Welcome & Opening Remarks

Chris Conway, LISA Secretary-Treasurer
John Dallas, LISA Vice-Chair
Bryan Nicholson, LISA Executive Director

9:30 – 9:45 AM EDT
Networking Breakfast

8:30 – 9:30 AM EDT
Wi-Fi Login Information

Network: Convene

Password: stayconnected
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2023 Strategic Partners

Institutional Investor Conference Sponsors
Please **save-the-date** for **LISA's 29th Annual Conference**, which will be held **October 22-23 in Chicago, IL**. For conference-specific partnership, digital media opportunities, or to customize a unique promotional package for your organization, contact us before options sell out.
Welcome & Opening Remarks

Sherry Duarte, LISA Chair
John Dallas, LISA Vice-Chair
Bryan Nicholson, LISA Executive Director

9:30 – 9:45 AM EDT
Life Insurance Trends Since We Last Convened

Lapse and Surrender Rates

Statistics from ACLI’s Fact Book 2022
LISA 2022 Data Collection Survey

The Process

- A secure online portal
- Anonymous responses
- Data collected in March and April adjacent to state reporting deadlines
- Minimal time commitment for respondents
- LISA staff led survey outreach and communication efforts with support from Programs and Resources Committee

The Questions

- What was your company's total number of completed life settlement transactions in 2021?
- What was the Sum of Net Death Benefits resulting from all completed transactions in 2021?
- What was the Sum of Cash Surrender Values resulting from all completed transactions in 2021?
- What was the Net Amount paid to consumers for all completed transactions in 2021?
LISA Member 2022 Transaction Data

- **$790M**: Amount paid to consumers from LISA Members
- **5.2x**: Average times more received than cash surrender value
- **3079**: Life Settlement transactions completed by LISA Members
- **20**: Number of LISA Member providers participated in survey
- **95**: % market share LISA Members represent
Programming Highlights & Expectations

- Investor perspectives on LS trends and performance
- Deep dives into market drivers, such as rising inflation, ESG investing, and insurance market trends
- Updates on legislative and regulatory impacts on business
Opening Keynote:
2023 Capital Markets Forecast: Inflationary Vortex – The gravitational pull of labor, China, and energy

Tony Roth, Wilmington Trust

9:45 – 10:45 AM EDT
Inflationary Vortex
The gravitational pull of labor, China, and energy
Deposits Surged for Silicon Valley Bank (SIVB) and Signature Bank (SBNY) as Treasury Values Declined

Year-over-year deposit growth (%)

SIVB deposit growth topped out at over 100% (y/y) in Q3 2021...

U.S. Treasury long index (total return, indexed to 2018)

... at the same time Treasury values declined precipitously

Data on the left as of December 31, 2022. Source: Bloomberg, WTIA. Data on the right as of March 14, 2023. Source: Bloomberg. The U.S. Treasury long index measures the U.S. dollar denominated, fixed rate, nominal debt issued by the U.S. Treasury with 10 years or more to maturity.
Concentrated Deposit Base

Deposit accounts <$250k (% of total deposits)

<table>
<thead>
<tr>
<th>Bank</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>RF</td>
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<tr>
<td>FITB</td>
<td></td>
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<tr>
<td>WFC</td>
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<td>CFG</td>
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<td>MTB</td>
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<td>PNC</td>
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<tr>
<td>JPM</td>
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<tr>
<td>CMA</td>
<td></td>
</tr>
<tr>
<td>SBNY</td>
<td></td>
</tr>
<tr>
<td>SIVB</td>
<td></td>
</tr>
</tbody>
</table>

Median: 44%

Data as of December 31, 2022. Source: Bloomberg, Citi Insights. Banks are identified by their ticker. Please refer to Appendix for more information. The banks that are represented consist of the 11 stocks in the S&P Regional Bank Index and the 5 stocks in the S&P Diversified Bank Index.
SIVB Took on High-Duration Risk

Securities as a percent of total assets

Securities as a percent of total assets is a metric indicating the risk associated with the assets held with the bank.

Data as of December 31, 2022. Source: Bloomberg, WTIA. The banks that are represented consist of the 11 stocks in the S&P Regional Bank Index and the 5 stocks in the S&P Diversified Bank Index.
Rising Rates Exposed Vulnerability in Capital Ratios

Impact of unrealized securities losses on capital ratios

Data as of December 31, 2022. Source: JPMAM. Calculation methodology: The goal of the chart is to illustrate the theoretical capital impact of an immediate liquidation of a bank’s entire investment securities portfolio, both HTM and AFS. For systemically important banks, no adjustment for AFS is needed since AFS unrealized gains and losses are already reflected in reported capital ratios. As a result, only gains and losses in HTM portfolios are included in our adjustment. For these four banks, we tax-adjust the difference between amortized cost and fair value of the HTM securities assuming a tax rate of 24% and subtract this amount from Common Equity Tier 1 Capital. Regional banks shown elected to add back AFS losses to regulatory capital (an option not available to larger banks). For purposes of this analysis, to make regional bank ratios comparable to larger banks, we reversed add-backs associated with unrealized AFS losses since the four larger banks have already reflected them. Direct hedging of interest rate risk in HTM portfolios is generally prohibited by rule ASC 320 since HTM treatment implies that a bank will not ever sell the bonds, in which case there is no reason to hedge variations in price as a function of changing rates. Direct hedging of interest rate risk is allowed in AFS portfolios. However, accounting treatment of these hedges requires quarterly recognition of gains and losses in the income statement and capital accounts. Therefore, under our working assumption in the chart that banks had to liquidate AFS portfolios, there would be no offsetting hedge gain to recognize at that time. BAC Bank of America; C Cit; CFG Citizens Bank; CMA Comerica; COF Capital One; FHN First Horizon; FCNCA First Citizens; FITB Fifth Third; FRC First Republic; HBAN Huntington; JPM JP Morgan; KEY Keycorp; MTB M&T; PACW PacWest; PNC PNC Bank; RF Regions; SBNY Signature; SIVB Silicon Valley Bank; TFC Trust; USB US Bancorp; WAL Western Alliance; WFC Wells Fargo; ZION Zions

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Rate Expectations Whipsawed by Bank Troubles

Fed funds rate

Data as of March 21, 2023. Sources: Macrobond, Federal Reserve, WTIA. A basis point is one hundredth of 1 percentage point.

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Senior Loan Officer Survey Shows Rapid Tightening

Bond Market Volatility Surges

U.S. bond market volatility (MOVE index)

U.S. stock market volatility (VIX index)

Data as of March 15, 2023. Sources: Bloomberg. The Chicago Board Options Exchange Volatility Index (VIX) is a real-time index that represents the market’s expectations for the relative strength of near-term price changes of the S&P 500 Index (SPX). The Merrill Lynch Option Volatility Estimate (MOVE) Index measures U.S. interest rate volatility. The index tracks the movement in U.S. Treasury yield volatility implied by current prices of 1-month OTC options.
Earnings Under Pressure

S&P 500 Index Adjusted EPS (Q/Q Growth)

Data as of March 31, 2023. Source: Bloomberg, WTIA. Past performance cannot guarantee future results. Indices are not available for direct investment.
# Outlook scenarios

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Soft landing</th>
<th>Mild recession</th>
<th>Severe recession</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CPI (y/y)</strong></td>
<td>Slows to 2.5%–3.0% by mid-2023</td>
<td>Slows to 3.0%–4.0% by mid-2023</td>
<td>Slows to only 4.0%–5.0% by mid-2023</td>
</tr>
<tr>
<td><strong>Peak fed funds rate</strong></td>
<td>Below 5.0%</td>
<td>5.0%–6.0%</td>
<td>Above 6.0%</td>
</tr>
<tr>
<td><strong>GDP</strong></td>
<td>0.5%–1.0% for 2023</td>
<td>1 to 2 quarters of decline by 1.0%–1.5%</td>
<td>2+ quarters of declines of 2.5%–3.0% quarter-over-quarter annualized</td>
</tr>
<tr>
<td><strong>Unemployment rate</strong></td>
<td>4.0%–4.5%</td>
<td>5.0%–5.5%</td>
<td>5.5% and above</td>
</tr>
<tr>
<td><strong>10-year Treasury yield</strong></td>
<td>10-year yield has peaked</td>
<td>10-year yield declines, curve maintains inversion</td>
<td>10-year yield moves higher, curve inversion deepens</td>
</tr>
<tr>
<td><strong>S&amp;P 500</strong></td>
<td>S&amp;P 500 climbs back toward prior high, returning 20%–25% for the year in 2023</td>
<td>S&amp;P 500 bottoms in early 2023; return is in the low-to-mid single digits for the year</td>
<td>S&amp;P 500 bottoms in mid-2023 after falling another 15%–20% from 2022 lows; return is flat to mildly negative for the year</td>
</tr>
</tbody>
</table>
Mild recession expected in 2023

U.S. real gross domestic product (GDP, %)

Data as of December 30, 2022. Sources: Macrobond, Bureau of Economic Analysis, WTIA.
Inflation going forward expected to be higher than in the post global financial crisis (GFC) era

CPI Inflation (y/y%)

Pre-GFC average 2.7%
Post-GFC average 1.7%
Post-COVID range 2.5%–3.5%

Our 2023 outlook

Inflationary Vortex: The gravitational pull of labor, China and energy

**Theme I: Labor Market Inflection**
- Reduced labor participation
- Lower productivity
- Potential GDP reduced

**Theme II: China’s Socioeconomic Evolution**
- Era of disinflation ending
- Zero-COVID and geopolitics
- Aging demographics

**Theme III: Energy’s Tenuous Transition**
- Declining capex in oil
- Surging commodity demand
- Inflationary impact
THEME I

LABOR MARKET INFLECTION
Labor Force Depressed Relative to Pre-Pandemic Trend

Labor Force Shortfall (millions)

During COVID shutdowns labor force was 8 million below trend
Still 1.5 million below trend

U.S. Job Openings per Unemployed Person (ratio)

Accelerated retirement depressing labor force participation

Change in labor force participation rate relative February 2020 (percentage points)

THEME II

CHINA'S SOCIOECONOMIC EVOLUTION
China’s global inflationary pulse through the years

- **Disinflationary**
- **Indeterminate**
- **Inflationary**

- **2001**: China admitted to the World Trade Organization (WTO)
- **2003**: Chinese private and self-employed manufacturing more than doubles, from 11 million to almost 25 million
- **2013**: Xi Jinping elected president of China by the National People’s Congress
- **2015**: China lifts one-child policy
- **2016**: China growth scare and market volatility
- **2018**: U.S.–China trade war begins
- **2020**: First COVID-19 lockdown begins in Wuhan, China
- **2021**: China lockdowns continue
- **2022**: U.S. announces restrictions on sale of semiconductors to China
- **2022**: China unveils dual circulation strategy at the Politburo Standing Committee of the Chinese Communist Party (CCP) Central Committee

See Appendix for sources.
China as a central node in the global supply chain

China’s value-added to each country’s domestic final demand (%)

In 1999, China’s only significant supply-chain relationship was with the small neighboring nation of Hong Kong. Fast-forward nearly 20 years and China now contributes meaningful value add to the production of goods and services from over 30 countries, representing more than 50% of global GDP.

The larger each circle, the greater China’s contribution to the value of final goods and services demanded by a country.

10%-14%  15%-20%  21% +

Source: OECD
China's “baby bust” to restrict labor supply long term

China fertility rate, births per woman

Theme III
Energy’s Tenuous Transition
Decline in capex by major oil firms is a risk to future production capacity

Capital expenditures by company ($millions)

Data as of December 31, 2021. Sources: Company websites and Morningstar
Petroleum still expected to be a major source of energy

Global energy supply by source (% share of total)

Sources: International Energy Agency (IEA)
## Current positioning

### High-net-worth portfolios with private markets*

<table>
<thead>
<tr>
<th>Category</th>
<th>Subcategory</th>
<th>Tactical tilts</th>
<th>Positioning</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equities</strong></td>
<td>U.S. Large Cap</td>
<td>□□□□□</td>
<td>Neutral</td>
</tr>
<tr>
<td></td>
<td>U.S. Small Cap</td>
<td>□□□□□</td>
<td>Underweight</td>
</tr>
<tr>
<td></td>
<td>International Developed</td>
<td>□□□□□</td>
<td></td>
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<tr>
<td></td>
<td>Emerging Markets</td>
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<td></td>
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<tr>
<td><strong>Fixed Income</strong></td>
<td>Investment Grade</td>
<td>□□□□□</td>
<td>Overweight</td>
</tr>
<tr>
<td></td>
<td>Tax-Exempt High Yield</td>
<td>□□□□□</td>
<td></td>
</tr>
<tr>
<td><strong>Real Assets</strong></td>
<td>Global REITs</td>
<td>□□□□□</td>
<td>Neutral</td>
</tr>
<tr>
<td></td>
<td>Other/Commodities</td>
<td>□□□□□</td>
<td></td>
</tr>
<tr>
<td><strong>Alternatives</strong></td>
<td>Equity Long/Short Hedge</td>
<td>□□□□□</td>
<td>Neutral</td>
</tr>
<tr>
<td><strong>Private Markets</strong></td>
<td>Equity/Debt/Real Estate</td>
<td>□□□□□</td>
<td>Neutral</td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td></td>
<td>□□□□□</td>
<td>Overweight</td>
</tr>
</tbody>
</table>

Data as of April 1, 2023. Positioning reflects our monthly tactical asset allocation (TAA) versus the long-term strategic asset allocation (SAA) benchmark. For an overview of our asset allocation strategies, please see the disclosures.

*Private markets are only available to investors that meet Securities and Exchange Commission standards and are qualified and accredited. We recommend a strategic allocation to private markets we do not tactically adjust this asset class.
“Higher for longer” can create opportunities

Higher medium-term inflation
Higher medium-term rates
Tighter monetary policy

BENEFITS

Diversification across asset classes
Diversification across factors & sectors
Active management
Quality
Thematic Investment Spotlight: Quality

The quality factor includes:
- High return on equity
- Low debt to equity
- Low earnings variability

The quality factor has been shown to:
- Outperform the equity market (after controlling for other factors) over time
- Generate higher excess return during earnings contractions

**Average Annualized Excess Return for Quality Factor**

Data includes monthly returns for the Barra quality factor from June 30, 1995 through December 30, 2022. Earnings expansions (contractions) are defined as a positive (negative) 3-month % change in S&P 500 EPS. The excess returns shown are the excess return generated by the quality factor over the MSCI USA index when controlling for other factors. Sources: Bloomberg, MSCI, WTIA. Past performance cannot guarantee future results. Indices are not available for direct investment. Investment in a security or strategy designed to replicate the performance of an index will incur expenses such as management fees and transaction costs which will reduce returns.
Questions?
Tony Roth
Chief Investment Officer

Tony Roth is chief investment officer for Wilmington Trust Investment Advisors, Inc, the investment advisory arm of Wilmington Trust and M&T Bank. Tony plays a key role in developing and delivering investment services for our wealth, institutional, and brokerage clients. He provides strategic direction for the firm’s asset management investment activities including asset allocation, manager research, and portfolio construction. Tony leads the firm’s Investment Committee.

Tony joined Wilmington Trust in 2014 with extensive experience in wealth management and investment advisory. Prior to joining Wilmington Trust, he was chief investment officer (CIO) for Aquitaine Management in New York. Before that, he worked for UBS Wealth Management Americas as CIO, where he founded the Ultra High Net Worth Chief Investment Office. Earlier in his career, he was founder and co-head of the Advisory Services Division at Bear, Stearns & Co. Inc., served as director of the Family Wealth Group at Sanford C. Bernstein & Co., and was a tax attorney at Cleary Gottlieb in New York.

Tony earned his law degree from Harvard Law School. He holds a master’s degree in French and international tax law from Université Panthéon Sorbonne, and graduated magna cum laude from Brown University with a degree in philosophy.
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Disclosures
Continued

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The names of actual companies and products mentioned herein may be the trademarks of their respective owners.

The gold industry can be significantly affected by international monetary and political developments as well as supply and demand for gold and operational costs associated with mining.

An Overview of Our Asset Allocation Strategies

Wilmington Trust offers seven asset allocation models for taxable (high net-worth) and tax-exempt (institutional) investors across five strategies reflecting a range of investment objectives and risk tolerances: Aggressive, Growth, Growth & Income, Income & Growth, and Conservative. The seven models are High Net Worth (HNW), HNW with Liquid Alternatives, HNW with Private Markets, HNW Tax Advantaged, Institutional, Institutional with Hedge LP, and Institutional with Private Markets. As the names imply, the strategies vary with the type and degree of exposure to hedge strategies and private market exposure, as well as with the focus on taxable or tax-exempt income. On a quarterly basis we publish the results of all of these strategy models versus benchmarks representing strategic implementation without tactical tilts.

Model Strategies may include exposure to the following asset classes: U.S. large-capitalization stocks, U.S. small-cap stocks, developed international stocks, emerging market stocks, U.S. and international real estate securities (including inflation-linked bonds and commodity-related and real estate-related securities), U.S. and international investment-grade bonds (corporate for Institutional or Tax Advantaged, municipal for other HNW), U.S. and international speculative grade (high-yield) corporate bonds and floating-rate notes, emerging markets debt, and cash equivalents. Model Strategies employing nontraditional hedge and private market investments will, naturally, carry those exposures as well. Each asset class carries a distinct set of risks, which should be reviewed and understood prior to investing.

Allocations

Each strategy is constructed with target weights for each asset class. Wilmington Trust periodically adjusts the target allocations and may shift away from the target allocations within certain ranges. Such tactical adjustments to allocations typically are considered on a monthly basis in response to market conditions. The asset classes and their current proxies are: large-cap U.S. stocks: Russell 1000® Index; small-cap U.S. stocks: Russell 2000® Index; developed international stocks: MSCI EAFE® (Net) Index; emerging market stocks: MSCI Emerging Markets Index; U.S. inflation-linked bonds: Bloomberg/Barclays US Government ILB Index; international inflation-linked bonds: Bloomberg/Barclays World exUS ILB (Hedged) Index; commodity-related securities: Bloomberg Commodity Index; U.S. REITs: S&P US REIT Index; international REITs: Dow Jones Global exUS Select RESI Index; private markets: S&P Listed Private Equity Index; hedge funds: HFRI Fund of Funds Composite Index; U.S. taxable, investment-grade bonds: Bloomberg/Barclays U.S. Aggregate Index; U.S. high-yield corporate bonds: Bloomberg/Barclays U.S. Corporate High Yield Index; U.S. municipal, investment-grade bonds: S&P Municipal Bond Index; U.S. high-yield bonds: Bloomberg/Barclays 60% High Yield Municipal Bond Index / 40% Municipal Bond Index; international taxable, investment-grade bonds: Bloomberg/Barclays Global Aggregate exUS; emerging bond markets: Bloomberg/Barclays EM USD Aggregate; and cash equivalents: 30-day U.S. Treasury bill rate.
Definitions

**Bloomberg Commodity Total Return Index** is composed of futures contracts and reflects the returns on a fully collateralized investment in the Bloomberg Commodity Index (BCOM). This combines the returns of the BCOM with the returns on cash collateral invested in 13-week (3-month) U.S. Treasury bills.

**Bloomberg Municipal Bond Index** measures the performance of the Bloomberg Barclays U.S. Municipal Bond Index, which cover the four main sectors of the USD denominated long-term tax-exempt bond market: state, and local, general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.

**Bloomberg US Aggregate TR Bond Index** is a broad base, market capitalization weighted bond market index representing intermediate-term investment-grade bonds traded in the U.S. It is a common stand-in for measuring the performance of the U.S. bond market.

**Bloomberg U.S. High Yield Corporate Index**, formerly known as Lehman Brothers U.S. High Yield Corporate Index, measures the performance of taxable, fixed rate bonds issued by industrial, utility, and financial companies and rated below investment grade. Each issue in the index has at least one year left until maturity and an outstanding par value of at least $150 million.

**MSCI EAFE Index** is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 902 constituents, the index covers about 85% of the free float-adjusted market capitalization in each country.

**MSCI Emerging Markets Index** captures large- and mid-cap representation across 27 emerging markets countries. With 1,407 constituents, the index covers about 85% of the free float-adjusted market capitalization in each country.

**Russell 1000 Index** measures the performance of the largest 1,000 securities by market capitalization listed on U.S. exchanges based on a combination of their market capitalization and current index membership.

**Russell 2000 Index** measures the performance of approximately 2,000 smallest cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks.

The S&P 500, is a stock market index tracking the performance of 500 large companies listed on stock exchanges in the United States. It is one of the most commonly followed equity indices.

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**China timeline sources:**

https://www.wto.org/english/thewto_e/countries_e/china_e.htm#:~:text=China%20has%20been%20a%20member%20of%20the%20WTO%20since%202001

https://www.britannica.com/biography/Xi-Jinping

Natixis, UNCTAD.

https://www.brookings.edu/articles/the-end-of-chinas-one-child-policy

https://www.nbcnews.com/health/blogs/health-care/45899310

https://apnews.com/article/pandemics-wuhan-china-coronavirus-pandemic-e6147ec0ff88affb99c811149424239d

Bloomberg.


Peterson Institute for International Economics.

https://www.brinknews.com/is-president-xis-dual-circulation-strategy-for-china-under-threat/
Networking Break

10:45 – 11:00 AM EDT
Investor Perspectives: Thoughts on Market Growth, Fund Performance, and Asset Class Potential

Adam Balinsky, Fifth Season Investments
Will Ketterer, Obra Capital
Jonas Mårtenson, Ress Capital
John Collins, Pelican Capital Advisors – Moderator

11:00 AM – 12:15 PM EDT
Interactive Closing Session Preview

How can we maximize the value of life settlements as a financial planning tool?
Networking Lunch

12:15 – 1:30 PM EDT

Rich Beleutz, AIR Asset Management
Steven Shapiro, Q Capital Strategies
Brian Casey, Locke Lord – Moderator

1:30 – 2:15 PM ET
Carrier Conduct, ECSV Offers, and the Life Settlement Industry

Nat Shapo, Katten Muchin Rosenman LLP

2:15 – 3:00 PM EDT
WHAT ARE ECSVs?
ECSV BACKGROUND

➢ Enhanced cash surrender value
➢ New product offered beginning in 2017-2018
   ➢ Differs in every respect from well-established product of same name.
   ➢ Four carriers known to have offered; two believed to have ceased.
➢ Some differences, but all involve increasing cash surrender value in a short-term offer designed to entice the consumer to terminate the policy and the death benefit.
➢ Stated purpose to “reduce...reserves” and “reduce...claims.”
EXAMPLES OF OFFERS SEEN IN THE MARKET

➢ Enhance CSV from $4,756.20 to $14,682.45 for four and a half months.
➢ Enhance CSV from $19,037 to $360,601 for three months.
➢ Enhance $0 CSV to $561,000 for 15 days.
➢ Enhance $0 CSV to $283,173.35 for 60 days.
CSV PROGRESSION IN ECSVs

Cash Surrender Value

Progression of Time
COMPLIANCE /
POLICY ISSUES
UNFAIR DISCRIMINATION

➢ All state insurance codes prohibit unfair discrimination.
  ➢ NAIC Model defines “unfair discrimination” as “making or permitting any unfair discrimination between individuals of the same class and equal expectation of life in the benefits payable thereon, or in any other of the terms and conditions of such policy.”

➢ In a nutshell: Like risks must be treated alike.

➢ When a consumer lapses or surrenders and gets $4K while the identical risk gets offered $14K the next day; or $19K and $360K; or $0 and $561K; or $0 and $283K, the first owner is getting far less benefits in return for the same premium payments.

➢ Benefits are being radically—and arbitrarily—being changed for the people who surrender during less than 1% of the time the product offering is in force.

➢ Surrenders based on misleading illustrations.
STANDARD NONFORFEITURE LAW
SMOOTHNESS REQUIREMENT

➢ Smoothness Requirement Added to SNFL in 1980.
  ➢ Section 8 of the NAIC SNFL Model, “Consistency of Progression of Cash Surrender Values with Increasing Policy Duration.”

➢ Drafters of New Requirement Explained:
  ➢ It requires “a reasonably orderly sequence of increases.”
  ➢ It prohibits “sharp increases.”

➢ Society of Actuaries, Who Had to Implement, Explained:
  ➢ It prohibits “spikes.”
  ➢ It prevents “benefits discontinuous in nature” that are “available only during certain windows of time.”
EVADES LIFE SETTLEMENT ACT PROTECTIONS

➢ Product mimics life settlements
  ➢ Short-term, limited time cash offer > CSV in return for giving up interest in policy and its death benefit
  ➢ Advertising uses very similar language to life settlement marketing

➢ Evades statutory protections for consumers offered high cash amounts in return for giving up coverage
  ➢ Rescission periods
  ➢ Intermediary fiduciary duty
  ➢ Physician certification of (elderly) consumer competency
  ➢ Disclosure of competing alternatives

Privileged and confidential. Attorney client privilege. Attorney work product
CONTRARY TO PURPOSE OF LIFE INSURANCE

➢ ACLI testimony—why life insurance deserves special treatment under insurance discrimination laws:

➢ “Insurers underwrite or assess the risk only once and that is at the time of the application. Once underwritten, the price and terms cannot be changed.”

➢ “We only get one chance to get that right for a policy that can be in place for 40-50 years. Unlike health or car insurance, we cannot raise rates if there are unexpectedly higher claims.”

➢ “Everything that life insurers are doing is a guarantee of long term financial planning and...long term financial protection....We get one chance to make a promise that can last 40 years. That is significantly different than the P & C brethren.”

➢ ECSV offers render these existential statements inaccurate.
LEGISLATIVE RESPONSES
NCOIL RESOLUTION

➢ National Council of Insurance Legislators
➢ Starting Nov. 2021: Studied issue, public hearings.
➢ Passed unanimous resolution, July 16, 2022
   ➢ ECSVs “in plain violation” of insurance code.
   ➢ “Neither regulators nor the insurers have proffered a plausible explanation of these products’ compliance.”
   ➢ ECSVs “do not follow the consumer protection statutes created by legislators to protect policyholders” in “regulated product [ECSVs] mimic, life settlements.”
   ➢ “NCOIL now calls upon state regulators to enforce…the insurance codes.”
➢ Currently considering model legislation
Rep. Byron Donalds letter dated April 25, 2023

Sent to Florida commissioner and to NAIC life committee chair

Identifies Federal/Congressional concerns

- Unfair discrimination statutes “carry out Federal policy in…McCarran…Act.”
- “Preferential tax code treatment” based on “protecting widows and orphans” undermined by carriers’ officially stated purpose: “To reduce our variability to claims.”
  - “In other words, a life insurer is attempting to proactively induce policyholders to terminate the death benefits that are the very basis for its product’s preferential tax treatment.”
- Exemptions from anti-discrimination law based on carrier arguments that “once underwritten, the price and terms cannot be changed.”

Absent explanation, “because the states’ failure to prevent ECSV products undermines the rationale for preferential treatment for life insurance in Federal law, I will be asking for a review…by…Financial Services Committee and…Oversight Committee[s]…on which I sit.”
REGULATORY RESPONSES
EIGHT STATES WITH VARIOUS ACTIONS ON SOME ECSV PRODUCTS

➢ Louisiana, Washington State have withdrawn past approvals of ECSVs
➢ Oregon, Virginia, Pennsylvania have not approved several ECSV endorsement forms when filed
➢ Maryland found some offers unfairly discriminatory in practice
➢ Indiana Commissioner letter, June 2022, to NCOIL resolution sponsor
  ➢ “Your letter…coupled with the information gathered during an extensive investigation…has brought the Department to the conclusion that moving forward, it will look not to approve filings containing ECSV provisions.”
  ➢ Letter to carriers: “Considering the review by [NAIC], I…would ask you to temporarily refrain from additional offerings.”
REGULATOR FINDINGS

➢ Have found violations of Standard Nonforfeiture Law smoothness requirement and unfair discrimination prohibition, evasion of life settlement consumer protection statutes.

➢ “Appears company needs to be licensed as a life settlement company.”

➢ “This is not allowed and considered unfair discrimination.”

➢ “SNFL concerns coupled with the smoothness requirement,” “information gathered during an extensive investigation,” “brought the Department to the conclusion that...it will...not approve filings containing ECSV provisions.”

➢ “This appears to be an inducement to cancel the life insurance policy for additional compensation...contrary to the historical advice to pay the premium and not let the policy lapse.”
NEXT STEPS/QUESTIONS?
Networking Break

3:00 – 3:15 PM ET
Afternoon Conversation: Life Settlement Industry Market Growth

Jeff Bollerman, Raymond James
Andrew Plevin, BroadRiver Asset Management

3:15 – 4:00 PM EDT
Raymond James
Private Capital Advisory
Private Markets Investor Survey
May 1, 2023
Unique one-stop-shop approach for financial sponsors

Private Capital Advisory (“PCA”) team sits in the center of Raymond James Investment Banking’s offering

GP-led Secondary Solutions
- Management Company Level
- Fund Level
- Asset Level
  - Multi-asset, strip sale, single-asset

Primary Fundraising Mandates
- Private Equity
- Growth Equity
- Venture Capital
- Private Credit

$40bn+ secondary advisory deals executed (1)

200+ closed deals (2)

~20,000 employees with leading Investment Banking and Private Wealth capabilities (3)

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(1) For the last 10 years, as of September 2021. Including GP-led transactions and LP portfolios.
(2) Includes all private capital advisory, private placement, equity, debt, M&A, and strategic advisory assignments for the LTM as of December 2021.
(3) As of December 2021.
Fundraising Market Landscape
Fundraising market
A wave of fundraising through 2021 leaves LPs feeling washed out

- 2021 bucked the trend of a year-on-year decline in the number of PE funds raised which had been falling from its peak in 2017 even before COVID-19 created additional headwinds.
- While the number of funds raised decreased year-on-year between 2017-2019, the total amount of capital raised increased. Fewer funds raised more capital – concentrating within larger funds.

2021 / 2022 STATS

- 3,393 funds raised in ’21 (+33% from ’20)
- 1,894 funds raised in ’22 (-44% from ’21)
- $888B aggregate capital raised in ’21 (+16% from ’20)
- $730B aggregate capital raised in ’22 (-18% from ’20)

Source: Preqin as at 31-Dec-22
Fundraising market (cont.)

Sharp increase in the time spent fundraising – but success still achievable

- **Time to final close has lengthened significantly** – reaching new high-water marks of 23 and 25 months in Europe and North America respectively.

- **In North America, first close as a percent of target was by far the lowest point in the past 15 years (32%)** and only 3/5th that of 2021 (52%).

- **European first close amount (55%) is on par with 2021, but still way below historical 15-year average of 64% and only 3/4th that of 2020 (73%).**

23-25 months
2022 funds average time spent fundraising

**120%/ 98%**
average final close as percent of target (NA / EUR)

Source: Preqin as at 31-Dec-22
Survey Findings
What goes up...may come down
LPs concerned by valuations, the macro environment, and exits

Relative to 2022, what is your look-forward view on the private equity market through 2023?

- More positive: 26%
- Less positive: 36%
- The same: 33%
- Unsure: 5%

What are your key concerns for the coming year?

- Portfolio valuations: 22%
- Macro-economic environment impacting existing GP portfolios: 22%
- Decrease in distributions: 21%
- Macro-economic environment impacting new investment opportunities: 11%
- Continued high pace of re-ups impacting ability to invest with new GPs: 10%
- Internal resource constraints: 9%
- Re-balancing sector exposures: 3%
- Re-balancing geographic exposures: 1%
- Other: 1%

(1) Results represent percentages of LP responses based on the total number of selections made.
GP landscape: tough choices and new opportunities

No respite in the deluge of existing GPs in market, so how are investors adapting?

**OF THE TOTAL NUMBER OF COMMITMENTS MADE IN 2022, WHAT PERCENT WERE RE-UPS?**

- 76-100%: 32%
- 51-75%: 31%
- 26-50%: 16%
- 10-25%: 13%
- < 10%: 8%

**HOW DOES YOUR EXPECTED ALLOCATION TO NEW GPs IN 2023 COMPARE TO 2022?**

- Fewer new GP relationships: 37%
- Staying the same: 30%
- More new GP relationships: 16%
- 24%

**OF THE GPs IN YOUR PORTFOLIO WHICH WERE BACK IN MARKET FUNDRAISING IN 2022, WHAT PERCENT DID YOU COMMIT TO?**

- 100%: 2%
- 76-99%: 17%
- 51-75%: 25%
- 26-50%: 13%
- < 25%: 38%

**WHAT % OF YOUR 2023 ALLOCATION WILL BE RESERVED FOR NEW GP RELATIONSHIPS?**

- > 50%: 33%
- 30-50%: 31%
- 11-25%: 30%
- 0-10%: 6%
Winning over LPs
From proven track records to well-positioned strategies: LPs’ priorities in a challenging fundraising environment

PLEASE SELECT THE FOLLOWING FACTORS OF IMPORTANCE WHEN CONSIDERING A COMMITMENT TO A NEW GP:

1. Team stability
2. Track record - TVPI
3. Track record - Net IRR
4. Track record - DPI
5. Viability of strategy in upcoming market cycle
6. Co-investment and/or secondary opportunities
7. A significant re-up ratio from prior LPs into the new fund
8. LP incentives (i.e., fee breaks)

HOW IMPORTANT IS THE AVAILABILITY OF CO-INVESTMENT OPPORTUNITIES WHEN ASSESSING NEW GPS?

Results represent percentages of LP responses based on the total number of selections made.
Stakeholder Perspectives: A Roundtable Discussion on Pressing Industry Issues

John Dallas, Berkshire Settlements
Sherry Duarte, Fifth Season Investments
John Welcom, Welcome Funds
Chris Conway, ISC Services – Moderator

4:00 – 5:00 PM ET
Networking Reception

Event Space

5:00 – 6:30 PM ET