Life Changes: Pandemic Pressures and the Road Ahead

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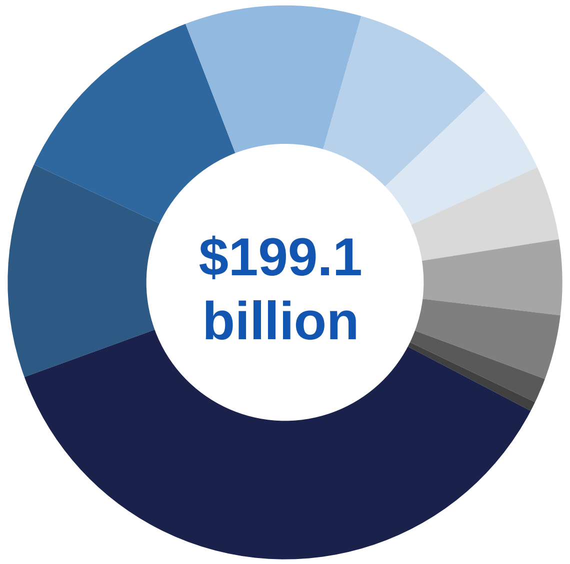
About Conning

Conning Overview

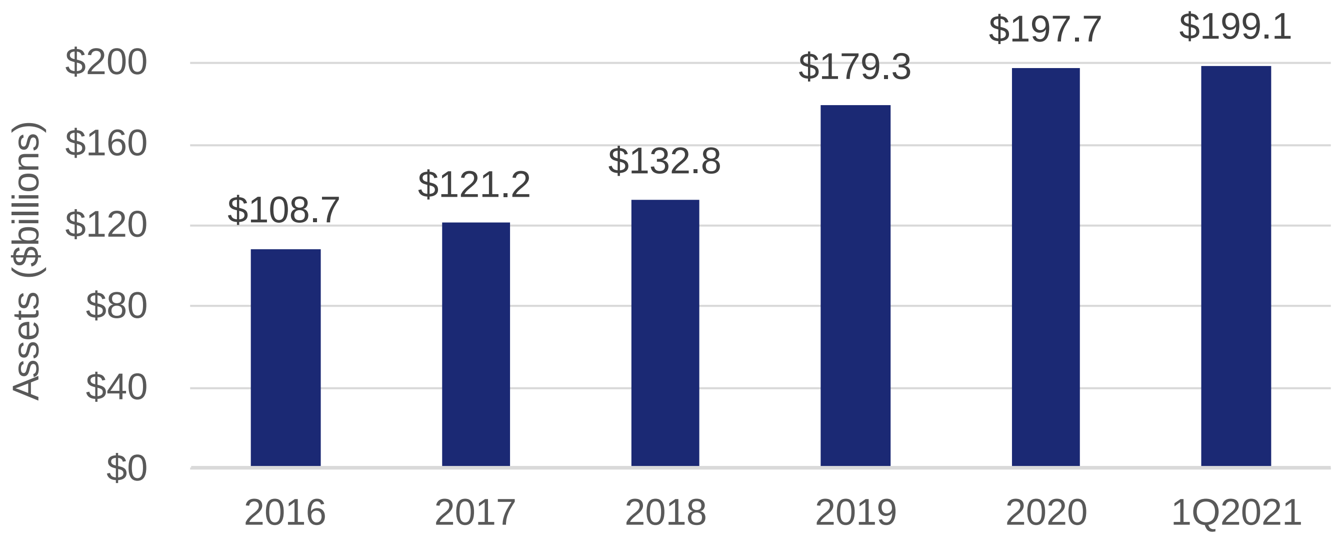
- Founded in 1912; investing institutional assets for over three decades
- 50 total life and health clients with $66 billion life and health assets under management (2)
- Offices in Asia, Europe and North America
- PRI signatory as of 2012, with an integration of ESG factors into our investment process(11)

Assets by Asset Class(1)



- 36.8% Investment Grade Corporate Bonds(3)
- 12.6% Bank Loans(4)
- 12.2% Equities
- 10.3% Emerging Markets Debt(5)
- 8.4% Structured Securities(6)
- 5.3% Governments and Agencies(7)
- 4.4% Balanced & Other Funds(10)
- 4.3% Municipal Bonds(8)
- 3.8% Cash(9)
- 1.4% High Yield Corporate Bonds
- 0.6% Private Placements

Assets Under Management(1)



(1)As of March 31, 2021, represents the combined global assets under management for the affiliated firms under Conning Holdings Limited and Cathay Securities Investment Trust Co., Ltd. ("SITE"). 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 Holdings Limited controlled entities.
(2) Represents the combined global assets under management for the affiliated firms under Conning Holdings Limited and includes assets sub-advised by Conning subsidiary, Octagon Credit Investors, LLC. and excludes SITE, Global Evolution, and Octagon Credit Investors, LLC

(3) Includes Convertible Securities.
(4) Includes Bank Loans held in managed CLO funds.
(5) Includes Emerging and Frontier Markets.
(6) Includes Mortgage-backed Securities, Asset-backed Securities, CLO Debt and CLO Equity.
(7) Includes Treasurys, Supranational and Sovereigns.
(8) Includes Taxable Municipals and Tax-Exempt Municipals.
(9) Includes Short Term.
(10) SITE ILP Funds, Funds of Funds and other Mutual Funds.
(11) https://www.unpri.org/public-signatory-reports-/transparency-reports-2020/6051.article

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Director
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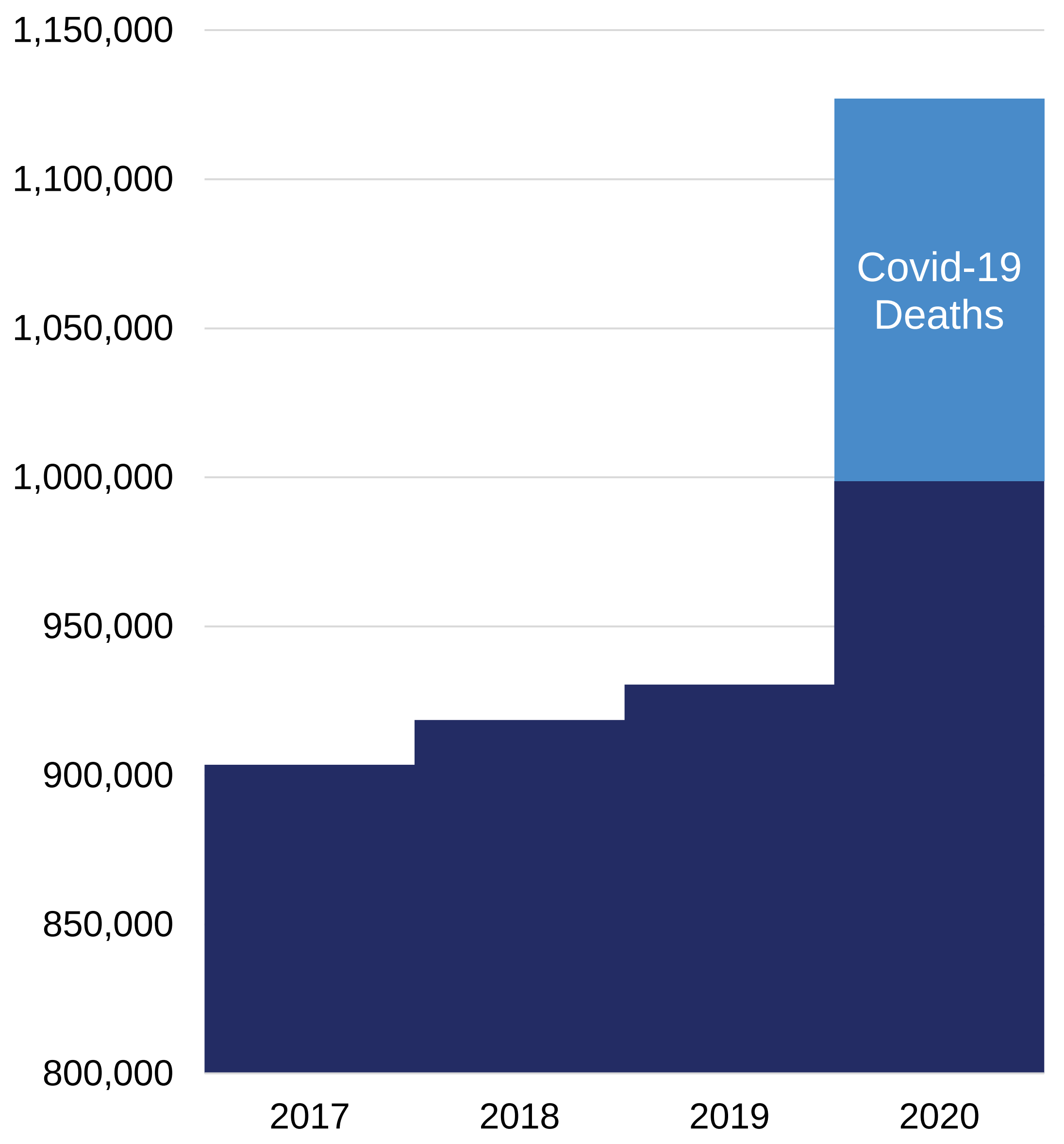
LIFE INDUSTRY TRENDS

Increase in Mortality in 2020 by Generation

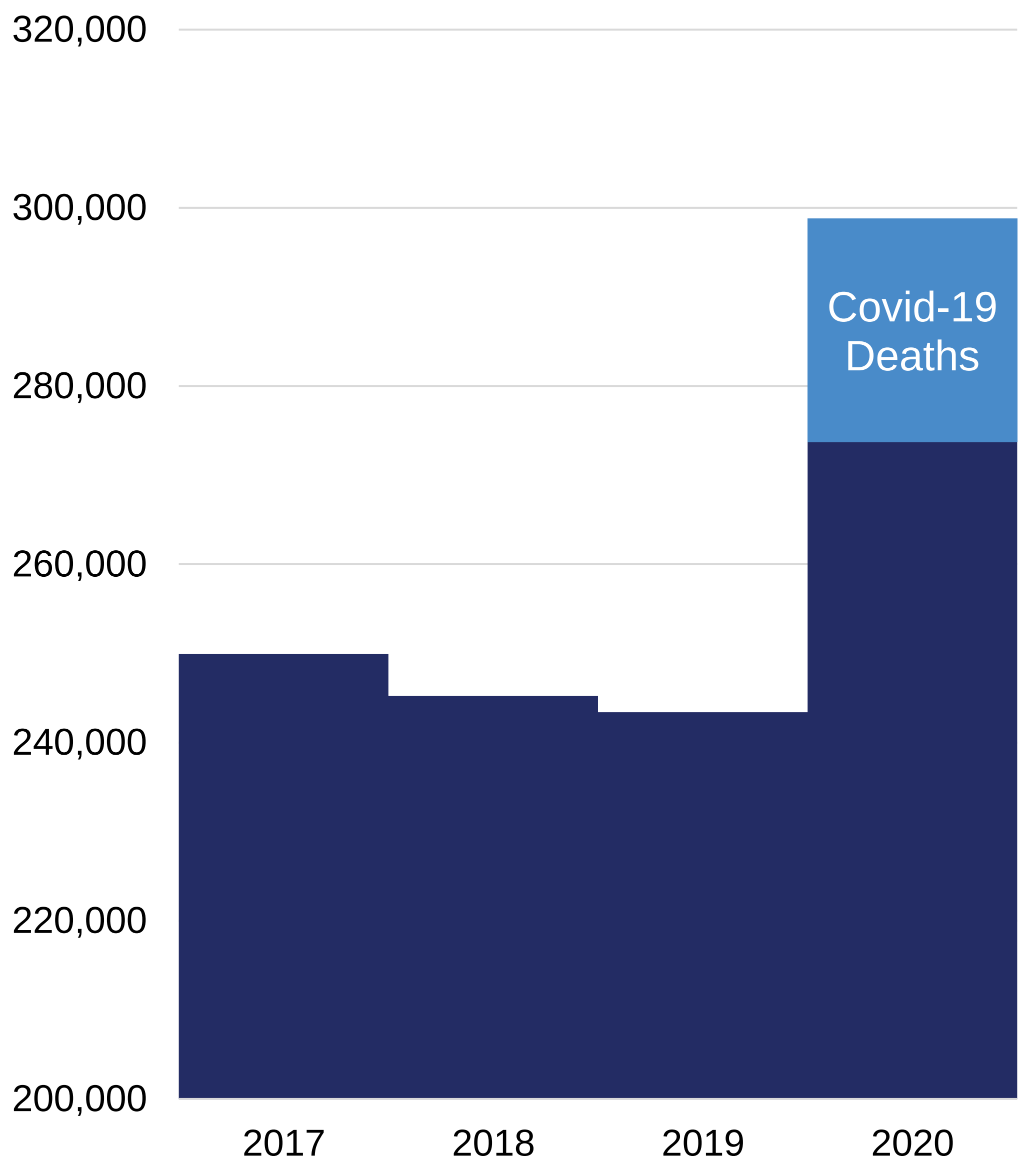
Baby Boomers (ages 57-75)

Number of U.S. Deaths Per Year



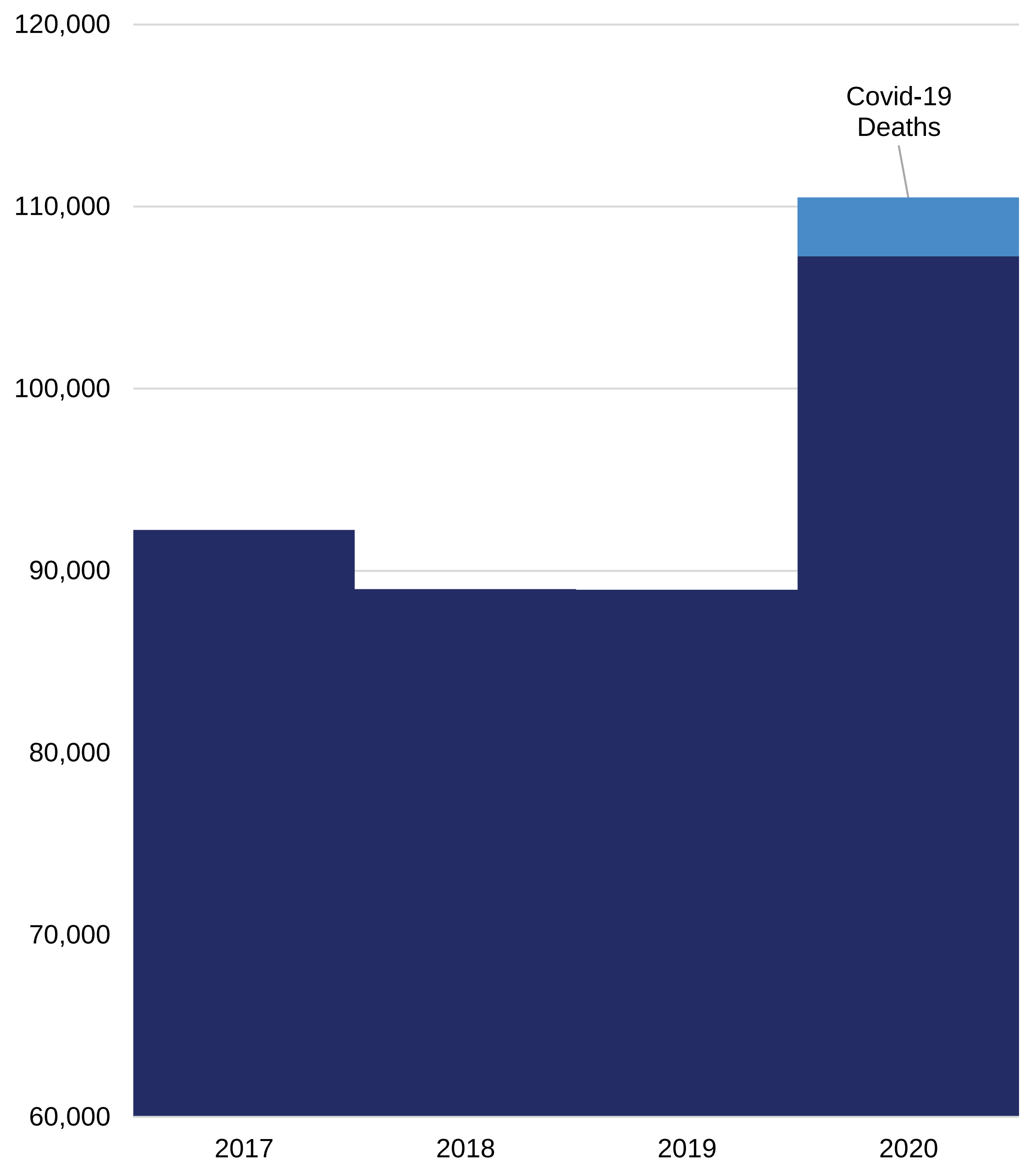
Generation X (ages 41-56)

Number of U.S. Deaths Per Year



Millennials (ages 25-40)

Number of U.S. Deaths Per Year



The three major adult generations have all been hit by extra mortality in the pandemic. Increased mortality at all ages highlights the need for life insurance coverage at any age. Insurers have the opportunity to demonstrate the value of life insurance, as well as affordability for younger generations, and to improve market penetration.

Prepared by Conning, Inc. Sources: Centers for Disease Control and Prevention, a division of the U.S. Department of Health & Human Services (2021). Use of these materials does not imply or constitute the endorsement or recommendation of Conning, Inc. by the U.S. Government, the U.S. Department of Health and Human Service or the Centers for Disease Control and Prevention. The source material is available for free at: https:// www.cdc.gov/nchs/covid10/covid-19-mortality-data-files.htm

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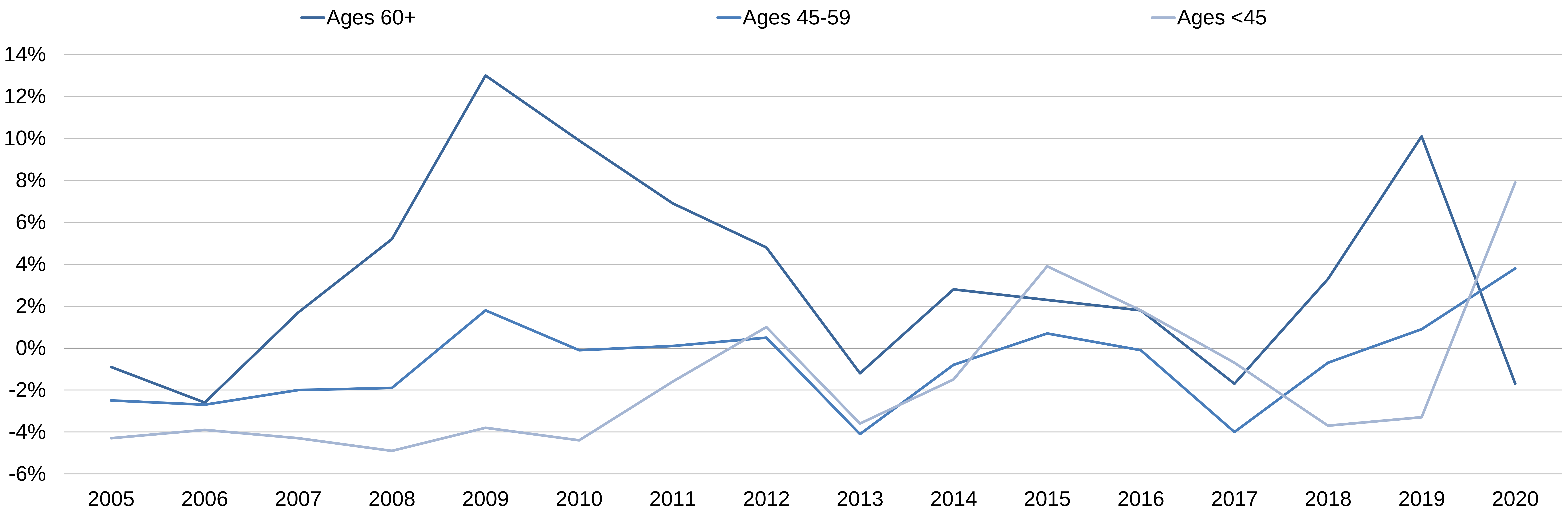
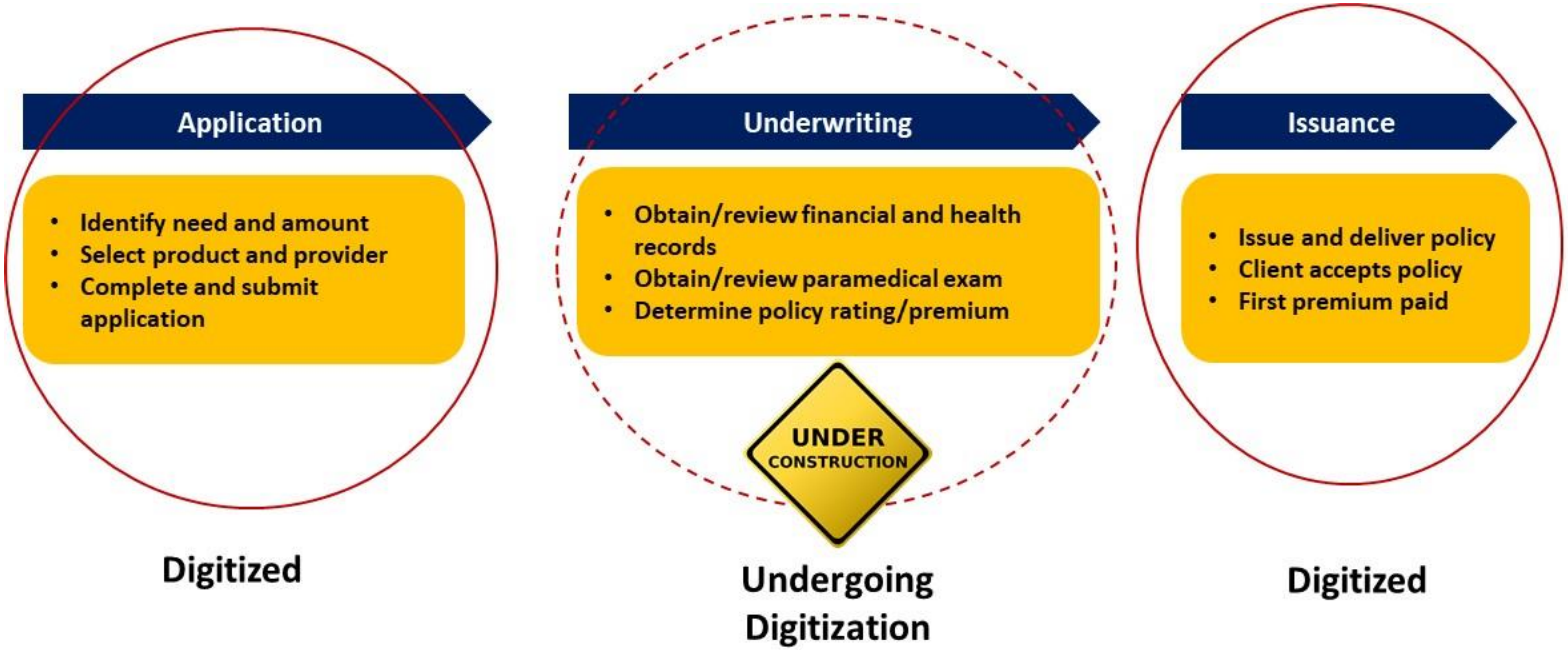
Life Insurance Applications Leap During Pandemic

Year-Over-Year Change in Application Activity



Life insurance sales seemed to follow a pandemic pattern, with July 2020 seeing double-digit increases of 14.1% compared to the start of the pandemic in March 2020, when sales decreased 2.2%, and in April 2020, a decrease of 3.0%. March and April are the only two months in 2020 to see decreases in life insurance sales.

Life-Annuity Digital Efforts Focused on Underwriting



Even as sales recover, the digital transformation of the life-annuity industry is likely to continue. Looking ahead, these crisis-induced digital developments position the life-annuity industry to meet the growing demands of clients and distributors for digital sales and service.

Key Multiline M&A Transaction Timeline

Dec. 2017

Sale of legacy life-annuity to investor group - $2.8B

Jan 2018

Sale of life and group benefit business to Lincoln - $3.3B

Oct. 2020

Separating life and annuity from P&C

Dec. 2020

Sale of P&C business to Farmers Group for $3.9B

Jan. 2021

Allstate sale of its life and annuity business to Blackstone for $2.8B

American Financial sale of its annuity business to MassMutual for $3.5B

Other Multiline Insurers

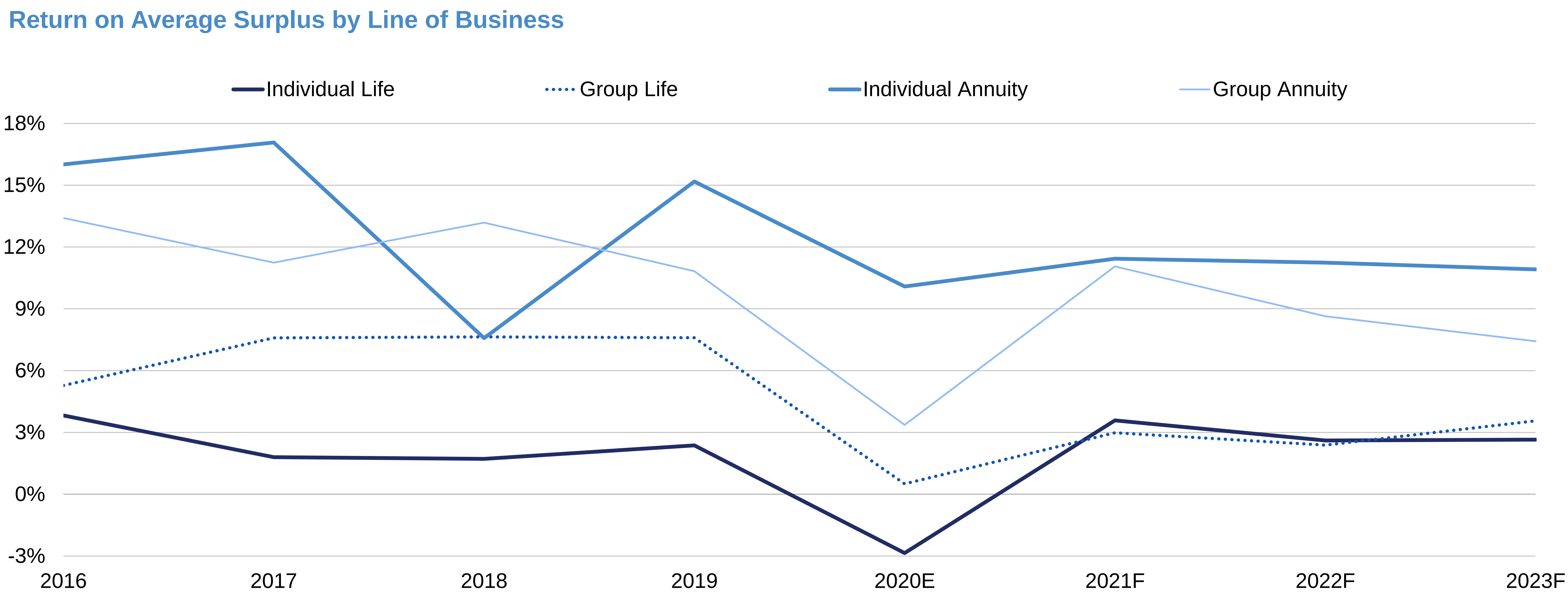
2021

In 2020 and heading into 2021, several multiline insurers divested their life-annuity business. The reason for the divesting was those life-annuity units were underperforming the property-casualty affiliates and consuming significant capital.

Companies with strong affinity and distribution platforms are least likely to pursue a break-up.

Prepared by Conning, Inc. Source: company press releases, public filings, and news articles

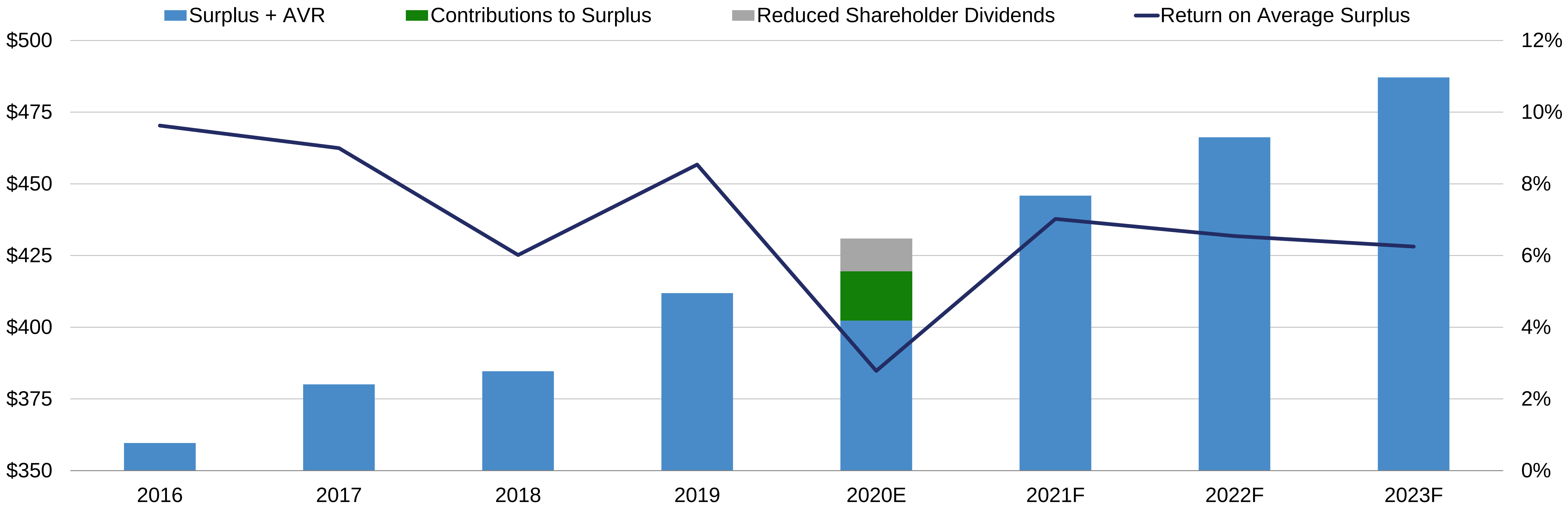
Life Insurance and Annuities Have Significant Differences



When analyzed by line of business, the annuity lines of business have consistently had higher but more volatile returns. The individual life line of business showed a loss in 2020, but is projected to rebound to more typical results in 2021. Individual and group life have consistently had lower returns and annuities, and other than in 2020, have had been less volatile.

Capital Continues to Build Up

Life and Health Capital Forecast
$ in billions



Return on capital decreased to 2.8% as net income decreased because of the recession and as capital was boosted to preserve solvency, but which also diluted the return on surplus denominator.

Conning projects return on capital to recover in 2021.

10-Year Goes Below 1%, Modest Improvement Expected

In March 2020, the FOMC dropped interest rates 50 bps and then 100 bps in response to the economic disruption of the pandemic. Longer duration interest rates also fell dramatically. Rates began to rise in August 2020, but have held steady since April 2021.

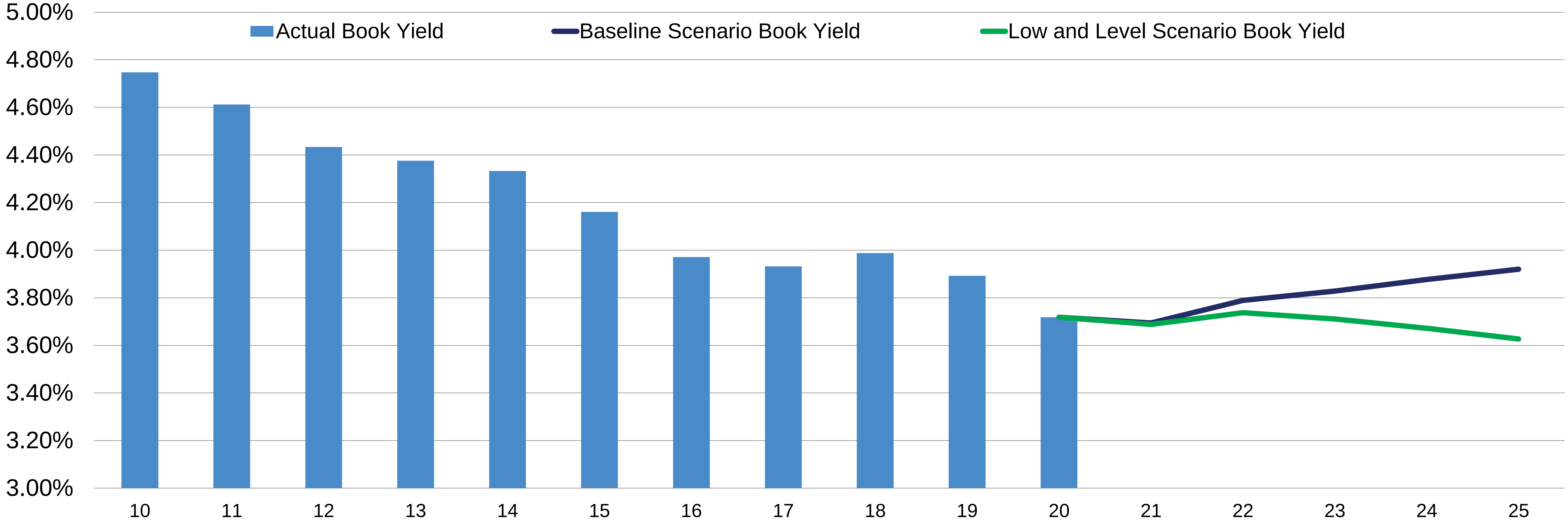
Interest rates are forecast to continue to rise, but to continue to be at historically low levels.

FOMC = Federal Open Market Committee of the Federal Reserve

Prepared by Conning, Inc. Sources: U.S. Department of the Treasury (2021) and Federal Reserve Bank of Philadelphia, Survey of Professional Forecasters (https://www.philadelphiafed.org/research-and-data/real-time-center/survey-of-professionalforecasters) (2021)

Industry Book Yields Forecast to Be Flat at Best

Life Industry Portfolio Book Yield—Illustrative Scenarios



With continuing low interest rates, Conning projects the net life-annuity portfolio rate will remain below 4% through 2025. This continues the challenge for profitability and sales on traditional fixed-rate life-annuity products, spurring growth in other product types, such as RILAs.

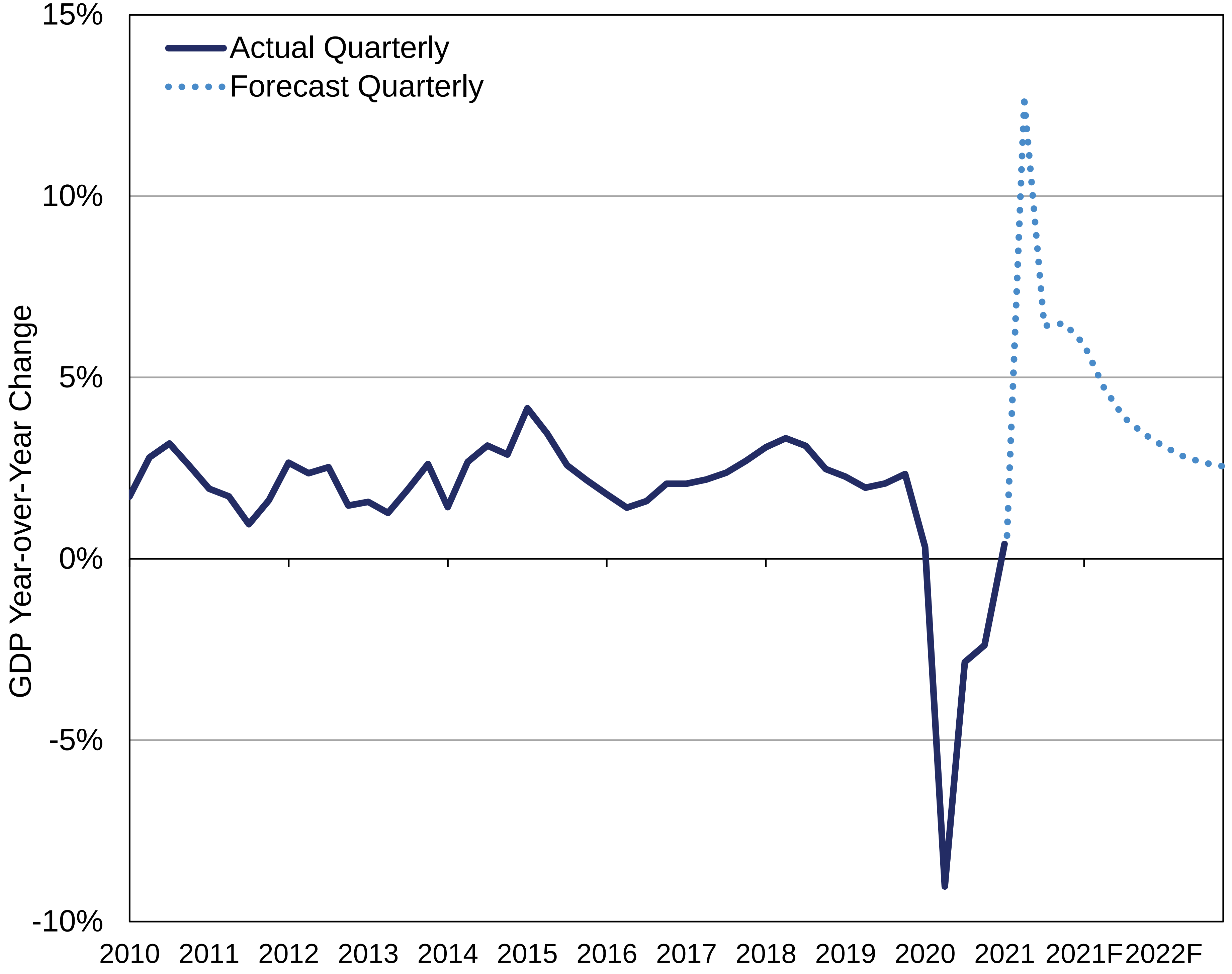
Prepared by Conning, Inc. Sources: Copyright 2021 S&P Global Market Intelligence, Forecast ©2021 Conning, Inc., and Federal Reserve Bank of Philadelphia, Survey of Professional Forecasters (https://www.philadelphiafed.org/research-and-data/real-time-center/survey-of-professionalforecasters) (2021)

Cindy Beaulieu
Chair of Investment Policy Committee

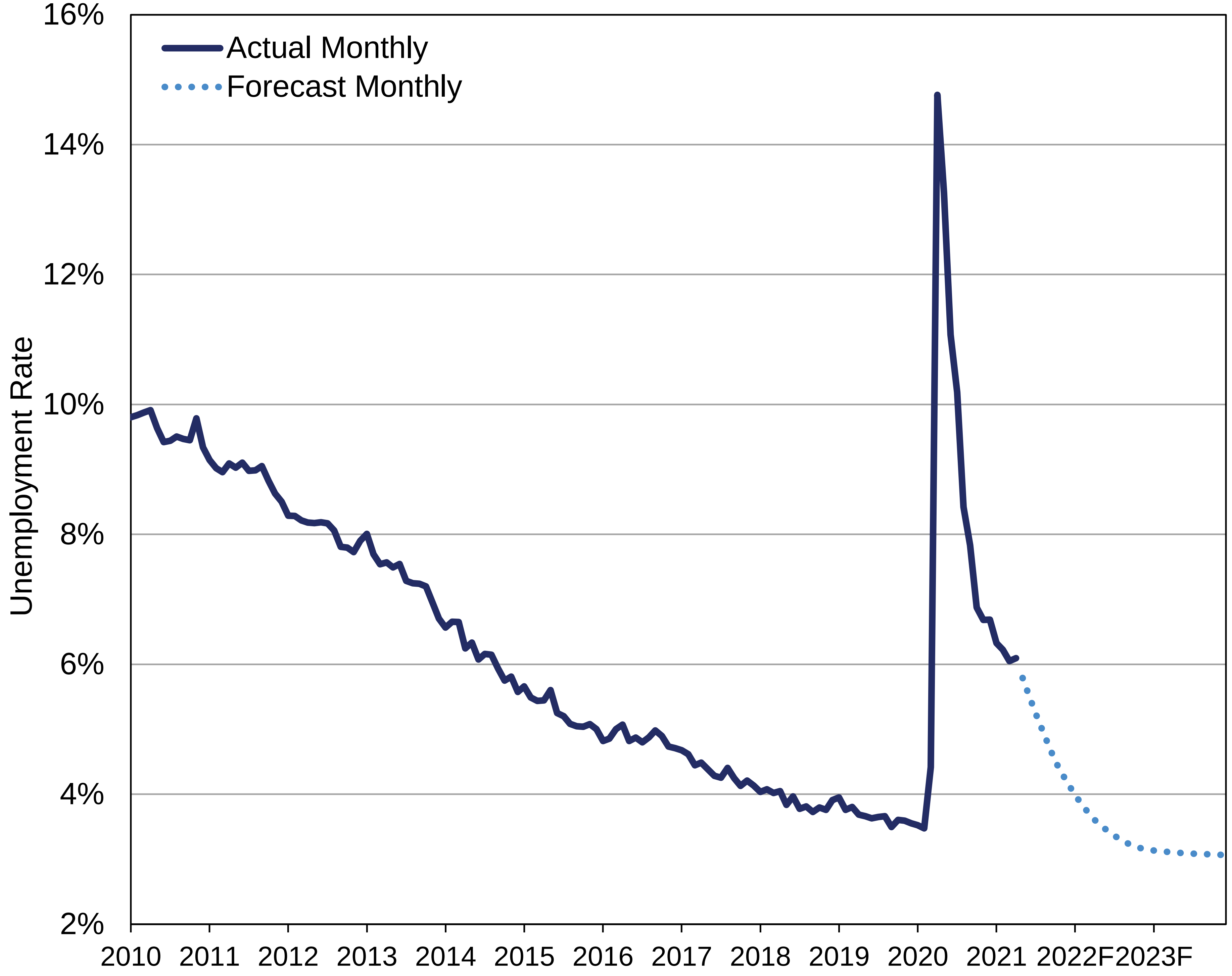
ECONOMIC / CAPITAL MARKET OUTLOOK

What Does Recovery Look Like?

Real Gross Domestic Product



Unemployment Rate



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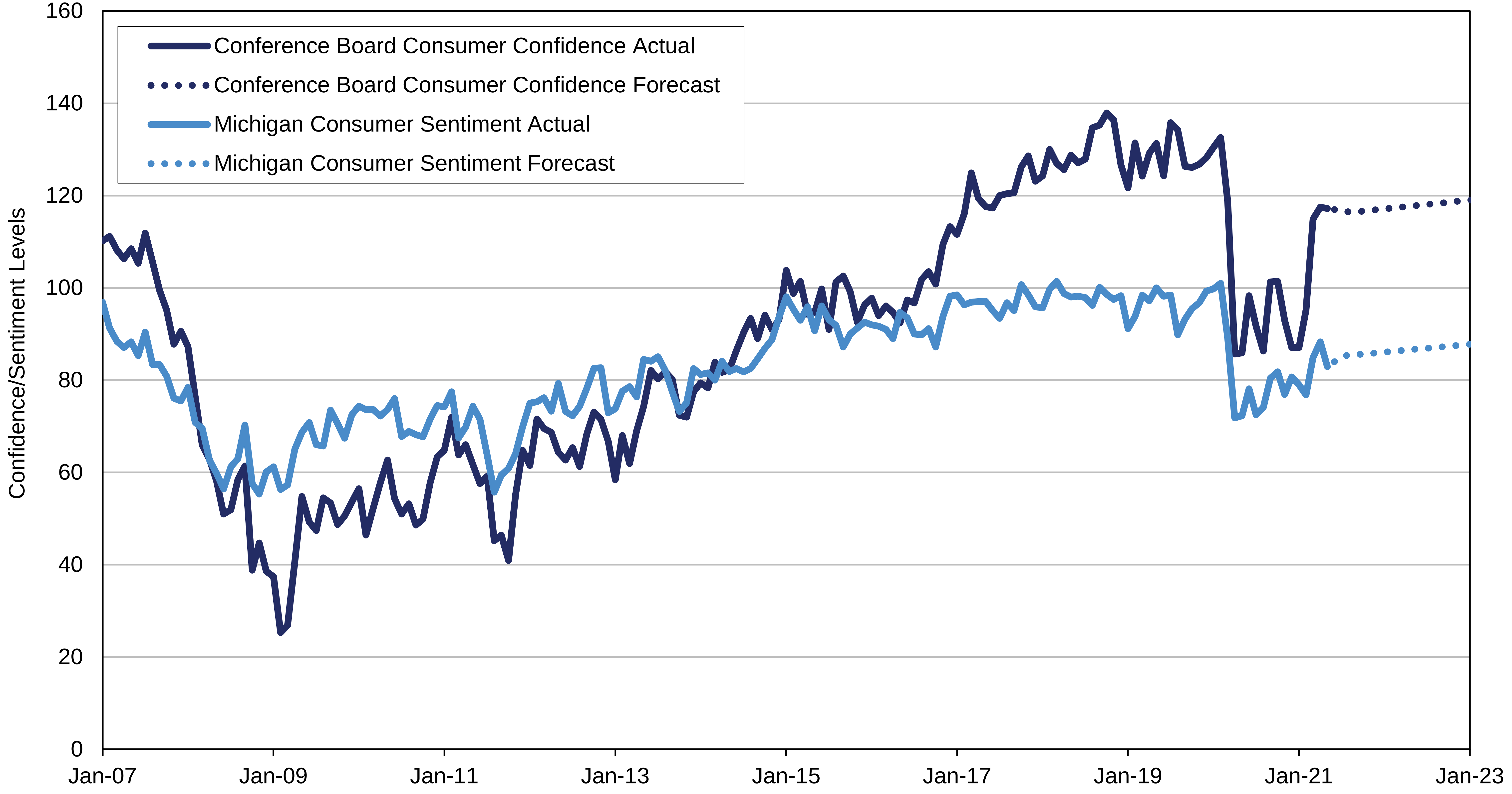
Vaccines May Provide a Boost in Confidence for Economic Recovery

Consumer Sentiment and Confidence



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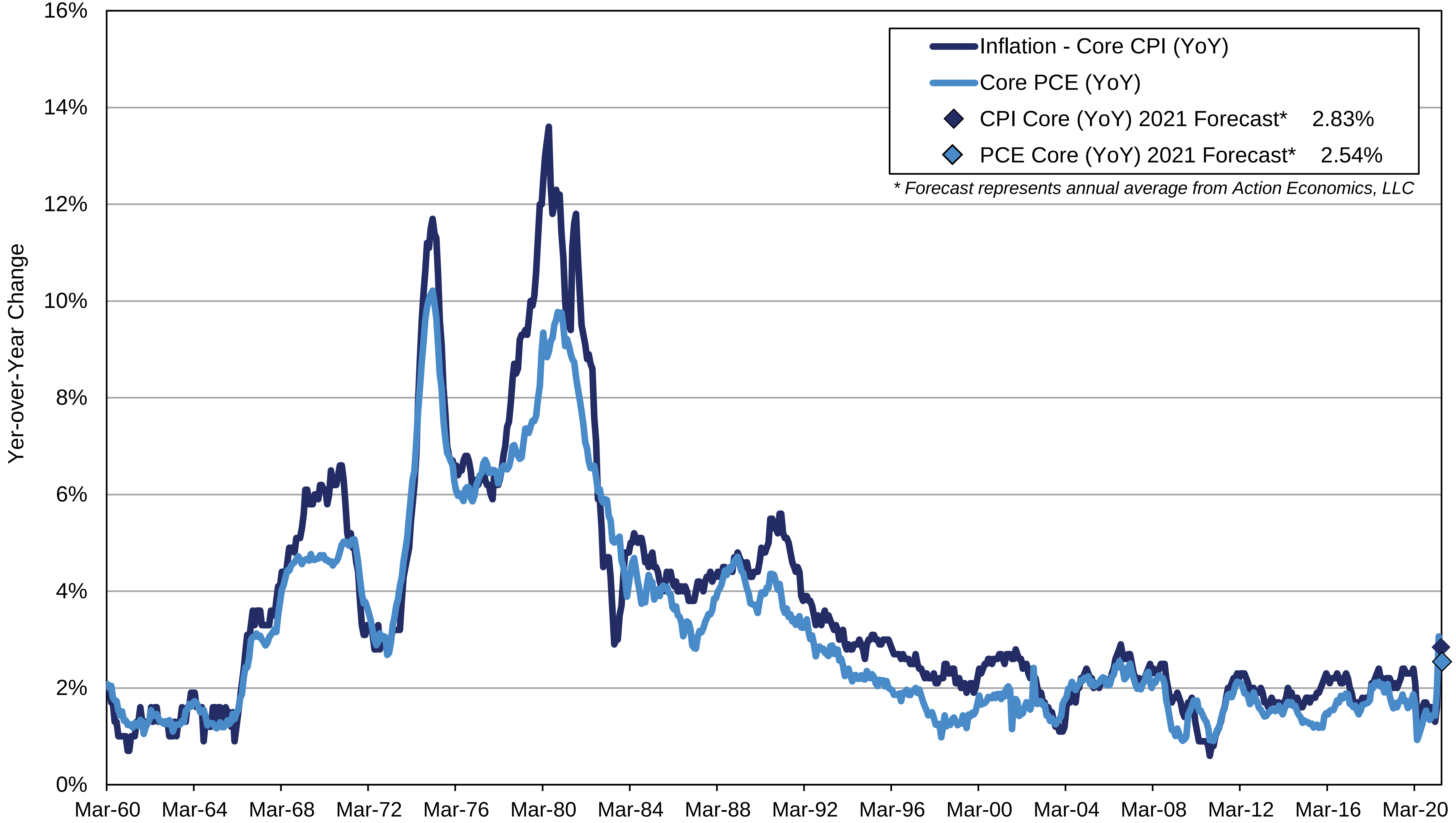
Inflation - Transitory or Problematic



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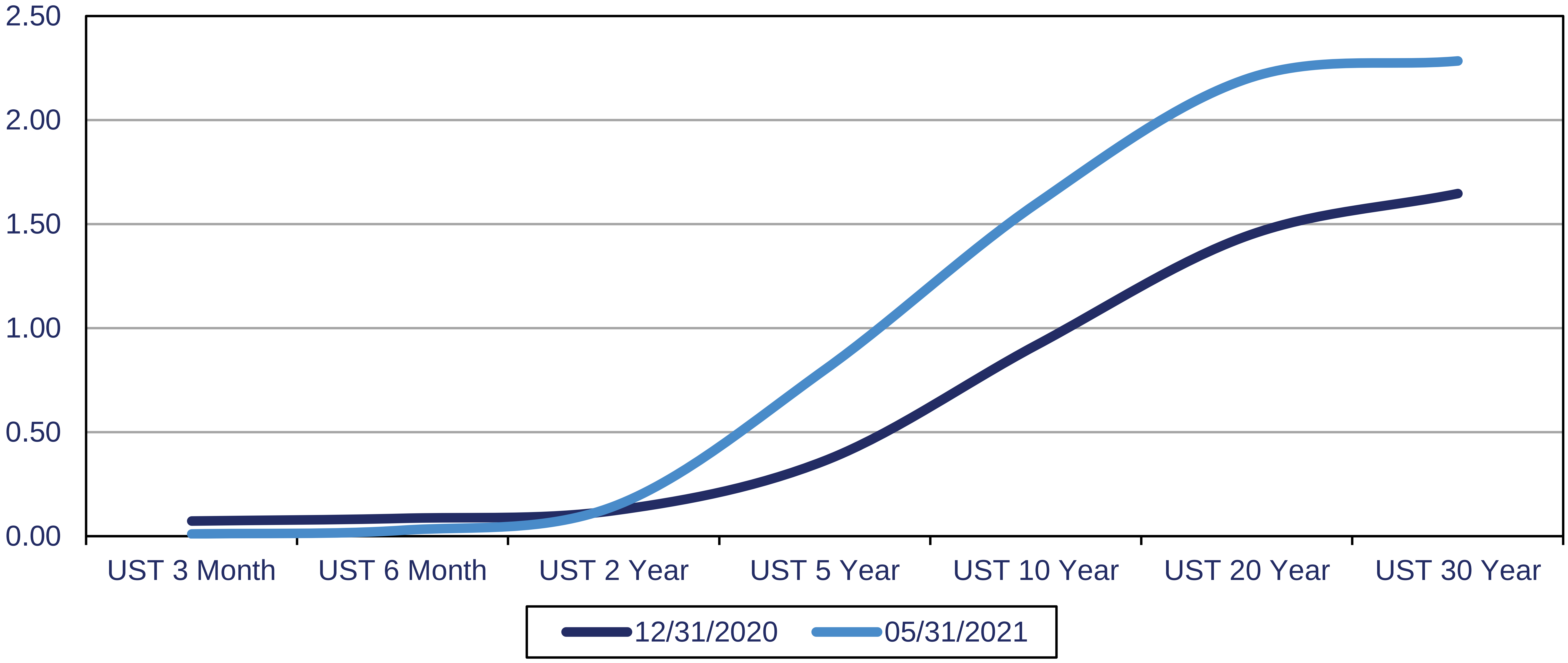
As the Economy Improves, Interest Rates Should Rise

INTEREST RATE ENVIRONMENT: U.S. Treasury Yield Curve



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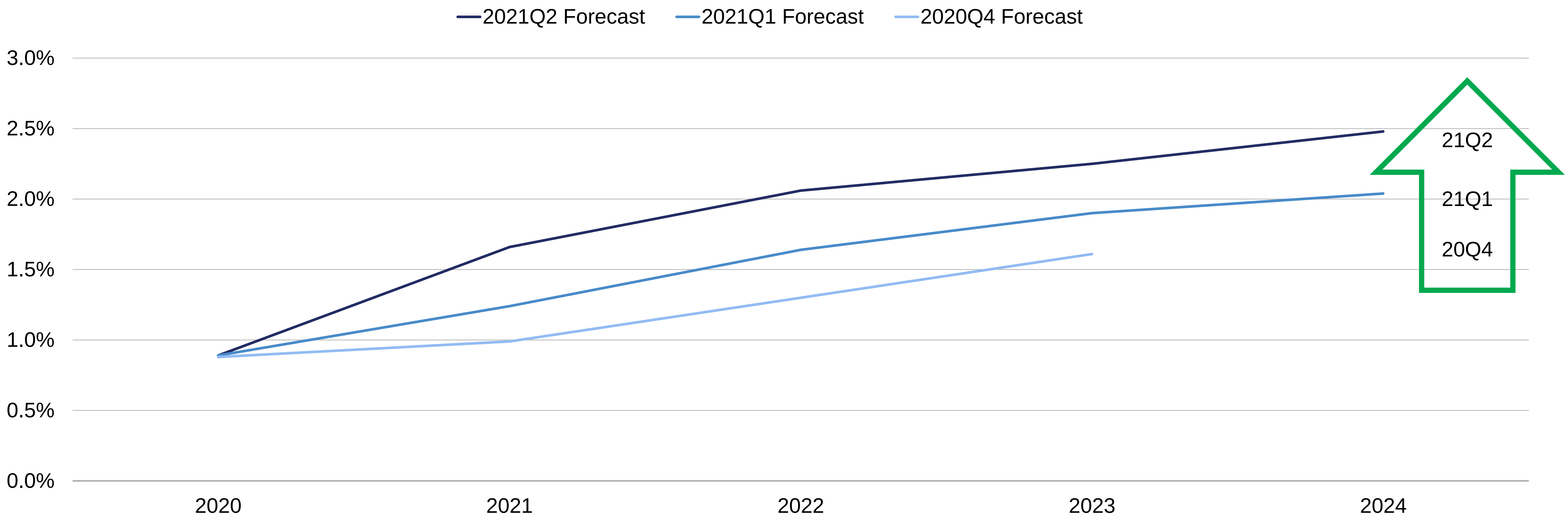
Even With Recent Increases, Interest Rate Future Is Unfriendly

Forecast for 10-Year Treasury Rate from Philly Fed Forecasters Survey



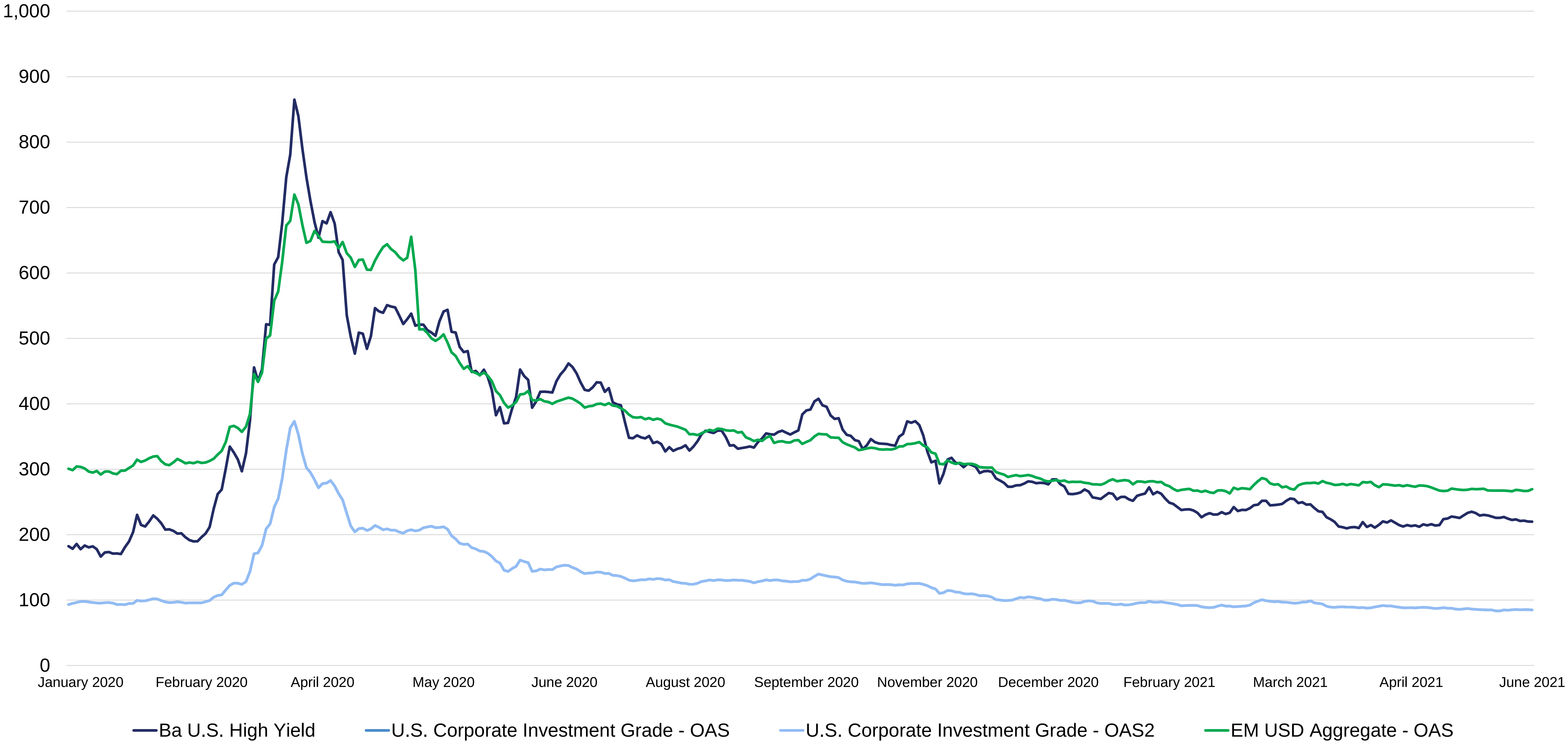
The Survey of Professional Forecasters from the Federal Reserve Bank of Philadelphia shows increasing projections for 10-year Treasury Rates, but remain at historically low levels.

Prepared by Conning, Inc. Sources: Copyright 2021 S&P Global Market Intelligence and Federal Reserve Bank of Philadelphia, Survey of Professional Forecasters (https://www.philadelphiafed.org/research-and-data/real-time-center/survey-of-professionalforecasters) (2021)

Current Sector Recommendations

Sector	Fundamentals	Valuation	Sentiment	Technical	Recommendation
Investment Grade Corporates	Positive	Negative	Neutral	Positive	**Overweight**
High Yield	Positive	Negative	Neutral	Positive	**Overweight**
Emerging Markets	Neutral	Negative	Neutral	Neutral	**Marketweight**
Taxable Municipals	Positive	Negative	Negative	Positive	**Overweight**
Tax-Exempt Municipals	Positive	Negative	Negative	Positive	**Underweight**
Residential Mortgage-Backed Securities (Agency)	Positive	Neutral	Negative	Neutral	**Underweight**
Residential Mortgage-Backed Securities (Non-Agency)	Neutral	Neutral	Positive	Positive	**Overweight**
Commercial Mortgage-Backed Securities	Neutral	Neutral	Positive	Positive	**Overweight**
Asset-Backed Securities	Positive	Negative	Positive	Positive	**Marketweight**

Credit Spreads Have Recovered but Still Offer Value



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Non-Agency Residential Mortgage-Backed Securities

Opportunity

- Pool of residential mortgage loans not securitized by agencies
  - Prime jumbo: Large loans by wealthier borrowers
  - Non-QM: Loans whose underwriting standard fall outside Dodd-Frank rules
  - RPL: Seasoned loans modified during financial crisis

Benefits*

- High-quality collateral offering incremental yield over similar duration corporates
- Credit enhancement builds over time offering potential upgrades and total return
- Rating agencies require significant credit enhancement beyond what was seen during the crisis
- Alignment of interest through risk retention requirements

*Please see associated strategy risks at the end of the presentation. Past performance is not a guarantee of future results.

Non-Agency Commercial Mortgage-Backed Securities – Seasoned CMBS

Opportunity

- Pool of securitized commercial mortgage loans on income producing properties in OF,MF,RT, Industrial and Hotel
  - seasoned vintage conduit with 5 year and in remaining average lives
  - major ratings agency participation down the capital stack
  - mixed property type distributions that tend to have outsized concentration risks in more historically volatile sectors such as retail and hotel

Benefits*

- Seasoned, shorter duration profile with stable to improving performance history and single A ratings
- Improved credit enhancement levels via structural de-leveraging improves the bond's ability to cushion against potential losses
- Strong investor base dominated by institutional, insurance company and money managers
- Spread pick up to comparable new issue longer duration new issue conduits and comparably rated corporates

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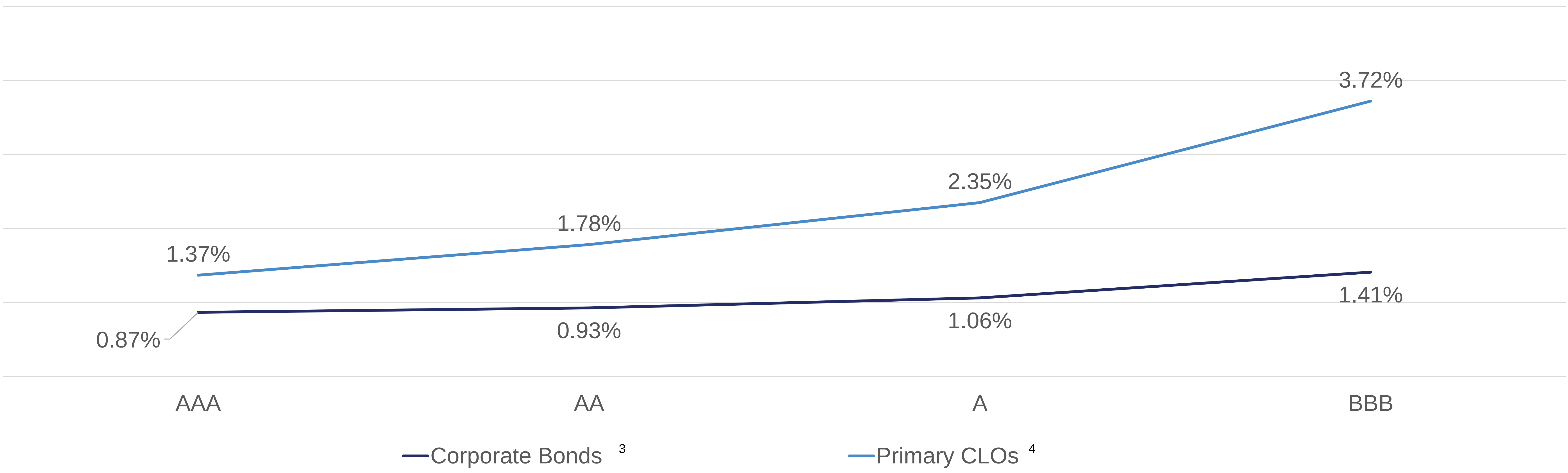
*Please see associated strategy risks at the end of the presentation. Past performance is not a guarantee of future results.

Lower Quality CLOs Offer Attractive Yields

CLO Debt offers attractive yields relative to similarly rated corporate credits as well as other structured investments

Average Comparative Yield of U.S. CLO Debt and Equivalently Rated U.S. Corporate Bonds[1,2]

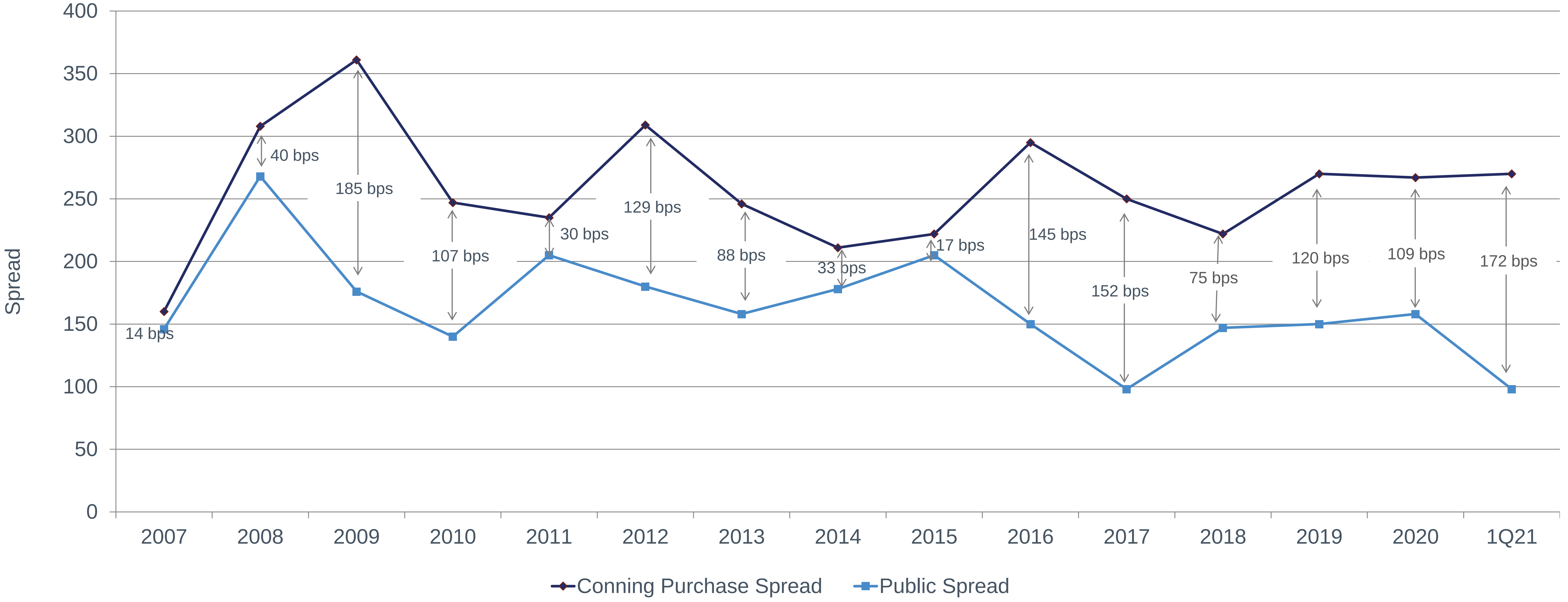


Prepared by Conning, Inc. Sources: Octagon Credit Investors, LLC. As of March 31, 2021. Past performance is not a guarantee of future results. Please see associated strategy risks at the end of the presentation.

1. ©2021 J.P. Morgan Chase & Co. ("J.P. Morgan") - all rights reserved. Information has been obtained from sources believed to be reliable, but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used or distributed without J.P. Morgan's prior written approval. MorganMarkets analysis conducted April 15, 2021.
2. Average calculated based on daily data for the period 01/01/2021-03/31/2021.
3. Yield calculated by adding spread to 3-month LIBOR and 3-month LIBOR for the respective tranche for primary (i.e. new issue) USD CLOs. Primary CLO spreads represent newly issued USD CLO market pricing levels broken out into six original rating classes (AAA, AA, A, BBB, BB, B).
4. Portfolio yield for J.P. Morgan U.S. Liquid Index ("JULI") investment grade corporate bond index is shown. Includes only securities with maturities of 3-5 years and excludes emerging market bonds.

Why Private Placements? Spread and Income Characteristics

Our focus on higher-yielding value-add transactions generated significant excess yield versus comparable corporate bonds.



As of March 31, 2021.
*Past performance is not a guarantee of future results. Please see associated strategy risks at the end of the presentation.
Chart represents average data for all private placement bonds Conning purchased from 2007 through September 2020, including two 144A securities purchased in 2010.
Prepared by Conning, Inc. Source: Bloomberg Index Services Limited. Used with permission.

Key Takeaways

- Covid is still a humanitarian and business concern, but also increases awareness of the value of life insurance
- New work environment pushed insurers to speeding up their digital distribution plans
- Life industry is restructuring, particularly on the annuity side
- Life industry weathered Covid and the shut-down well, but interest rates remain a concern
- Strong growth, additional reductions in unemployment, and inflation expected to prove transitory, combine to allow for further fundamental improvement
- With pandemic influences on the market fading, the Fed is expected to begin reducing monthly asset purchases which, if managed well, could lead to an orderly rise in rates over time
- The rise in rates in 2021 combined with spreads provide an opportunity for life insurance portfolios' income levels to stabilize and begin to improve

THANK YOU!
QUESTIONS?

Seizing the Moment: Strategies for the Post-Pandemic Environment

Thank you!

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Primary Risks of Investment Strategies

Fixed Income Primary Risks

- Fixed-income portfolios are subject to a variety of risks including, but not limited to, interest rate, yield curve, credit, liquidity and reinvestment risk

Corporate Bonds

- Market Risk - Market, or systematic, risk is the risk that individual securities may be correlated with general market downturns regardless of the particular business conditions and outlook for the individual companies
- Credit Risk – eroding fiscal health in issuing companies resulting in inability to meet debt obligations
- Inflation Risk - Inflation erodes the purchasing power of future cash flows from investments. In times of high inflation the value of securities may be reduced
- Liquidity Risk - Liquidity risk can occur when market conditions do not allow transactions to be made in a quick and orderly fashion in relation to indicative market prices

Corporate Bonds - Below Investment Grade (High Yield Bonds)

- Market Risk - Market, or systematic, risk is the risk that individual securities may be correlated with general market downturns regardless of the particular business conditions and outlook for the individual companies
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Emerging Markets Debt

- Market Risk - Market, or systematic, risk is the risk that individual securities may be correlated with general market downturns regardless of the particular business conditions and outlook for the individual companies
- Credit Risk – eroding fiscal health in issuing companies resulting in inability to meet debt obligations
- Inflation Risk - Inflation erodes the purchasing power of future cash flows from investments. In times of high inflation the value of securities may be reduced
- Liquidity Risk - Liquidity risk can occur when market conditions do not allow transactions to be made in a quick and orderly fashion in relation to indicative market prices
- Economic and Political Stability - Emerging markets may lack sophisticated financial, legal, social, political and economic structures, protection and general stability and higher potential for restrictions on foreign investments and uncertain tax positions

Private Placements

- Market Risk - Market, or systematic, risk is the risk that individual securities may be correlated with general market downturns regardless of the particular business conditions and outlook for the individual companies
- Credit Risk – eroding fiscal health in issuing companies resulting in inability to meet debt obligations
- Inflation Risk - Inflation erodes the purchasing power of future cash flows from investments. In times of high inflation the value of securities may be reduced
- Liquidity Risk - Liquidity risk can occur when market conditions do not allow transactions to be made in a quick and orderly fashion in relation to indicative market prices

Structured Credit

- Investment Risk - The potentially complex structure of the security may produce unexpected investment results not based on default or recovery statistic
- Valuation Risk - Valuation of structured credit products are provided by third parties, based on models, indicative quotes, and estimates of value, in addition to historical trades. There is inherent difficulty in valuing these assets, and there can be no assurances the assets can be disposed of or liquidated at the valuations established, or that published returns will be achieved
- Underlying Asset Credit Risk - During periods of economic uncertainty and recession, the incidence of modifications and restructurings of investments may increase, resulting in impairments to the underlying asset value
- Economic Risk - Changing economic, political, regulatory or market conditions, interest rates, general levels of economic activity, the price of securities and debt instruments and participation by other investors in financial markets may affect the value of the structured security and all other asset classes

Risk Factors Associated with CLO Equity, Debt and Warehouse Investing May Include (but are not limited to):

COMPLEXITY

CLOs often involve risks that are different from, or more acute than, risks associated with other types of debt instruments:

- The complex structure of the security may produce unexpected investment results
- Ratings agencies may downgrade their original ratings of CLO debt tranches
- Majority equity holders retain the right to call or refinance/reprice a CLO, creating uncertainty for minority equity and debt holders

LIQUIDITY RISK

- CLOs may be difficult to value and may constitute illiquid investments

DEFAULT RISK OF UNDERLYING CLO INVESTMENTS

- During periods of economic uncertainty and recession, the incidence of modifications and restructurings of investments may increase, resulting in impairments to the underlying asset value and reduced "subordination" to the tranched CLO liabilities

RESIDUAL EQUITY RISK

- Subordinated notes or "equity tranches" are residual in right of cashflow payment and may return less than their original notional value
- Market value of subordinated notes may be significantly affected by a variety of factors and the leveraged nature of the subordinated notes may magnify the adverse impact of changes in market value

REGULATION

- CLOs are susceptible to changing regulations, influencing eligibility of certain investments, risk retention requirements, and other factors that can influence availability and liquidity

LIBOR RISK

- CLO debt and underlying collateral loans use LIBOR as an interest rate benchmark, which is expected to be discontinued by end of 2021. Termination or replacement of LIBOR could adversely affect the market value or liquidity of CLO securities and/or loans. There is uncertainty with respect to replacement of LIBOR with proposed alternative reference rates, and it is possible that different markets might ad opt different rates, or adopt replacement rates at different times, resulting in a potential mismatch between CLO securities and underlying collateral, the effects of which are uncertain at this time, and could include increased volatility or illiquidity
- A mismatch of reference rates between CLO securities and underlying collateral, or the possibility that a replacement reference rate is lower than LIBOR, even after applying an expected modification rate, could result in lower returns to equity investors

CLO MANAGEMENT

- The activities of any CLO will generally be directed by a collateral manager; consequently, the success of any CLO will depend, in large part, on the expertise of the collateral manager's investment professionals. Underlying assets in a CLO "turn over" over time due to sales and repayments

GENERAL MARKET AND ECONOMIC CONDITIONS

- Changing economic, political, regulatory or market conditions, interest rates, general levels of economic activity, the price of securities and debt instruments and participation by other investors in financial markets may affect the value of CLOs

WAREHOUSE RISK

- There is no assurance that the future CLO will be consummated or that the loans held in such a warehouse vehicle are eligible for purchase by the CLO. If the CLO fails to close, the warehouse lender may require a liquidation of the warehouse assets which may result in a loss of all or a portion of the investment in the CLO warehouse vehicle. Because warehouses are levered vehicles, the potential risk of loss will be increased for the warehouse investors.

Notice: CLO investments carry additional risks and investors should not make investment decisions based solely on these materials.

Additional Source Information

Disclosures

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