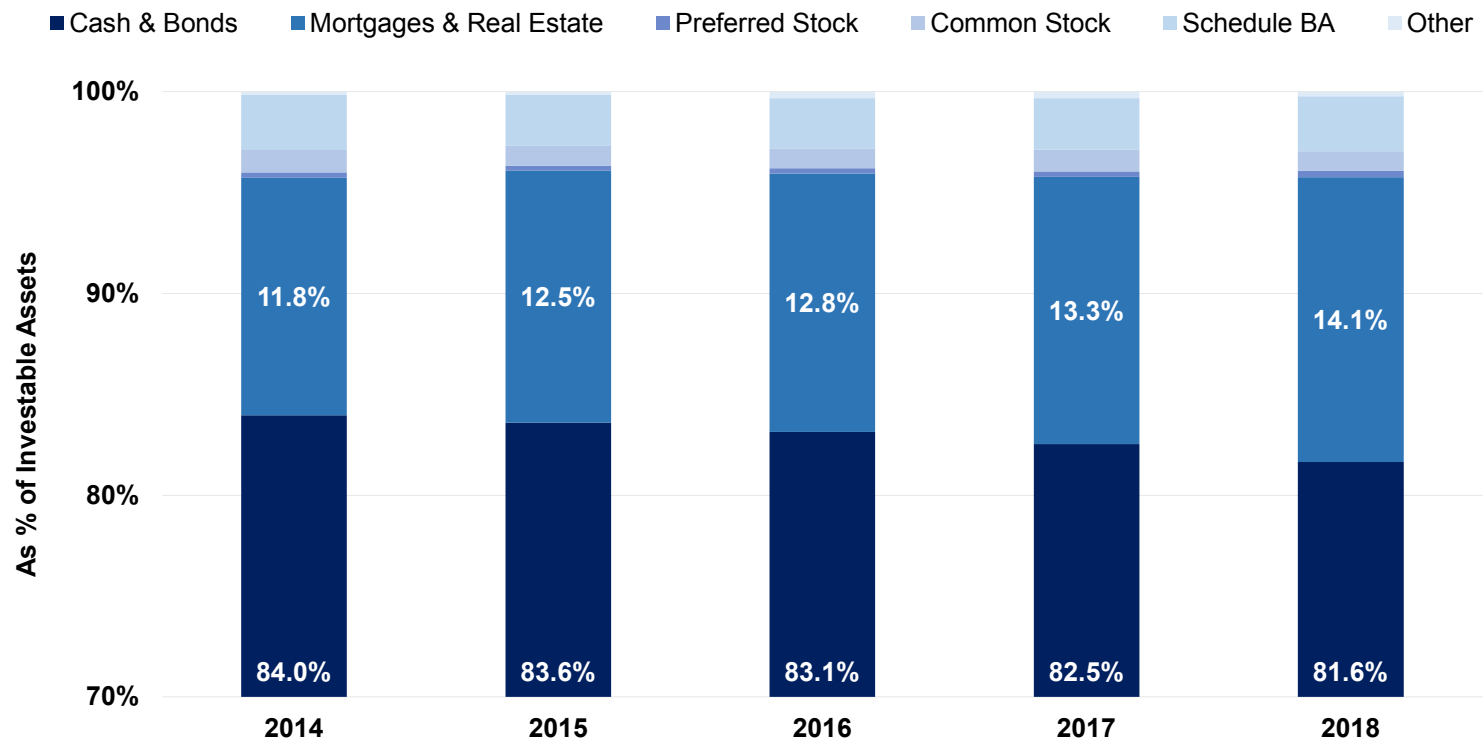
As % of Average Investable Assets



## Life-Annuity Insurers Shift More To Mortgages

### Allocation by Asset Class

As % of Investable Assets

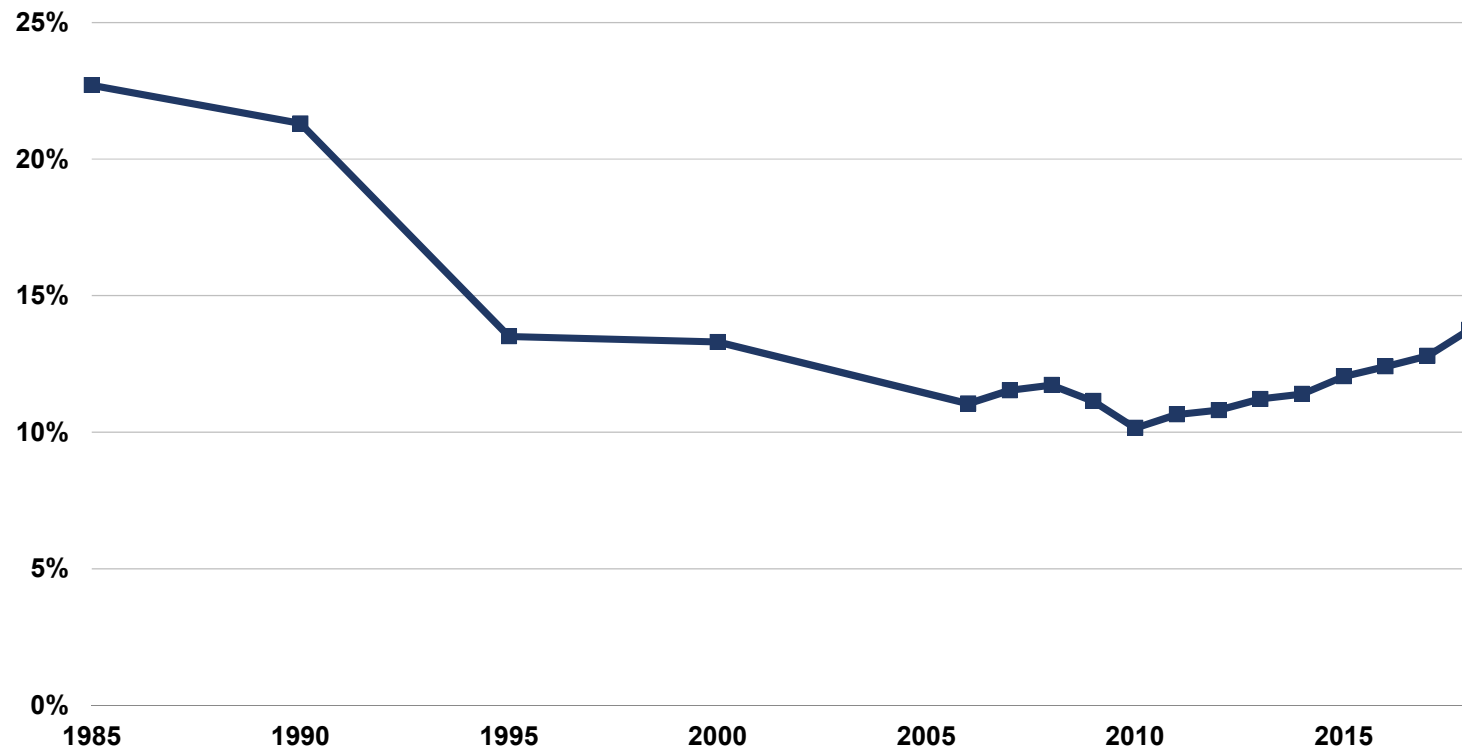


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## Mortgage Holdings Increase Since 2010

### Mortgage Holdings- Total Industry

As % of Investable Assets

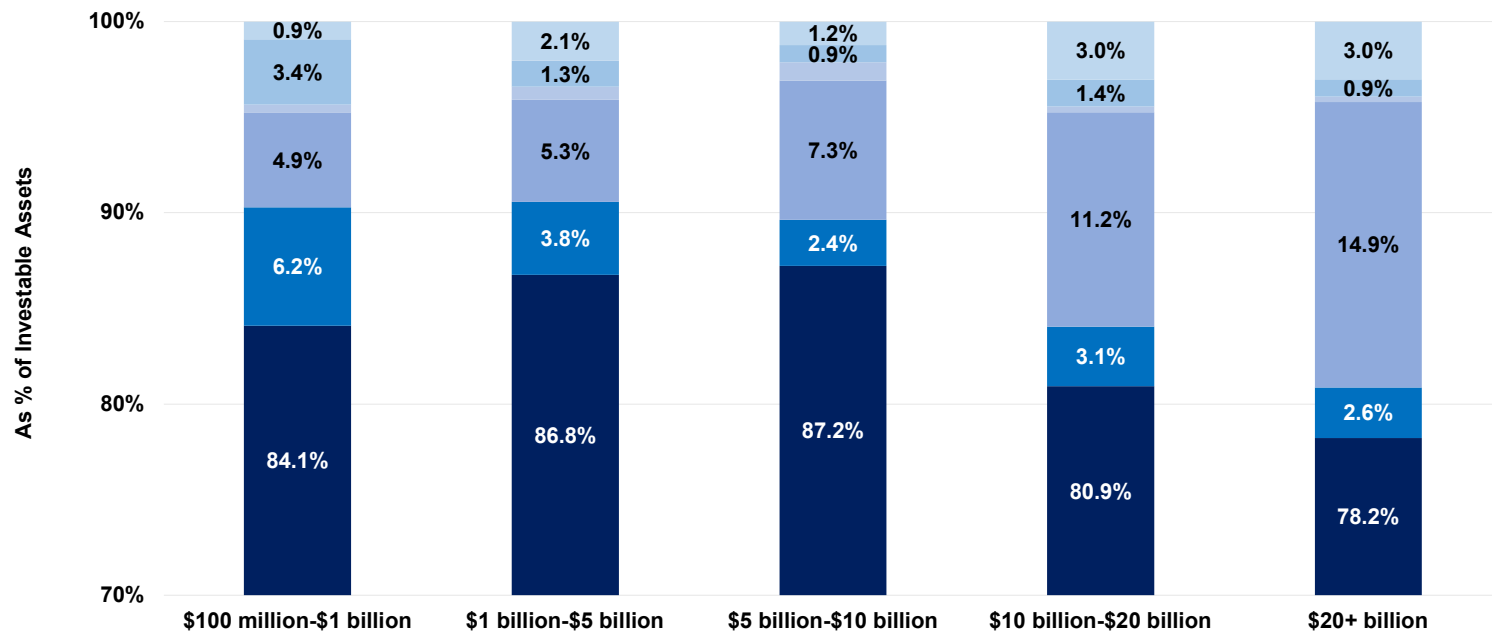


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## Mortgages Used More by Largest Insurers, Cash by Smallest Allocations to Major Asset Classes in 2019 by Insurer Size

As % of Investable Assets

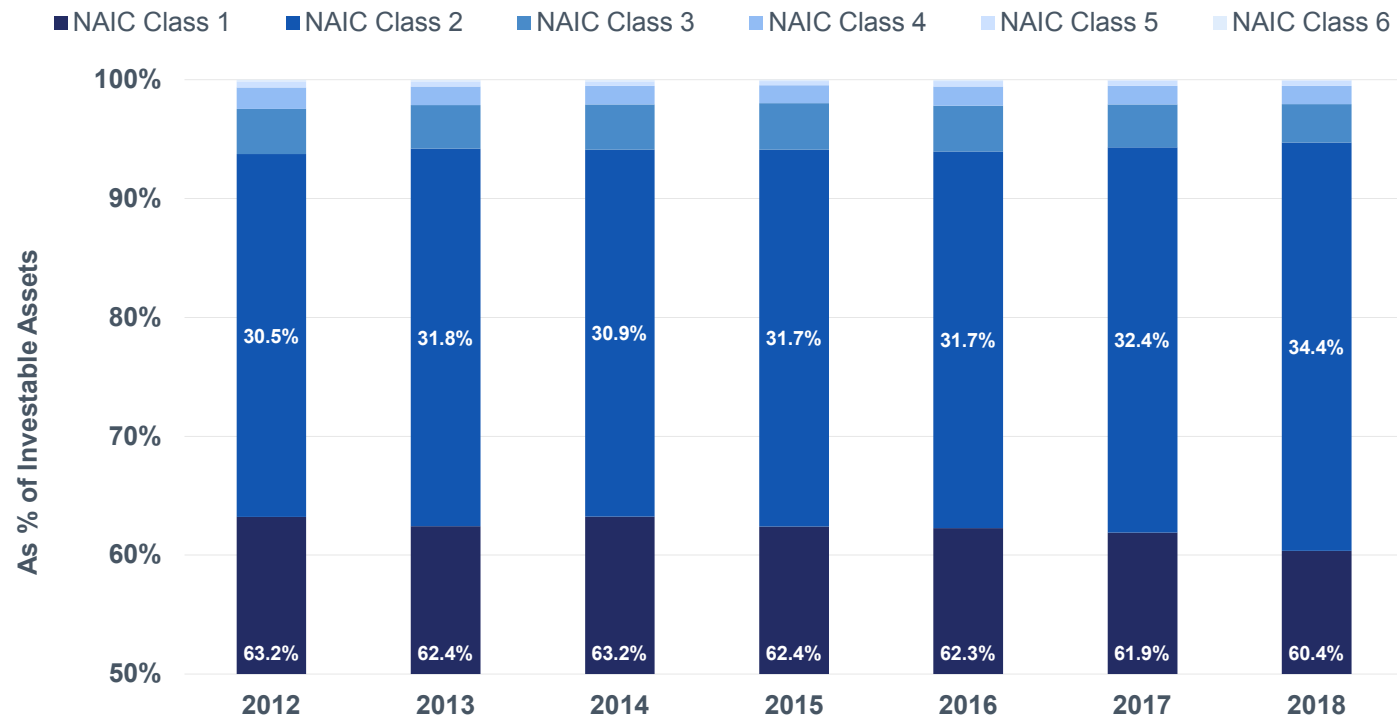
■ Long-Term Bonds ■ Cash & Short-Term Bonds ■ Mortgages & Real Estate ■ Preferred Stock ■ Common Stock ■ Schedule BA & All Other



# Shifting Credit Quality in the Bond Portfolio to BBB-Rated Bonds

## Bond Quality Distribution

As % Total Bonds

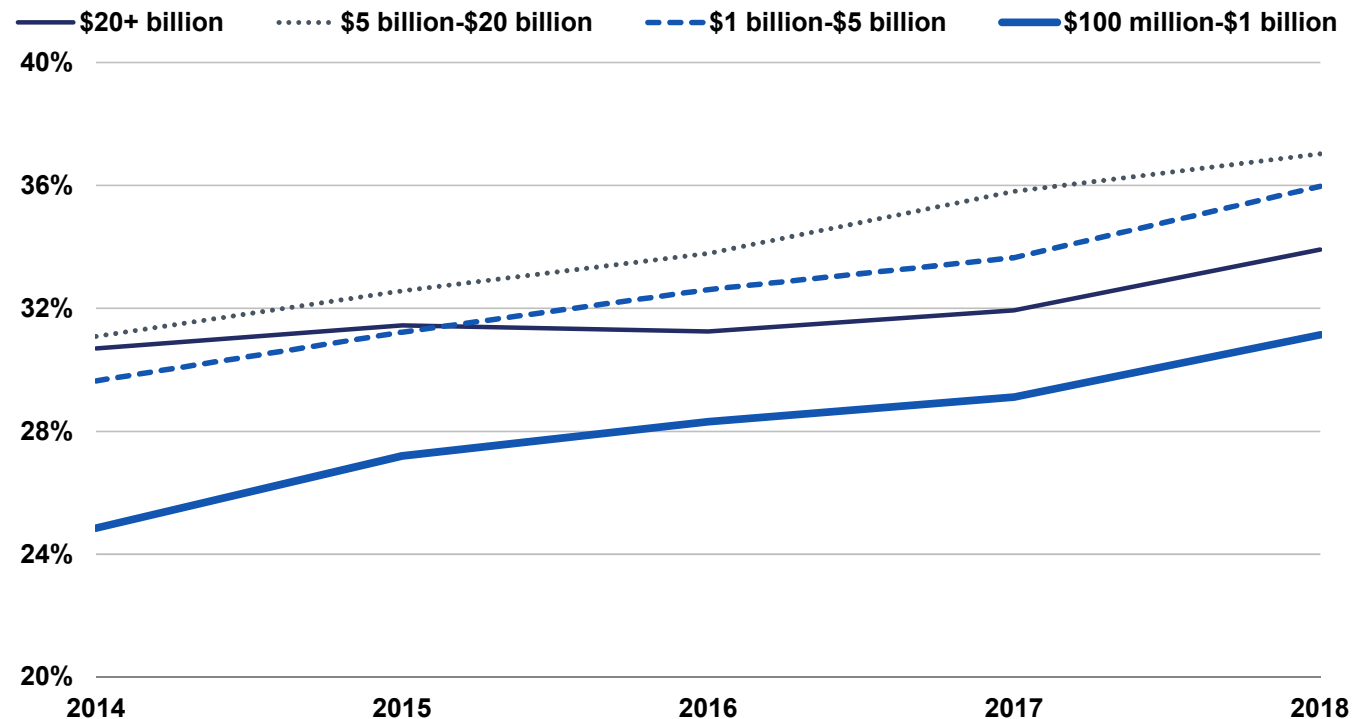




# Shifting to BBB-Rated Bonds has Affected Insurers of All Sizes

## BBB-Rated Bond Allocation by Insurer Size

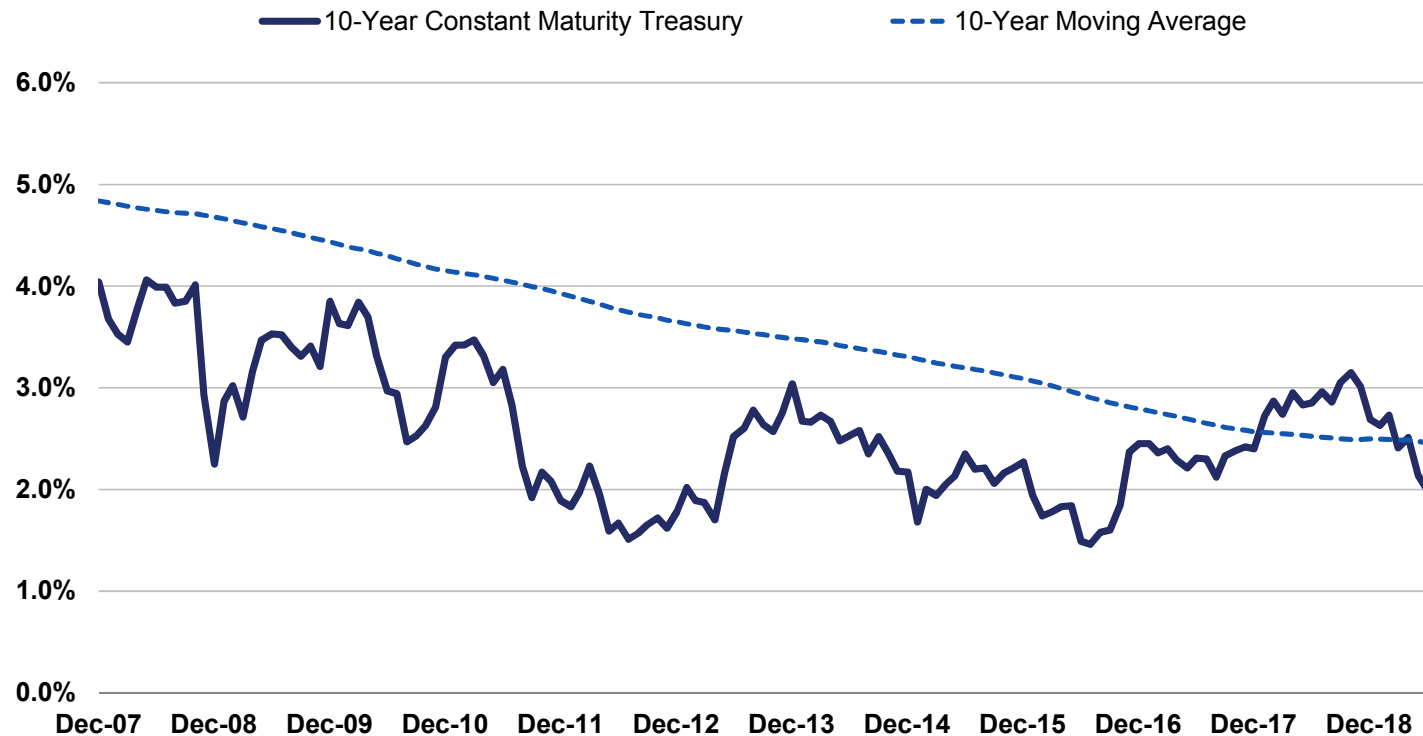
As % Total Bonds



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## Rate Environment Low and Volatile

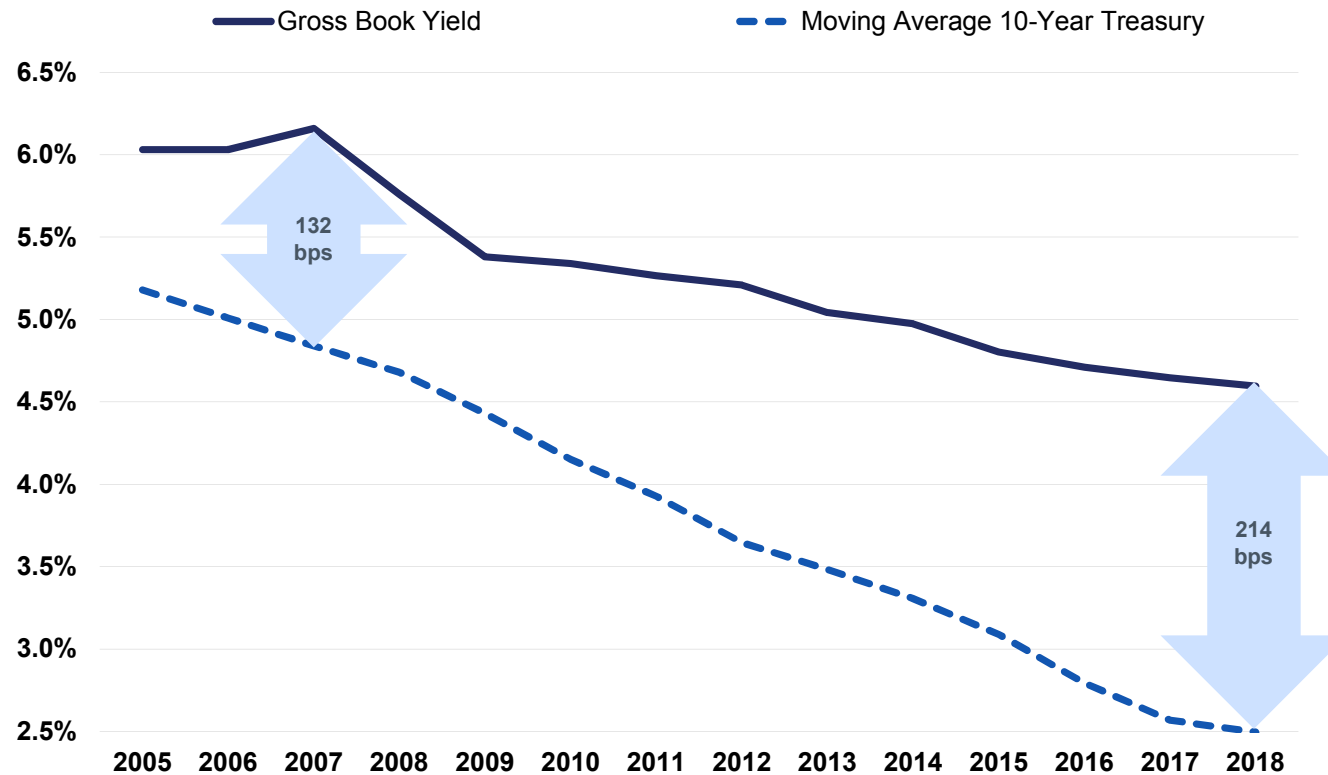
### 10-Year Treasury Rates Compared to 10-Year Moving Average



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## Increasing Spread, Increasing Risk?

### 10-Year Treasury Rates Compared to 10-Year Moving Average

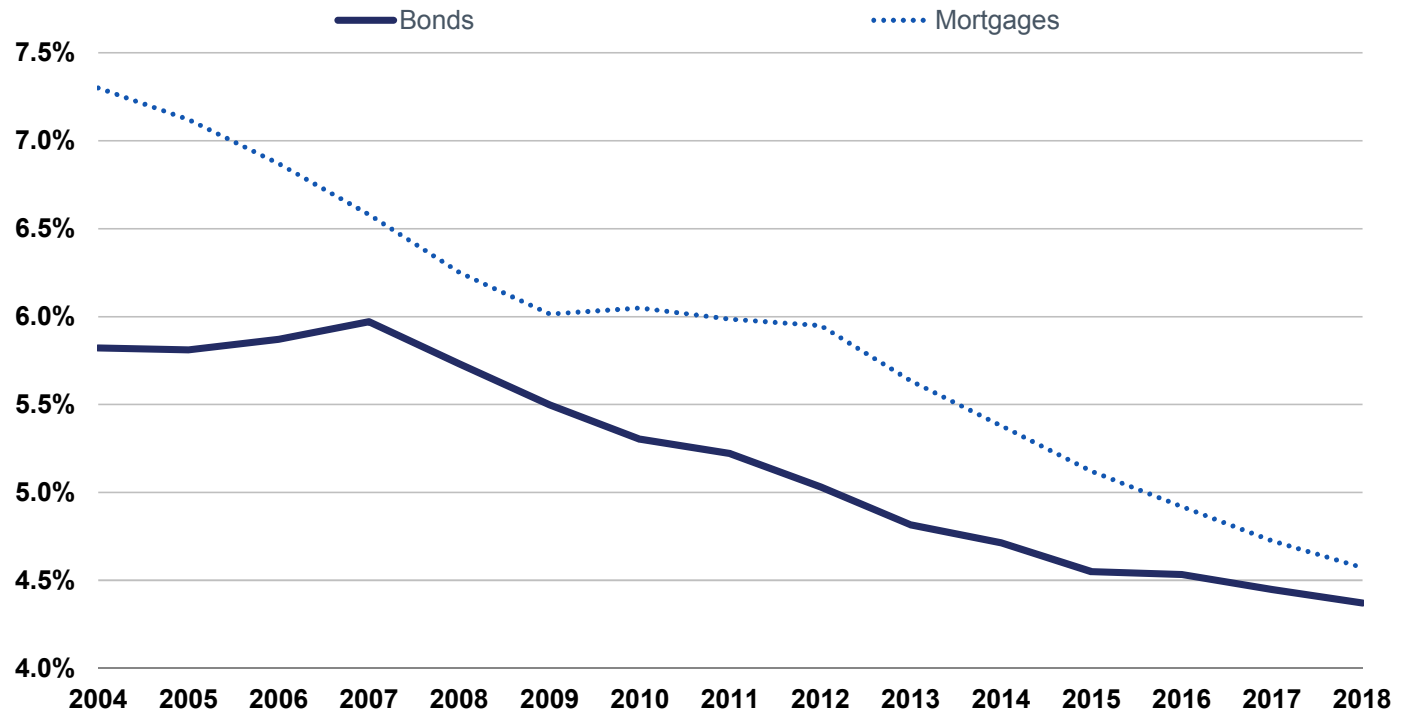


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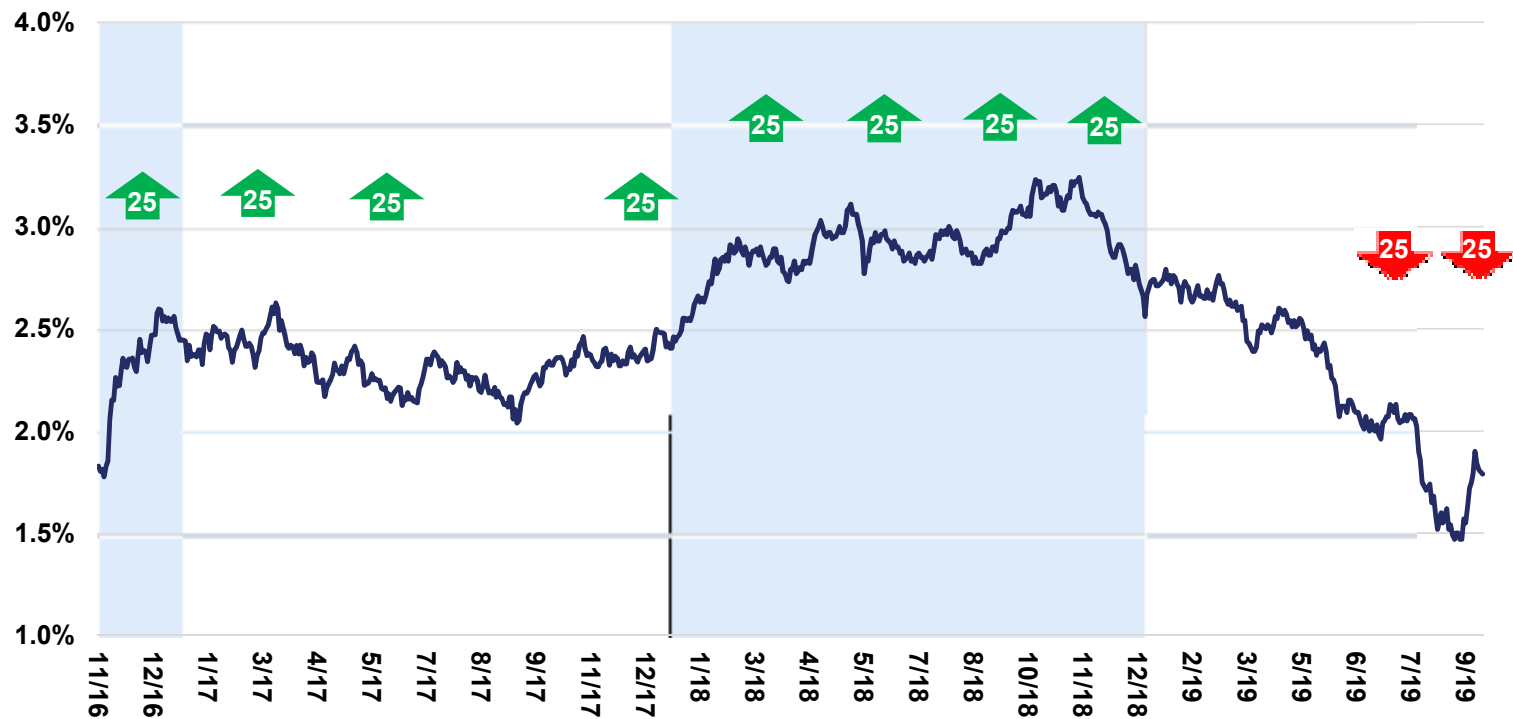
# Mortgage Yield Higher than Bonds, But Less Spread Over Time

## Gross Book Yields, Bonds vs. Mortgages

As a % of average underlying investable assets



## Continuing Challenging Environment U.S. 10-Year Treasury Yield



FOMC benchmark rate  
 25  
 25  
 increases and decreases in basis points.

FOMC = Federal Open Market Committee of the Federal Reserve  
 Prepared by Conning, Inc. Source: U.S. Department of the Treasury (2019).

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