NOTICE

MEETING OF THE BOARD OF DIRECTORS
OF THE LEAGUE ASSOCIATION OF RISK MANAGEMENT (LARM)
Tuesday, February 27, 2024, 1:30 p.m. CT/12:30 p.m. MT

PLEASE TAKE NOTICE that on **Tuesday, February 27, 2024, at 1:30 p.m. CT/12:30 p.m. MT**, the League Association of Risk Management (LARM), will hold a LARM Board of Directors meeting at the Cornhusker Marriott Hotel, Grand Ballroom, B and C, 333 South 13th Street, Lincoln, Nebraska. An agenda of subjects known at this time is included with this notice, and the agenda shall be kept continually current and readily available for public inspection at the principal office of LARM during normal business hours at 1335 L Street, Lincoln, Nebraska. A notice of this meeting with the agenda and other materials are available at this location with a copy of the Open Meetings Act posted. The meeting will also be made available by Zoom via Computer, Smart Device or Telephone https://us06web.zoom.us/j/88332725316?pwd=cbXbymXWf5uGCW02fVbzbmXSsex7bR.1

The Meeting ID is 883 3272 5316 and the passcode is 274107.

On February 20, 2024, a notice of this meeting with the agenda and other materials was sent to all LARM members and the LARM Board. Notice of this meeting with the agenda and other materials is also available for public inspection at 1335 L Street, in Lincoln, Nebraska, and posted with the following links kept continually current: an electronic copy of the agenda, all documents being considered at the meeting, with a link to the current version of the Open Meetings Act on LARM's website- larmpool.org.

AGENDA

MEETING OF THE BOARD OF DIRECTORS
OF THE LEAGUE ASSOCIATION OF RISK MANAGEMENT (LARM)
Tuesday, February 27, 2024 1:30 p.m. CT/12:30 p.m. MT

Cornhusker Marriot Hotel - Grand Ballroom, B and C
333 South 13th Street, Lincoln NE

In accordance with the Open Meetings Act, Chapter 84, Article 14 of the Reissue Revised Statutes of the State of Nebraska 1943, as amended, one copy of all reproducible written materials to be discussed is available to the public at the meeting and at the links below for examination and copying. The LARM Board may pass motions to go into closed session on agenda items pursuant to the requirements of the Open Meetings Act.

You may also join the meeting by Zoom via Computer, Smart Device or Telephone

https://us06web.zoom.us/j/88332725316?pwd=cbXbymXWf5uGCW02fVbzbmXSsex7bR.1 or via phone at 833-548-0276. The meeting ID is 883 3272 5316 and the passcode is 274107.

Officials of LARM members and members of the public may comment on agenda items or listen to the Board Meeting; however, if the Board votes to hold a closed session pursuant to the Open Meetings Act, officials of LARM members and members of the public may not comment or listen during that time.

1. Call meeting to order:
a. 1:30 p.m. CT/12:30 p.m. MT – Joey Spellerberg, Mayor of Fremont and Chair of the LARM Board, will call the meeting to order.
b. Roll call.
c. Indicate that on February 20, 2024, a notice of this meeting with the agenda and other materials was sent to all LARM members and the LARM Board. Notice of this meeting with the agenda and other materials was available for public inspection at 1335 L Street, in Lincoln, Nebraska, and also posted with the following links kept continually current: an electronic copy of the agenda and all documents being considered at the meeting, with a link to the current version of the Open Meetings Act on LARM's website- larmpool.org
d. Inform the public about the location of the Open Meetings Act which is accessible to members of the public and at larmpool.org along with a copy of all reproducible written materials to be discussed at this meeting.
e. Pledge of Allegiance to the Flag of the United States of America.
f. Public comment on any agenda item(s): Pursuant to the Open Meetings Act, the LARM Board Chair reserves the right to limit comments on agenda items. In accordance with the Open Meetings Act, there is no time limit on comments made by members of the LARM Board of Directors.

2. Consider a motion to elect Joey Spellerberg, Mayor of Fremont, as LARM Board Chair for a one-year term and Sandra Schendt, Clerk/Treasurer, City of Nelson, as LARM Vice Chair for a one-year term as provided in Article V, Section 1 of LARM's Bylaws.
· *Lynn Rex, Administrator, LARM*

3. Consider a motion to approve the minutes of the December 13, 2023, Meeting of the LARM Board of Directors.
See pages 1-7

4. Consider a motion to accept the quarterly update on LARM investments.
See pages 8-59
· *Michael Maloney, Senior Portfolio Manager, US Bank*

5. Consider a motion to accept a report on the current state of the property reinsurance market.
· *Justin Swarbrick, Senior Vice-President, Alliant Insurance Services, Inc.*

See pages 60-78

6. Consider a motion to accept the quarterly update on LARM financials.

See pages 79-85

· *Kathy Manuel, Finance Manager, Sedgwick*

7. Consider a motion to go into closed session to protect the public interest to receive an update regarding open LARM claims and litigation.

· *Fred Wiebelhaus, Loss Control/Claims Manager, LARM*

8. Discuss the date for the next meeting of the LARM Board of Directors.

· *Lynn Rex, Administrator, LARM*

· *Dave Bos, Executive Director, LARM*

9. Consider a motion to adjourn.

MINUTES
MEETING OF THE BOARD OF DIRECTORS OF THE LEAGUE ASSOCIATION OF RISK MANAGEMENT
Wednesday, December 13, 2023, 10:30 a.m. CT/9:30 a.m. MT
Cornhusker Marriott Hotel-Grand Ballroom. B and C
333 S 13th Street, Lincoln NE

A Meeting of the League Association of Risk Management (LARM) Board of Directors was held December 13, 2023, at 10:30 a.m. CT /9:30 a.m. MT. in the Grand Ballroom, B and C at the Cornhusker Marriott Hotel at 333 S 13th Street in Lincoln, Nebraska.

(AGENDA ITEM #1) **Call meeting to order.** At 10:30 a.m. CT**, LARM Board Vice Chair Mayor Joey Spellerberg**, City of Fremont, called the meeting to order.

The roll call was read with the following voting Board Members present: **Connie Jo Beck,** Clerk/Deputy Treasurer, City of St. Paul; **Pam Buethe,** Board Member, Sarpy County SID #29; **Raquel Felzien,** Clerk/Treasurer, City of Franklin; **Melissa Harrell,** Administrator/Treasurer, City of Wahoo; **Gwenda Horky,** Clerk/Treasurer, City of Sargent; **Mayor Josh Moenning,** City of Norfolk; **Tyler Pribbeno,** Administrator/Community Development Director, City of Imperial; **Chris Rector,** Administrator, City of Holdrege; **Sandra Schendt,** Clerk/Treasurer, City of Nelson; **Mayor Joey Spellerberg,** City of Fremont;. Ex-officio (non-voting) Board Member **L. Lynn Rex,** Executive Director of the League of Nebraska Municipalities, and Administrator of LARM was also present.

At the time of roll call: 4 were absent: **Mayor Don Groesser,** City of Ralston; **Pat Heath,** Administrator, City of Gering; **Tom Ourada,** Administrator, City of Crete; **Mayor Deb VanMatre,** City of Gibbon.

Other participants included: **Cline Williams Law Firm** –Trent Sidders; **Sedgwick (LARM's third party administrator)** – Chris Cadwell, Andy Finn, and Mark Weaver; **LARM** – Dave Bos, Tracy Juranek, Diane Becker, Drew Cook, Ethan Nguyen, Fred Wiebelhaus, Kyla Brockevelt, James Kelley, John Hobbs and Steve Hecker; **City of Columbus-**Mayor James Bulkley, **League of Nebraska Municipalities** – Shirley Riley; (Via Zoom): **League of Nebraska Municipalities-** Christy Abraham; **US Bank**- Michael

Maloney; **LARM-** Clint Simmons and Nate Fox; **City of Ansley-** Lanette Doane, **City of Gering-** Pat Heath.

At 10:31 a.m., **Mayor Don Groesser,** City of Ralston; arrived after roll call was taken.

Vice Chair Mayor Joey Spellerberg indicated that on December 6, 2023, a notice of the meeting with the agenda and other materials was sent to all LARM members and the LARM Board. Notice of the meeting with the agenda and other materials also was made available for public inspection at 1335 L Street, in Lincoln, Nebraska, and posted with the following links kept continually current: an electronic copy of the agenda, all documents being considered at the meeting, with a link to the current version of the Open Meetings Act on LARM's website- larmpool.org.

Vice Chair Mayor Joey Spellerberg stated in accordance with Chapter 84, Article 14 of the Reissue Revised Statutes of the State of Nebraska 1943, as amended, one copy of all reproducible written materials to be discussed was available to the public at this meeting for examination. The Open Meetings Act was posted in the meeting room and was accessible to members of the public. Vice Chair Mayor Joey Spellerberg informed the public about the location of the Open Meetings Act posted in the meeting room and stated that the LARM Board may pass motions to go into closed session on any agenda item pursuant to the requirements of the Open Meetings Act.

The Pledge of Allegiance to the Flag of the United States of America was recited.

(AGENDA ITEM #2) **Consider a motion to approve the appointment of Joey Spellerberg, Mayor of Fremont, as LARM Board Chair due to vacancy created by current LARM Board Chair Lanette Doane who recently retired as Clerk of the Village of Ansley.** Vice Chair Mayor Joey Spellerberg asked if there was any discussion; there was none. Connie Jo Beck moved, seconded by Mayor Josh Moenning to approve the appointment of Joey Spellerberg, Mayor of Fremont, as LARM Board Chair due to vacancy created by current LARM Board Chair Lanette Doane who recently retired as Clerk of the Village of Ansley. Roll call vote. Ayes: Beck, Buethe, Felzien, Groesser, Harrell, Horky, Moenning, Pribbeno, Rector, and Schendt. Nays: None. Abstentions: Spellerberg. Absent: Heath, Ourada and VanMatre. ***Motion carried: 10 ayes, 0 nays, 1 abstention, 3 absent and 1 vacancy.***

(AGENDA ITEM #3) **Consider a motion to approve the minutes of the September 27, 2023, Meeting of the LARM Board of Directors.** Chair Mayor Joey Spellerberg asked if there was any discussion; there was none. Melissa Harrell moved, seconded by Pam Buethe, to approve the minutes of the September 27, 2023, Meeting of the LARM Board of Directors. Roll call vote. Aye: Beck, Buethe, Felzien, Groesser, Harrell, Horky, Moenning, Pribbeno, Rector, Schendt and Spellerberg. Nays: None. Abstentions: None. Absent: Heath, Ourada and VanMatre. ***Motion carried: 11 ayes, 0 nays, 0 abstention, 3 absent and 1 vacancy.***

(AGENDA ITEM #4) **Consider a motion to accept the resolutions and/or minutes of the respective governing bodies of the following individuals to approve them to serve as a member of the LARM Board by governing body of the participating member.** (These members were elected at the September 27, 2023, Annual Members' Meeting of LARM to a three-year term on the LARM Board beginning on January 1, 2024):

- **James Bulkley**, Mayor of the City of Columbus
- **M. Layne Groseth,** City Administrator of the City of North Platte
- **Danielle (Dana) Klabenes,** Clerk/Treasurer of the City of Neligh

Chair Mayor Joey Spellerberg asked if there was any discussion. There was none. Sandra Schendt moved, seconded by Tyler Pribbeno to accept the resolutions and/or minutes of the respective governing bodies of the following individuals to approve them to serve as a member of the LARM Board by governing body of the participating member: James Bulkley, Mayor of the City of Columbus, M. Layne Groseth, City Administrator of the City of North Platte and Danielle (Dana) Klabenes, Clerk/Treasurer of the City of Neligh. Roll call vote. Aye: Beck, Buethe, Felzien, Groesser, Harrell, Horky, Moenning, Pribbeno, Rector, Schendt and Spellerberg. Nays: None. Abstentions: None. Absent: Heath, Ourada and VanMatre. ***Motion carried: 11 ayes, 0 nays, 0 abstention, 3 absent and 1 vacancy.***

(AGENDA ITEM #5) **Consider a motion to accept the quarterly update on LARM investments.** *(Presented by Michael Maloney, Senior Portfolio Manager, US Bank)* Chair Mayor Joey Spellerberg asked if there was any discussion. There was none. Pam Buethe moved, seconded by Mayor Don Groesser, to accept the quarterly update on LARM investments. Roll call vote. Aye: Beck, Buethe, Felzien, Groesser, Harrell, Horky, Moenning, Pribbeno, Rector, Schendt and Spellerberg. Nays: None. Abstentions: None. Absent: Heath, Ourada and VanMatre. ***Motion carried: 11 ayes, 0 nays, 0 abstention, 3 absent and 1 vacancy.***

(AGENDA ITEM #6) **Consider a motion to accept the quarterly update on LARM financials.** *(Presented by Mark Weaver, Vice President, Finance, Sedgwick)* Chair Mayor Joey Spellerberg asked if there was any discussion. There was none. Tyler Pribbeno moved, seconded by Sandra Schendt, to accept the quarterly update on LARM financials. Roll call vote. Aye: Beck, Buethe, Felzien, Groesser, Harrell, Horky, Moenning, Pribbeno, Rector, Schendt and Spellerberg. Nays: None. Abstentions: None. Absent: Heath, Ourada and VanMatre. ***Motion carried: 11 ayes, 0 nays, 0 abstention, 3 absent and 1 vacancy.***

(AGENDA ITEM #7) **Public disclosure of release and settlement agreement between Hector Ramirezm Carina Ramirez, the City of Clay Center, Nebraska and it's employee, Kevin Thompson, and the League Association of Risk Management and Sedgwick Claims Management Services Inc., and their affiliates, and each of their officers, directors, employees, successors, and assigns in consideration of**

payment of the total sum of $50,000 to provide the release and discharge to the League Association of Risk Management and Sedgwick Claims Management Services Inc, and their affiliates, and each of their officers, directors, employees, successors, and assigns for liability claim, in compliance with Nebraska Revised Statue 84-713. *(Presented by Dave Bos, Executive Director, LARM)* Chair Mayor Joey Spellerberg asked if there was any discussion. There was none. Mayor Josh Moenning moved, seconded by Mayor Don Groesser, to approve the public disclosure of release and settlement agreement between Hector Ramirezm Carina Ramirez, the City of Clay Center, Nebraska and it's employee, Kevin Thompson, and the League Association of Risk Management and Sedgwick Claims Management Services Inc., and their affiliates, and each of their officers, directors, employees, successors, and assigns in consideration of payment of the total sum of $50,000 to provide the release and discharge to the League Association of Risk Management and Sedgwick Claims Management Services Inc, and their affiliates, and each of their officers, directors, employees, successors, and assigns for liability claim, in compliance with Nebraska Revised Statue 84-713. Roll call vote. Aye: Beck, Buethe, Felzien, Groesser, Harrell, Horky, Moenning, Pribbeno, Rector, Schendt and Spellerberg. Nays: None. Abstentions: None. Absent: Heath, Ourada and VanMatre. ***Motion carried: 11 ayes, 0 nays, 0 abstention, 3 absent and 1 vacancy.***

(AGENDA ITEM #8) **Public disclosure of release and settlement agreement between Joseph E. Sedlak and the City of Columbus, Nebraska, the League Association of Risk Management and Sedgwick Claims Management Services Inc., and their affiliates, and each of their officers, directors, employees, successors, and assigns in consideration of payment of the total sum of $375,000 to provide the release and discharge to the City of Columbus, Nebraska, the League Association of Risk Management and Sedgwick Claims Management Services Inc, and their affiliates, and each of their officers, directors, employees, successors, and assigns for liability claim, in compliance with Nebraska Revised Statue 84-713.** (*Presented by Dave Bos, Executive Director, LARM*) Chair Mayor Joey Spellerberg asked if there was any discussion. There was none. Chris Rector moved, seconded by Pam Buethe, to approve the public disclosure of release and settlement agreement between Joseph E. Sedlak and the City of Columbus, Nebraska, the League Association of Risk Management and Sedgwick Claims Management Services Inc., and their affiliates, and each of their officers, directors, employees, successors, and assigns in consideration of payment of the total sum of $375,000 to provide the release and discharge to the City of Columbus, Nebraska, the League Association of Risk Management and Sedgwick Claims Management Services Inc, and their affiliates, and each of their officers, directors, employees, successors, and assigns for liability claim, in compliance with Nebraska Revised Statue 84-713. Roll call vote. Aye: Beck, Buethe, Felzien, Groesser, Harrell, Horky, Moenning, Pribbeno, Rector, Schendt and Spellerberg. Nays: None. Abstentions: None. Absent: Heath, Ourada and VanMatre. ***Motion carried: 11 ayes, 0 nays, 0 abstention, 3 absent and 1 vacancy.***

(AGENDA ITEM #9) **Consider a motion to go into closed session to protect the public interest to receive an update regarding open LARM claims and litigation.** *(Andy Finn, Litigation Claims Manager, Sedgwick)* Chair Mayor Joey Spellerberg asked if there was any discussion. There was none. Tyler Pribbeno moved, seconded by Chris Rector to go into closed session to protect the public interest to receive an update regarding open LARM claims and litigation with the following joining the LARM board in closed session: Andy Finn, Dave Bos, Tracy Juranek, Fred Wiebelhaus, Chris Cadwell, Trent Sidders, Shirley Riley and Steve Hecker.

Chair Mayor Joey Spellerberg repeated the motion again to go into closed session to protect the public interest to receive an update regarding open LARM claims and litigation with the following joining the LARM Board in closed session: Andy Finn, Dave Bos, Tracy Juranek, Fred Wiebelhaus, Chris Cadwell, Trent Sidders, Shirley Riley and Steve Hecker. As of 10:59 a.m. the Board was in closed session.

At 11:05 a.m. Chair Mayor Joey Spellerberg stated that we were now in open session and that no actions were taken during the closed session.

(AGENDA ITEM #10) **Discuss the date for the next meeting of the LARM Board of Directors.** *(Presented by Lynn Rex, Administrator and Dave Bos, Executive Director, LARM).* It was stated that the next meeting of the LARM Board of Directors would be held on Tuesday, February 27, 2024, during the LONM Winter Conference.

(AGENDA ITEM #11) **Consider a motion to adjourn.** At 11:10 a.m. Mayor Josh Moenning moved, seconded by Pam Buethe to adjourn. Roll call vote. Aye: Beck, Buethe, Felzien, Groesser, Harrell, Horky, Moenning, Pribbeno, Rector, Schendt and Spellerberg. Nays: None. Abstentions: None. Absent: Heath, Ourada and VanMatre. ***Motion carried: 11 ayes, 0 nays, 0 abstention, 3 absent and 1 vacancy.***

Approved on:

ATTEST:

____

Kyla Brockevelt
Executive Administrative Assistant
League Association of Risk Management

____

L. Lynn Rex
LARM Administrator
Ex-Officio, Non-Voting, LARM Board Member
Executive Director of the League of Nebraska Municipalities

NOTICE

MEETING OF THE BOARD OF DIRECTORS
OF THE LEAGUE ASSOCIATION OF RISK MANAGEMENT (LARM)
Wednesday, December 13, 2023, 10:30 a.m. CT/9:30 p.m. MT

PLEASE TAKE NOTICE that on **Wednesday, December 13, 2023, at 10:30 am. CT/9:30 a.m. MT**, the League Association of Risk Management (LARM), will hold a LARM Board of Directors meeting at the Cornhusker Marriot Hotel, Grand Ballroom, B and C, 333 South 13th Street, Lincoln, Nebraska. An agenda of subjects known at this time is included with this notice, and the agenda shall be kept continually current and readily available for public inspection at the principal office of LARM during normal business hours at 1335 L Street, Lincoln, Nebraska. A notice of this meeting with the agenda and other materials are available at this location with a copy of the Open Meetings Act posted. The meeting will also be made available by Zoom via Computer, Smart Device or Telephone https://us06web.zoom.us/j/84422082851?pwd=D3ugjUHHaw2wSl3AWvQaUMup5KAiU5.1 or via phone at 833-548-0276. The Meeting ID is 844 2208 2851 and the passcode is 727850.

On December 6, 2023, a notice of this meeting with the agenda and other materials were sent to all LARM members and the LARM Board. Notice of this meeting with the agenda and other materials also is available for public inspection at 1335 L Street, in Lincoln, Nebraska, and posted with the following links kept continually current: an electronic copy of the agenda, all documents being considered at the meeting, with a link to the current version of the Open Meetings Act on LARM's website- larmpool.org.

League Association of Risk Management

February 27, 2024

Investment and insurance products and services including annuities are:
NOT A DEPOSIT ● NOT FDIC INSURED ● MAY LOSE VALUE ● NOT BANK GUARANTEED ● NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

U.S. Bank CONFIDENTIAL

Your Team

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Table of Contents

Portfolio Review

Selected Period Performance

Selected Period Performance

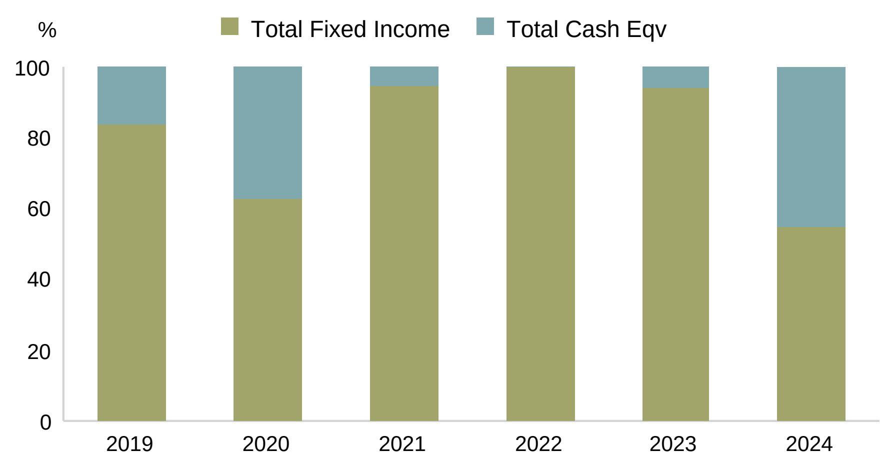
	Market Value	1 Month	3 Months	Year to Date (1 Month)	1 Year	3 Years	5 Years	Inception to Date 11/01/2014
Total Portfolio Gross of Fees	21,485,954	.42	2.04	.42	4.16	-.75	.29	.55
Total Portfolio Net of Fees	21,485,954	.41	2.01	.41	4.01	-.89	.15	.41
Total Fixed Income	11,844,008	.40	2.35	.40	4.03	-.91	.26	.59
Gov/Agency Bonds	11,601,881	.40	2.35	.40	4.02	-.92	.26	
BBARC 1-5 Year US Treasury Index		.31	3.43	.31	3.54	-.74	1.18	1.12
BBARC 1-3 Year US Treasury Index		.36	2.58	.36	3.91	.01	1.30	1.09
Taxable Fixed Other	242,127	.60	2.00	.60	4.58	-.82		
Total Cash and Equivalents	9,641,946	.44	1.33	.44	5.14	2.07	1.61	1.03
FTSE 1 Month Treasury Bill Index		.46	1.38	.46	5.25	2.35	1.90	1.35
FTSE 6 Month Treasury Bill Index		.48	1.43	.48	5.40	2.40	2.03	1.48
Pending Cash	0	.00	.00	.00	.00	.00	.00	.00

History of Asset Growth Graphs

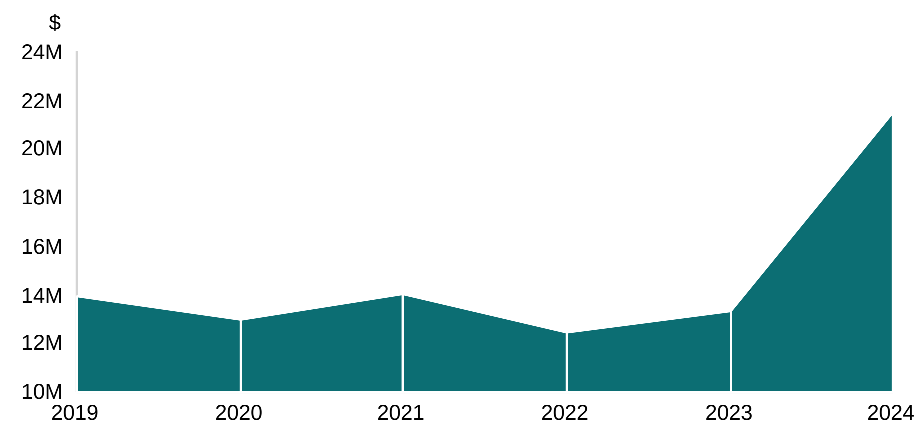
Annual Portfolio Values

	Consolidated	Oct 2018-Sep 2019	Oct 2019-Sep 2020	Oct 2020-Sep 2021	Oct 2021-Sep 2022	Oct 2022-Sep 2023	Oct 2023-Jan 2024
Beginning Portfolio Value	**13,380,140**	**13,380,140**	**13,922,983**	**12,945,684**	**13,999,890**	**12,440,653**	**13,290,957**
Contributions	40,200,025	4,600,000	3,700,000	7,900,000	7,500,000	8,000,025	8,500,000
Withdrawals	-32,659,293	-4,574,303	-4,921,961	-6,822,895	-7,833,096	-7,749,965	-757,074
Income Earned	1,063,124	304,987	209,553	87,451	88,038	278,050	95,046
Gain/Loss	-498,042	212,158	35,109	-110,350	-1,314,179	322,194	357,026
Ending Portfolio Value	**21,485,954**	**13,922,983**	**12,945,684**	**13,999,890**	**12,440,653**	**13,290,957**	**21,485,954**
Total Return	**.47**	**3.14**	**1.52**	**-.12**	**-7.28**	**3.17**	**2.48**
Principal	-.75	1.22	-.03	-.73	-7.73	1.56	2.03
Income	1.23	1.92	1.55	.61	.45	1.61	.45

Allocation Over Time



Ending Market Values Over Time

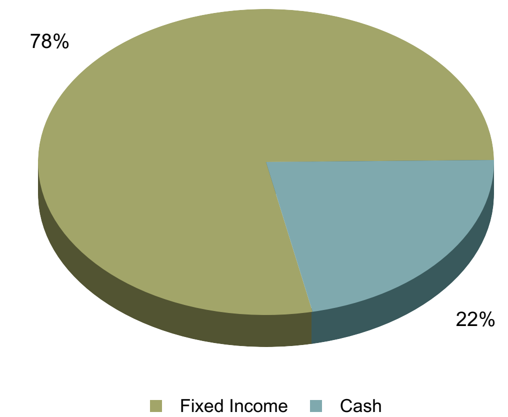


Portfolio Summary

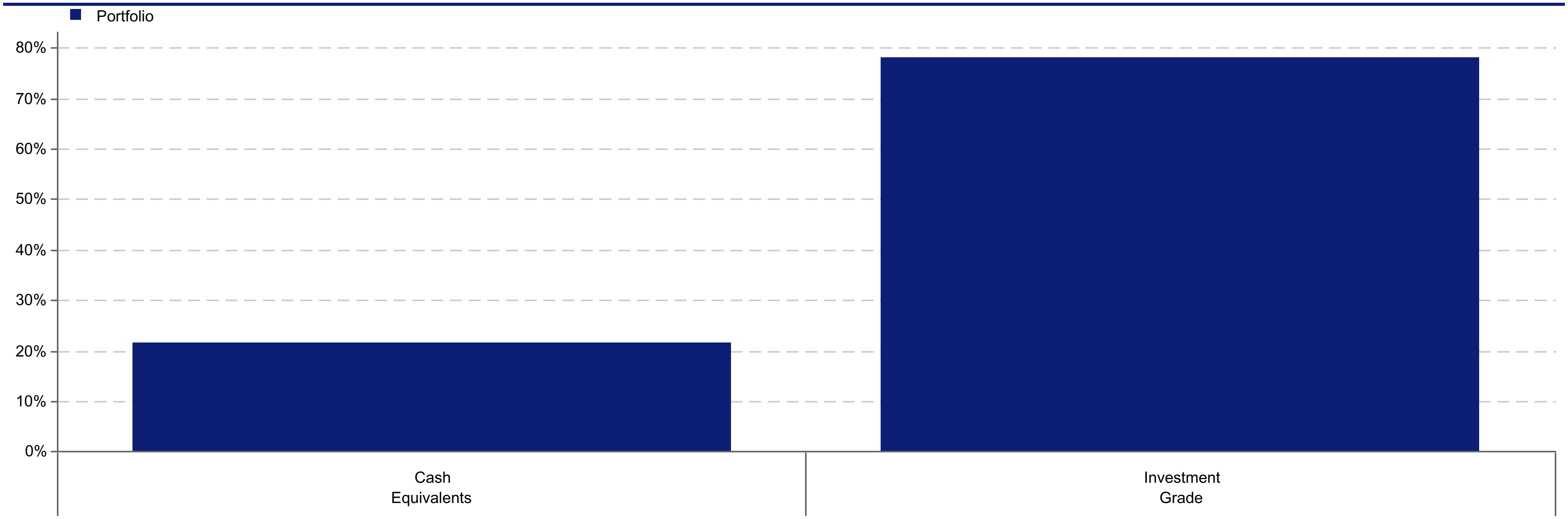
Inv. Objective	All Fixed/Non Taxable
Total Portfolio Value	$21,447,346
Net Realized Cap Gains YTD	$8,555
Annual Income Projected	$572,948
Current Yield	2.67%
Number of Securities	19
Portfolio Mgr.	Pfmam Sub Adv Michael Maloney

Portfolio Asset Allocation

Fixed Income	$16,799,965	78.33%
Cash	$4,647,381	21.67%
Invested Total	**$21,447,346**	**100.00%**



Portfolio Model Allocation



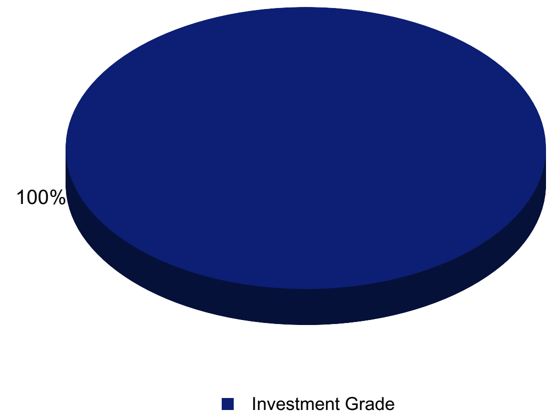
Holdings Date: 1/31/2024

Fixed Income Summary

Inv. Objective	All Fixed/Non Taxable
Total Fixed Income Value	$16,799,965
Current Yield	1.95%
Annual Income Projected	$328,842
Number of Securities	18
Portfolio Mgr.	Pfmam Sub Adv Michael Maloney

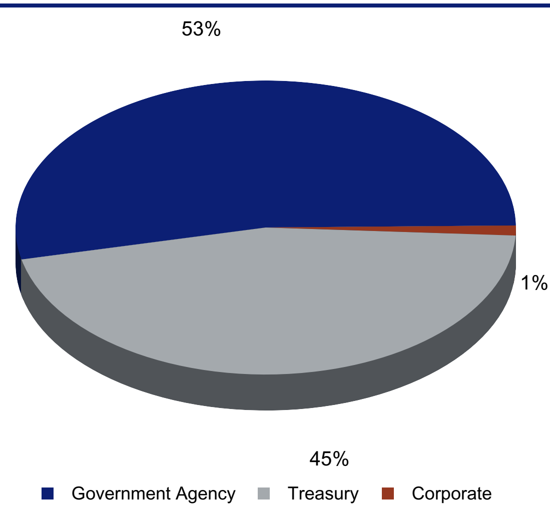
Fixed Income Asset Allocation

Investment Grade	$16,799,965	100.00%

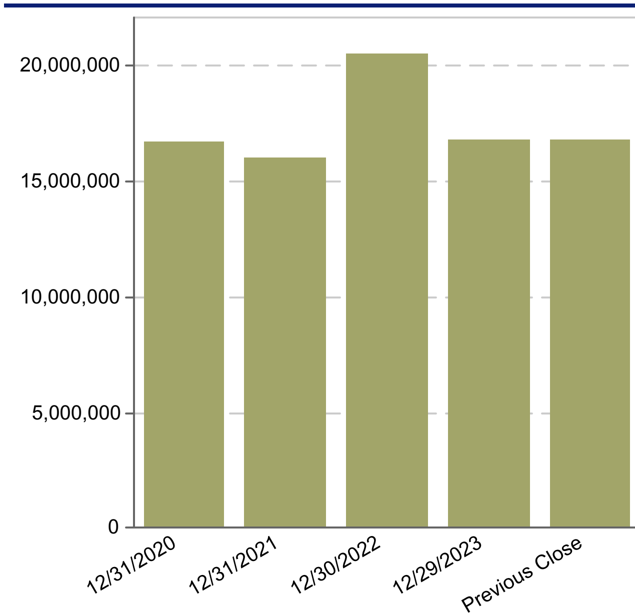


Fixed Income Sector Exposures

Government Agency	$8,963,708	53.00%
Treasury	$7,594,373	45.00%
Corporate	$241,885	1.00%



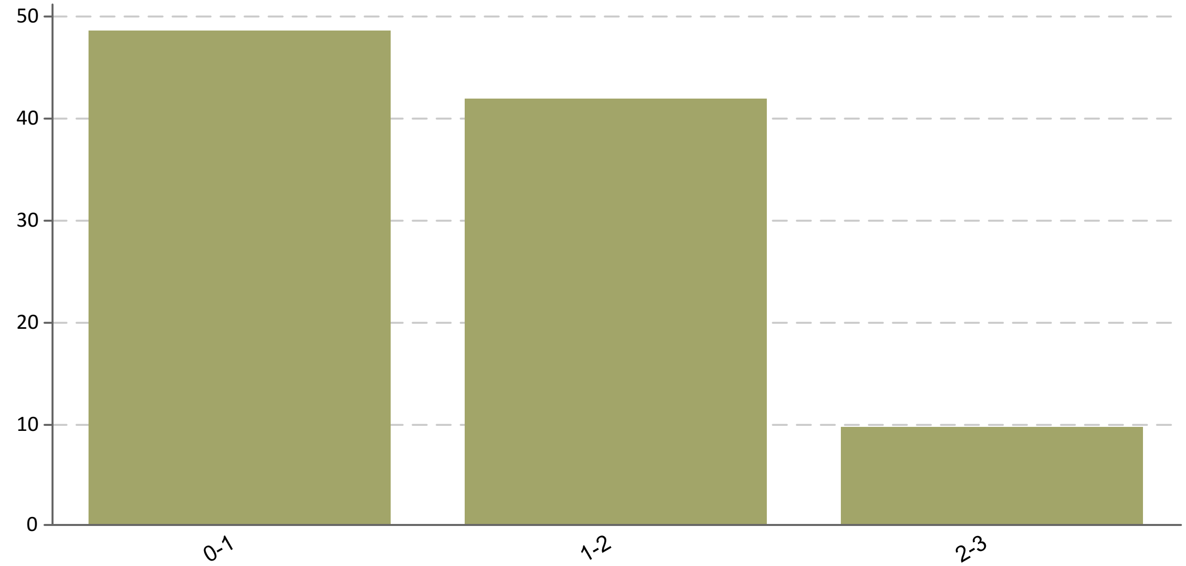
Fixed Income Market Value



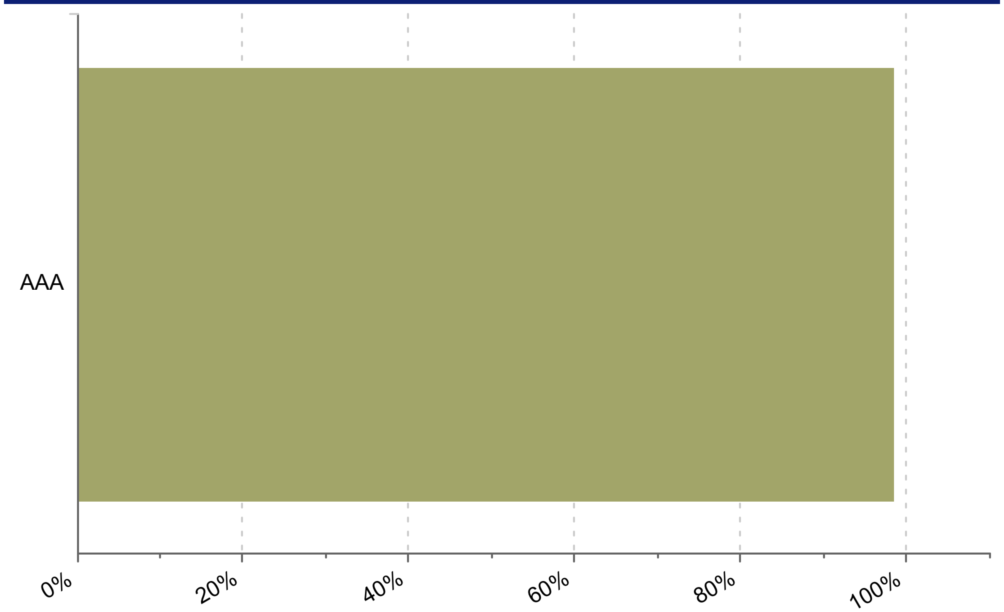
Bond Characteristics

	Portfolio	% Avail
Avg. Coupon (%)	.40	100
Current Yield	1.95	100
Yield to Maturity (%)	4.74	100
Yield to Worst (%)	4.74	100
Effective Maturity	1.07	100
Effective Duration	1.04	100
Avg. Quality	AAA	94
# of Securities	18	100

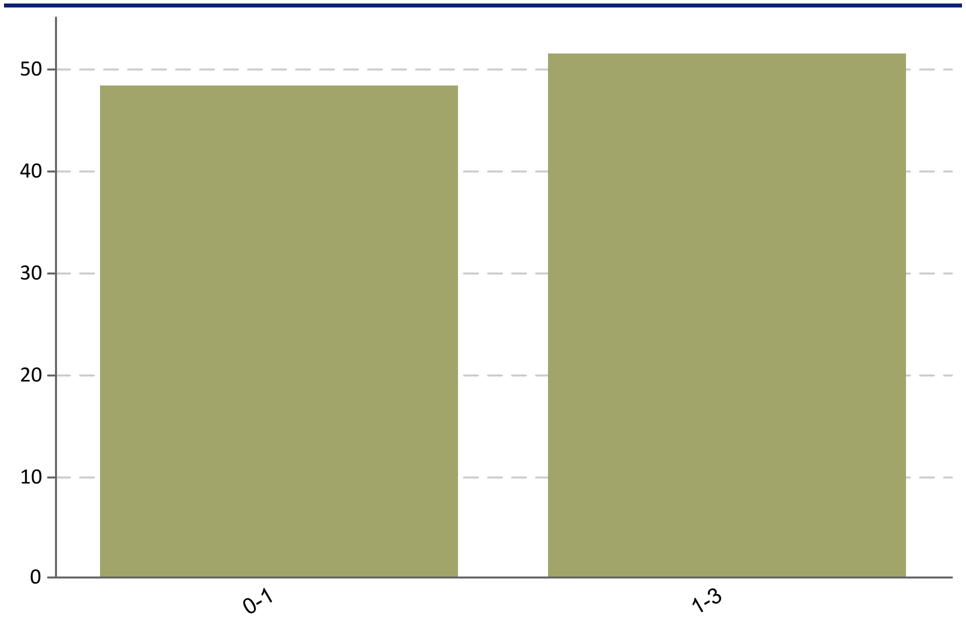
Bond Effective Maturity



Bond Quality Distribution



Bond Duration Distribution



Holdings Date: 1/31/2024

	Symbol	% of Port.	Price	Shares/ Units	Portfolio Value	Cost Basis	Unrealized Gain/Loss	Current Yield	Projected Annual Income
Total		**100.0**			**21,447,346**	**22,072,774**	**-625,428**	**2.67**	**572,948**
Cash		**21.67**			**4,647,381**	**4,647,381**	**0**	**5.25**	**244,105**
Cash Equivalents		**21.67**			**4,647,381**	**4,647,381**	**0**	**5.25**	**244,105**
FIRST AM GOVT OB FD CL X	31846V336	21.67	1.00	4,647,381	4,647,381	4,647,381	0	5.25	244,105
Fixed Income		**78.33**			**16,799,965**	**17,425,393**	**-625,428**	**1.95**	**328,842**
Investment Grade		**78.33**			**16,799,965**	**17,425,393**	**-625,428**	**1.95**	**328,842**
Corporate		**1.13**			**241,885**	**249,500**	**-7,615**	**0.36**	**875**
BMW BK NORTH C D 0.350% 10/23/24	05580AXH2	1.13	96.75	250,000	241,885	249,500	-7,615	0.36	875
Government Agency		**41.79**			**8,963,708**	**9,492,665**	**-528,957**	**0.54**	**48,150**
F H L M C M T N 0.375% 7/29/24	3134GW4X1	3.41	97.61	750,000	732,060	749,775	-17,715	0.38	2,813
F H L M C M T N 0.420% 9/17/24	3134GWSW7	3.40	97.25	750,000	729,398	750,000	-20,603	0.43	3,150
F H L B DEB 0.375% 2/25/25	3130ALB52	4.47	95.89	1,000,000	958,890	1,000,000	-41,110	0.39	3,750
F F C B DEB 0.550% 8/26/25	3130AJZA0	3.28	93.89	750,000	704,205	749,850	-45,645	0.59	4,125
F N M A 0.600% 8/29/25	3136G4X24	3.29	94.22	750,000	706,673	752,138	-45,466	0.64	4,500
F H L M C M T N 0.375% 9/23/25	3137EAEX3	3.28	93.69	750,000	702,660	746,224	-43,564	0.40	2,813
F N M A M T N 0.580% 10/28/25	3135GA2A8	3.27	93.44	750,000	700,778	749,850	-49,073	0.62	4,350
F N M A 0.500% 11/07/25	3135G06G3	4.36	93.52	1,000,000	935,200	996,440	-61,240	0.53	5,000
F H L B DEB 0.570% 11/25/25	3130AKGD2	3.26	93.12	750,000	698,378	748,500	-50,123	0.61	4,275
F H L M C M T N 0.600% 11/25/25	3134GXCH5	4.34	93.17	1,000,000	931,680	1,000,000	-68,320	0.64	6,000
F N M A 0.650% 12/10/25	3135G06J7	3.27	93.43	750,000	700,688	749,888	-49,200	0.70	4,875
F H L B DEB 0.500% 2/10/26	3130AKW51	2.16	92.62	500,000	463,100	500,000	-36,900	0.54	2,500
Treasury		**35.41**			**7,594,373**	**7,683,228**	**-88,856**	**3.67**	**279,817**
U S TREASURY BILL 3/07/24	912797GQ4	23.19	99.49	5,000,000	4,974,400	4,937,447	36,953	5.15	257,317
U S TREASURY NT 0.375% 4/15/24	91282CBV2	2.31	99.00	500,000	494,980	500,801	-5,821	0.38	1,875
U S TREASURY NT 0.750% 11/15/24	91282CDH1	4.51	96.81	1,000,000	968,090	998,086	-29,996	0.77	7,500
U S TREASURY NT 0.750% 4/30/26	91282CBW0	1.08	92.79	250,000	231,983	249,434	-17,451	0.81	1,875
U S TREASURY NT 1.125% 10/31/26	91282CDG3	4.31	92.49	1,000,000	924,920	997,461	-72,541	1.22	11,250

Investment Policy

LEAGUE ASSOCIATION OF RISK MANAGEMENT

INVESTMENT POLICY

I. Purpose. The purpose of this document is to establish the investment policy for the League Association of Risk Management, hereafter called LARM, and to provide guidance to the LARM Board, the Investment Committee, the LARM Administrator, and, if utilized, the Investment Manager or Custodian Bank pertaining to investment objectives and guidelines.

II. Goal. The overall investment goal of LARM is to obtain a high rate of return on its portfolio assets, with a minimal risk, abiding by the appropriate statutes governing the investment of these funds and complying with the responsibility to LARM members.

III. Priority Listing of Objectives.

A. Safety of Principal. Avoidance of financial risk or compromise of the financial integrity of the portfolio.

B. Liquidity. Provide sufficient liquidity for the payment of claims and expenses. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary and resale markets (dynamic liquidity). A portion of the portfolio may be placed in money market mutual funds which offer same day liquidity for short term funds.

C. Earn a High Rate of Return. Earn the highest rate of return with minimal risk. However, return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

D. Diversification of Assets. Diversify assets by both the industry and the issuer in order to avoid undue exposure by any single industry or issuer.

E. All investments of LARM shall be in compliance with the Nebraska Insurer's Investment Act at all times.

IV. Procedure.

A. LARM Board. The Board shall:

1. Review and approve, at least quarterly, all purchases and disposals of investments.

2. Review, at least quarterly, whether all investments have been made in accordance with the Investment Policy.
3. Authorize the Investment Committee, under the general supervision of the LARM Board Chair, to manage the investments of LARM, either independently or through the utilization of the LARM Administrator or an Investment Manager or Custodian Bank.
4. Review the investment policy on an annual basis.

B. <u>Investment Committee</u>. The Investment Committee shall:
1. Receive and review summary reports on the investment portfolio, investment activities, and investment practices in order to determine whether the investment activity is consistent with the Investment Policy.
2. Provide such summary reports at least quarterly to the LARM Board for their review and approval.
3. Review and recommend revision of the Investment Policy to the LARM Board, as appropriate.
4. Review the Investment Manager or Custodian bank's performance and fees at least every 3 years.

C. <u>LARM Administrator</u>. The LARM Administrator shall:
1. Notify the Investment Committee of matters that bear upon the proper investment of the portfolio including pertinent financial, legal, or other information involving the investment of the portfolio and changes in investment objectives.
2. Meet regularly with the Investment Committee to report on progress of the portfolio.

D. <u>Investment Manager or Custodian Bank</u>. If utilized, the Investment Manager or Custodian Bank shall:
1. Meet regularly with the Investment Committee to report on progress of the portfolio.
2. Provide reports monthly to the Investment Committee.
3. Provide information concerning market trends and investment strategies.

V. <u>Investment Guidelines</u>.

A. <u>Regulatory Limitations</u>. The investment guidelines and restrictions as set forth by the Insurers Investment Act (Nebraska Revised Statutes Section 44-5101 et seq.) shall be adhered to at all times by the Board, the Investment Committee, the LARM Administrator, and any Investment Manager or Custodian Bank utilized by the Investment Committee in exercise of their discretion.

B. <u>Prudence.</u> The standard of prudence to be used for managing LARM's investments is the "prudent investor" rule, which states, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived."

C. General Strategies.

1. The Investment Committee, or an Investment Manager or Custodial Bank, if utilized, shall determine the appropriate allocation of funds among cash, cash equivalents, and investment grade fixed income securities.

2. Capital gains and losses may be realized when, in the judgment of the Investment Committee or its investment manager or custodian bank, if utilized, consistent with the goals, objectives, and guidelines of this policy, such action is in the best interest of the portfolio and will lead to a greater long-term total rate of return.

3. Securities purchased by the Investment Committee, the LARM Administrator, or an Investment Manager or Custodian Bank, if utilized, shall be limited in general maturity parameters as follows:

   The maximum maturity of any security at date of purchase shall not exceed 60 months. The purchase of a security with a maturity longer than 60 months shall be approved by the LARM Board at the next quarterly meeting. Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as money market funds to ensure appropriate liquidity is maintained to meet ongoing obligations.

   Securities shall not be sold prior to maturity with the following exceptions:
   A security with declining credit may be sold early to minimize loss of principal.
   Liquidity needs of the portfolio require that the security be sold.
   A security swap that would adjust the portfolio (quality, yield, or duration) in a manner that would allow it to better fulfill the investment objectives.

   Security purchases and sales shall be made, so that at the time of purchase or sale they do not cause, or exacerbate, non-compliance with the LARM portfolio maturity limitations.

4. Investments made by the Investment Committee, the LARM Administrator, or an Investment Manager or Custodian Bank, if utilized, shall be limited according to the following:

Asset Class	Limitation*
Direct obligations of the United States or obligations for which the full faith and credit of the United States is pledged for the payment of all principal and interest	No Limit
Direct obligations of any agency or instrumentality of the United States or obligations for which the full faith and credit of any agency or instrumentality of the United States is pledged for the payment of all principal and interest	25% per issuer
Other investment grade fixed income securities	5% per issuer
Mutual funds investing in the above classes	5% per issuer, not to exceed 25% in total if the fund is only allowed to invest in U.S. government obligations or U.S. agency or instrumentality obligations; and 5% per issuer, not to exceed 10% if invested in other classes.

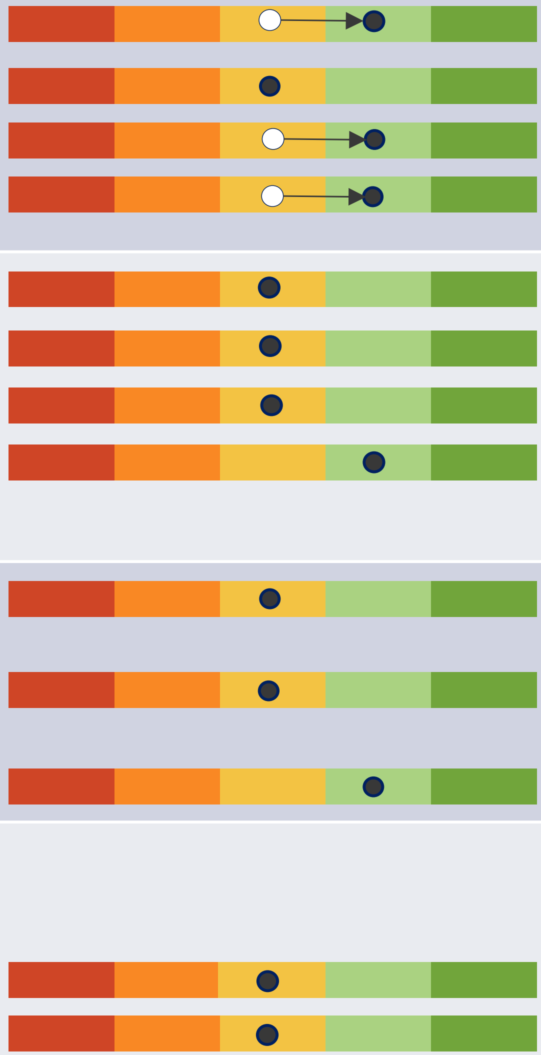
**Limitations apply to the percentage of admitted assets as shown by the most recent financial statement filed with the Nebraska Department of Insurance.*

VI. Standard of Performance. Consideration shall be given to the extent to which the investment results are consistent with the goals and objectives as set forth in this policy.

Revised 3-23-2007; 12-16-2009; 3-1-2011; 2-26-2018

Market Review

Provided by Sub-Advisor - PFM Asset Management LLC



Asset Class	Our Q1 2024 Investment Outlook	Comments
U.S. Equities		• Fed's guidance towards three rate cuts in 2024 and moderating inflation have led to recent rally in equities. Rising valuations are supported by improving earnings growth expectations and expectation of economic soft-landing. We expect equities to do better this year, as long as risks of recession remain low.
Large-Caps		
Mid-Caps		• Mid- and small-cap valuations are attractive and would be beneficiary of rate cuts as investor sentiment/earnings growth expectations improves.
Small-Caps		
Non-U.S. Equities		• International equities continue to trade at a discount to U.S. equities but slowing economic growth in Europe and China is a headwind.
Developed Markets		• EM equities trade at attractive valuations relative to developed market equities. Negative investor sentiment and slower growth expectations continue to weigh on Chinese equities. We remain positive on emerging market equities outside of China.
Emerging Markets		
International Small-Caps		• International small-caps provide exposure to local revenue streams and are trading at attractive valuations.
Fixed Income		• The Fed's recent guidance points towards soft-landing scenario with three expected rate cuts in 2024. Yields at short-end of the curve look attractive even as long-term yields fell back from the recent highs. We expect a further fall in yields as inflation continues to moderate.
Long-Duration, Interest Rate-Sensitive Sectors		
Credit-Sensitive Sectors		• Credit markets remain attractive due to strong corporate fundamentals. We continue to seek diversified credit exposure and are closely watching signs for any distress in the corporate credit space.
Diversifying		• Public REITs have recovered recently as interest rates have fallen from the recent highs. We expect this trend to continue helped by falling rates and economic soft landing. Office properties make up a smaller portion of public real estate.
Listed Real Estate		
Listed Global Infrastructure		• Listed global infrastructure equities are expected to do better in an economic soft landing and falling rates scenario. Long-term tailwind of increased capital allocation to infrastructure projects is positive for these mature, stable cash flow businesses.

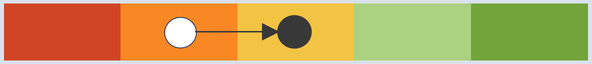
Current outlook **Outlook one quarter ago**

Negative	Slightly Negative	Neutral	Slightly Positive	Positive

The view expressed within this material constitute the perspective and judgment of PFM Asset Management LLC at the time of distribution (December 31, 2023) and are subject to change.

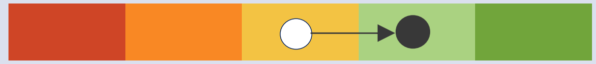
Factors to Consider for 6-12 Months

Monetary Policy:



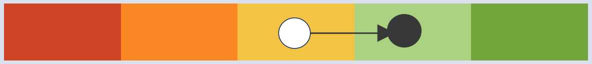
- The Fed's recent pivot towards rate cutting in 2024 points towards soft-landing scenario, which is favorable to risk assets. The path of rate cuts will determine performance of risk assets.
- Globally, most major central banks have maintained a hawkish stance but are nearing the end of the rate hike cycle.

Economic Growth:



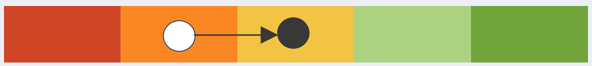
- U.S. economy is expected to avoid a recession in the near-term amidst continued strength within services activity, consumer spending, corporate balance sheets and labor markets.
- Eurozone economic growth is slowing. Emerging economies outside of China are expected to grow.

Inflation:



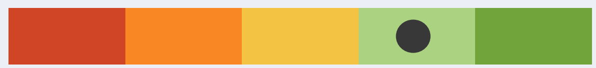
- Inflation is continuing to moderate and we expect inflation data to be supportive of rate cuts in 2024.
- Upside surprise driven by services inflation or due to rising crude oil prices on goods inflation will be negative and could lead to renewed aggressive monetary policy.

Financial Conditions:



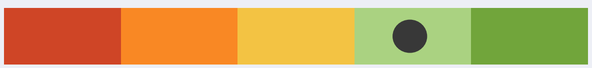
- Fed pivot along with expectations of soft-landing in 2024 has led to loosening of financial conditions.
- We continue to be focused on identifying pockets of stress within financial markets due to higher level of interest rates.

Consumer Spending (U.S.):



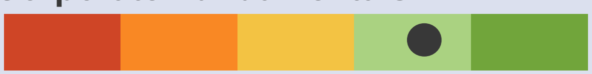
- With inflation moderating, consumer confidence has improved and retail sales have held up.
- Moderating inflation, low unemployment rate and rising real personal income may keep consumer spending while student loan repayments is a headwind.

Labor Markets:



- Labor markets remain relatively strong but showing signs of softening as economy continues to slow.
- Improving labor force participation bodes well for lower wage growth and inflation.

Corporate Fundamentals:

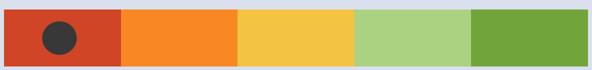


- Earnings growth expectations are improving while profit margins are stabilizing at pre-pandemic levels.
- Falling interest rates from the recent highs along with continued but slower economic growth are tailwinds.

Valuations:

- International equities look attractive relative to historical valuations but continued economic uncertainty is leading to increased volatility.
- Credit markets look attractive on the back of strong corporate fundamentals, but pockets of vulnerabilities could appear as rates remain high.

Political Risks:



- Geopolitical risks continue to remain elevated. Tensions between the U.S. and China, the war between Russia and Ukraine, the Israel and Hamas conflict, China's moves in South China Sea and Taiwan Strait further add to risks.

● Current outlook ○ Outlook one quarter ago

Stance Unfavorable to Risk Assets	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Stance Favorable to Risk Assets

Statements and opinions expressed about the next 6-12 months were developed based on our independent research with information obtained from Bloomberg. The views expressed within this material constitute the perspective and judgment of PFM Asset Management LLC at the time of distribution (December 31, 2023) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness, or suitability.

2024 Capital Market Assumptions and Overview of Economic Fundamentals

pfm asset management

Table of Contents

All data sourced from Bloomberg and as of November 30, 2023, unless otherwise noted.

Introduction

In order to assist our clients in developing and maintaining proper portfolio asset allocations, PFMAM develops two sets of capital market assumptions (CMAs): intermediate- (next five years) and long-term (next 30 years).

We develop our assumptions by examining the economic fundamentals of each asset class. Our CMAs include expected returns, expected risks measured as the standard deviation of returns and correlations among a wide variety of asset classes. We derive our CMAs from our projections for economic growth, inflation, interest rates, corporate profit growth and margins, and other drivers of capital markets relevant to each asset class.

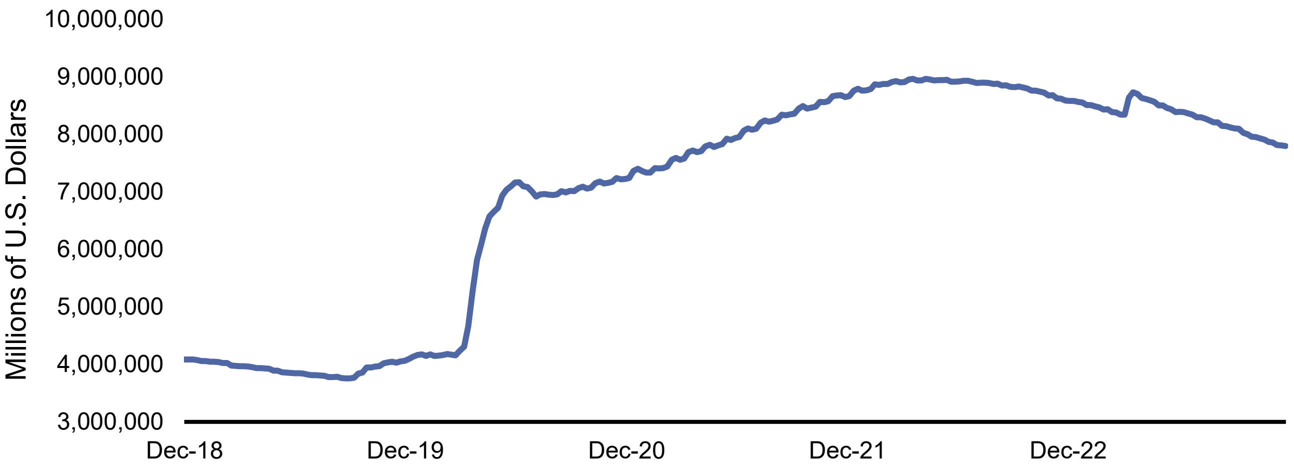
As the global economy continues to slow amidst moderating inflation, central banks are expected to pause interest rate hikes and then begin to cut rates in 2024 to help stabilize economic growth. Given the trajectory of the economy and the uncertainty around interest rates, equity markets, credit and other economically sensitive asset classes are likely to remain volatile. Still, we expect they will build upon the gains of 2023, which impacts our projection for expected returns.

Over the intermediate period, recovering corporate profits and stabilizing margins, offset by higher starting valuations for U.S. equities, leads to an expected return of 7.0%. After a prolonged period where U.S. equities have significantly outperformed, international equities are expected to outperform U.S. equities due to more attractive valuations over the intermediate-term, with an expected return of 8.2% and 8.6% for developed markets ex-U.S. and emerging market (EM) equities, respectively. Over the longer-term, we expect interest rates to decline from current levels and the U.S. and global economies to return to trend growth. Lower interest rates over the longer-term should support higher-than-average valuations for equities and other asset classes, resulting in an expected longer-term return of 7.5% for U.S. equities, 7.1% for developed markets ex-U.S. equities and 7.4% for EM.

Returns across fixed income markets are impacted by both much higher starting yields and the expectation for a decline in interest rates, leading to higher return projections over both the intermediate- and longer-term. Core bonds are expected to return 6.2% over the intermediate-term. High-yield bonds are expected to return 8.3%, helped by a starting yield to maturity of over 9%. Over the longer-term, core bonds and high-yield bonds are expected to return 4.7% and 6.8%, respectively.

Alternative strategies tend to use leverage, and the current (higher) cost of debt and falling valuations are a headwind in the near term, leading to an expected return of 9.0% for private equity and 6.0% for private real estate over the intermediate-term. Over the long-term, expected returns are higher at 9.7% and 7.2%, respectively.

Exhibit 1. Federal Reserve Total Assets



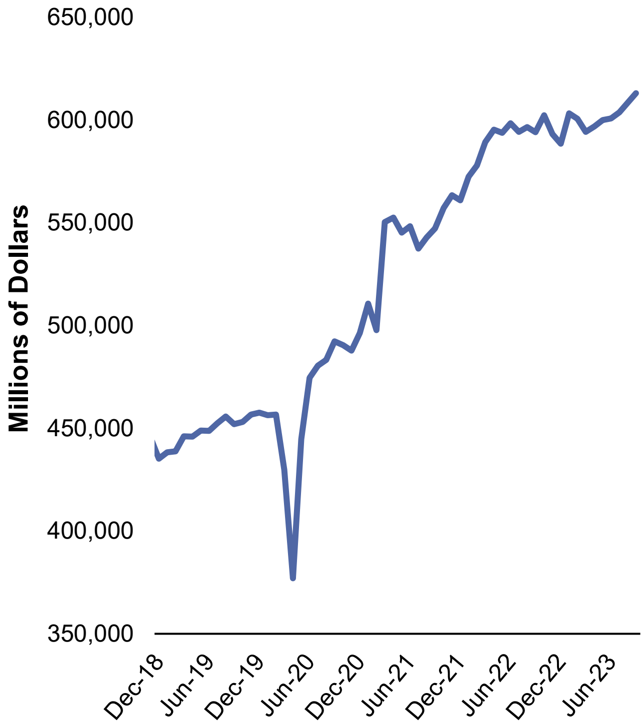
Source: Federal Reserve Economic Data.

Review of the 2023 Economy and Markets

At the beginning of 2023, most economists forecasted that the global economy would slow and that the United States would fall into a recession at some point during the year as the Federal Reserve (Fed) and other major central banks continued to aggressively increase interest rates to bring down inflation. In addition to hiking rates aggressively, the Fed continued to withdraw liquidity by allowing its balance sheet to shrink (Exhibit 1 on page 1). Despite these forecasts, the global economy, and particularly the U.S., proved resilient as consumers continued to spend (Exhibits 2 and 3).

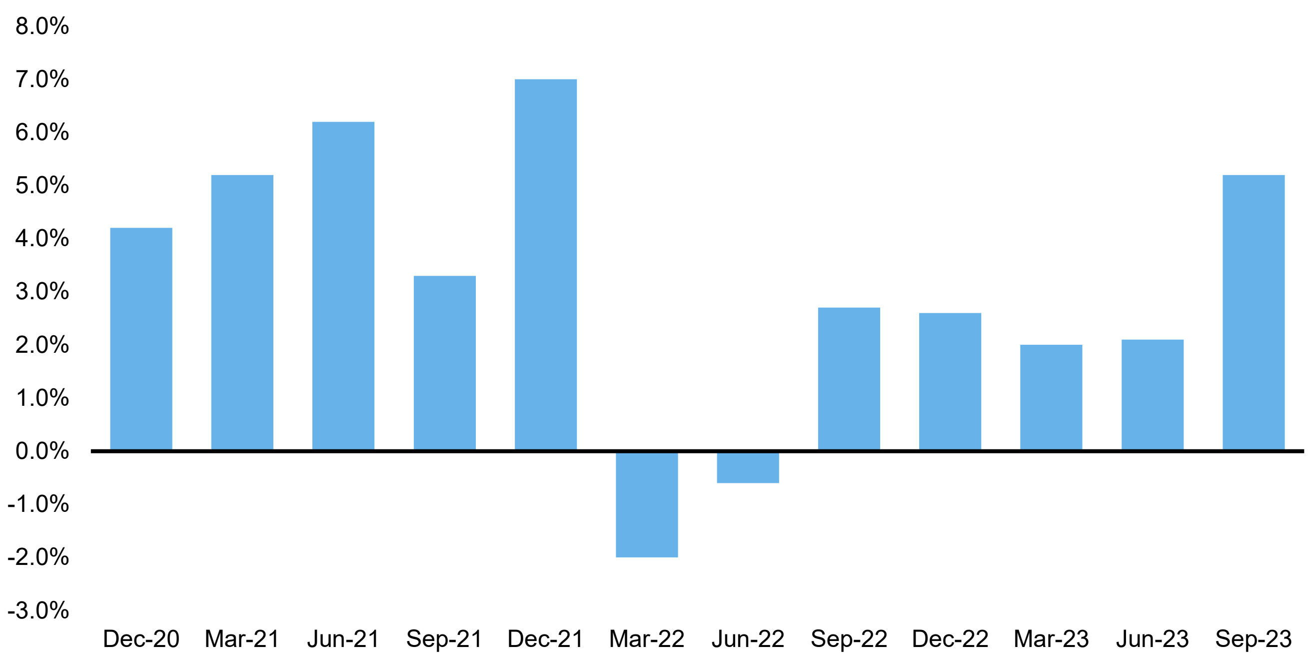
Throughout 2023, inflationary pressures continued to ease (Exhibit 4 on page 3). In the U.S., inflation, as measured by the Consumer Price Index (CPI), peaked at 9.1% year-over-year (YoY) in mid-2022. It eased to 6.5% at the beginning of 2023 and is currently 3.2% as of October 2023. Helping to drive down inflation was a combination of factors, including improving supply chains (Exhibit 5 on page 3), aggressive tightening by central banks (Exhibit 6 on page 3) and constrained money supply.

Exhibit 2. Retail Sales
(Monthly)



Source: Federal Reserve Economic Data.

Exhibit 3. U.S. Real Gross Domestic Product
% Change from Preceding Quarter Annualized



Source: Federal Reserve Economic Data.

Exhibit 4. Global Consumer Price Inflation
% Change YoY

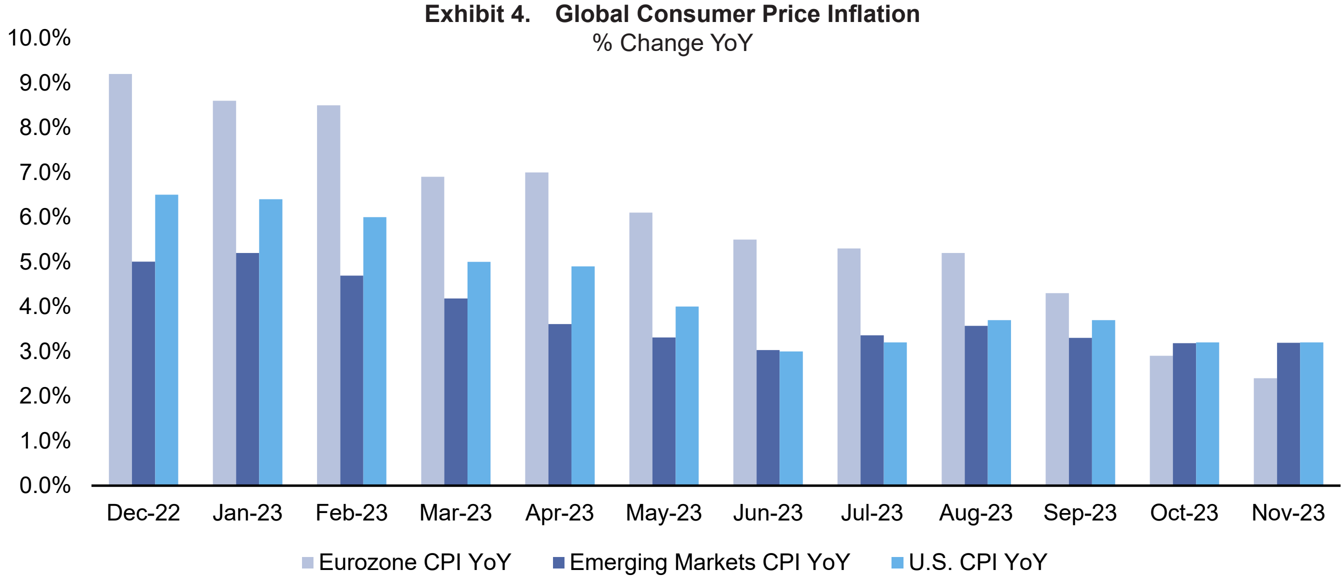
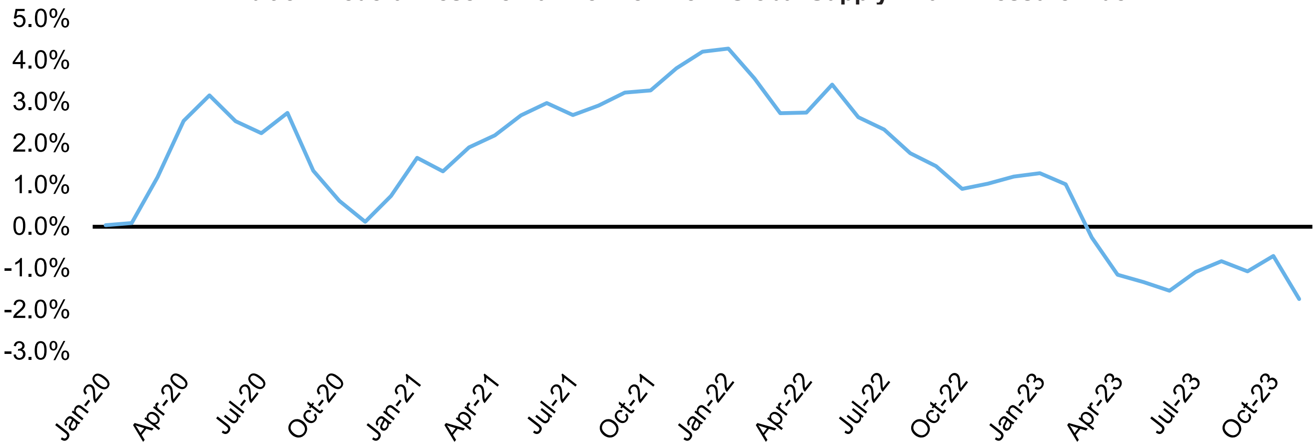


Exhibit 5. Federal Reserve Bank of New York Global Supply Chain Pressure Index*



*Zero indicates that the index is at its average value (since inception in 1997) with positive values representing how many standard deviations the index is above this average value (and negatives representing the opposite).

Exhibit 6. Global Central Bank Rates

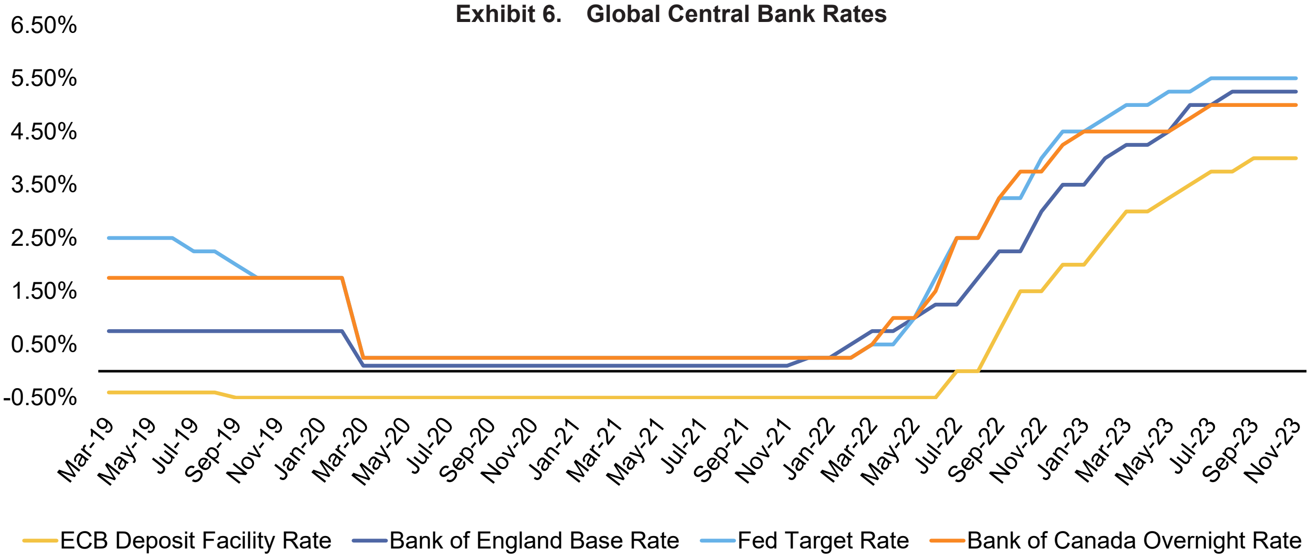
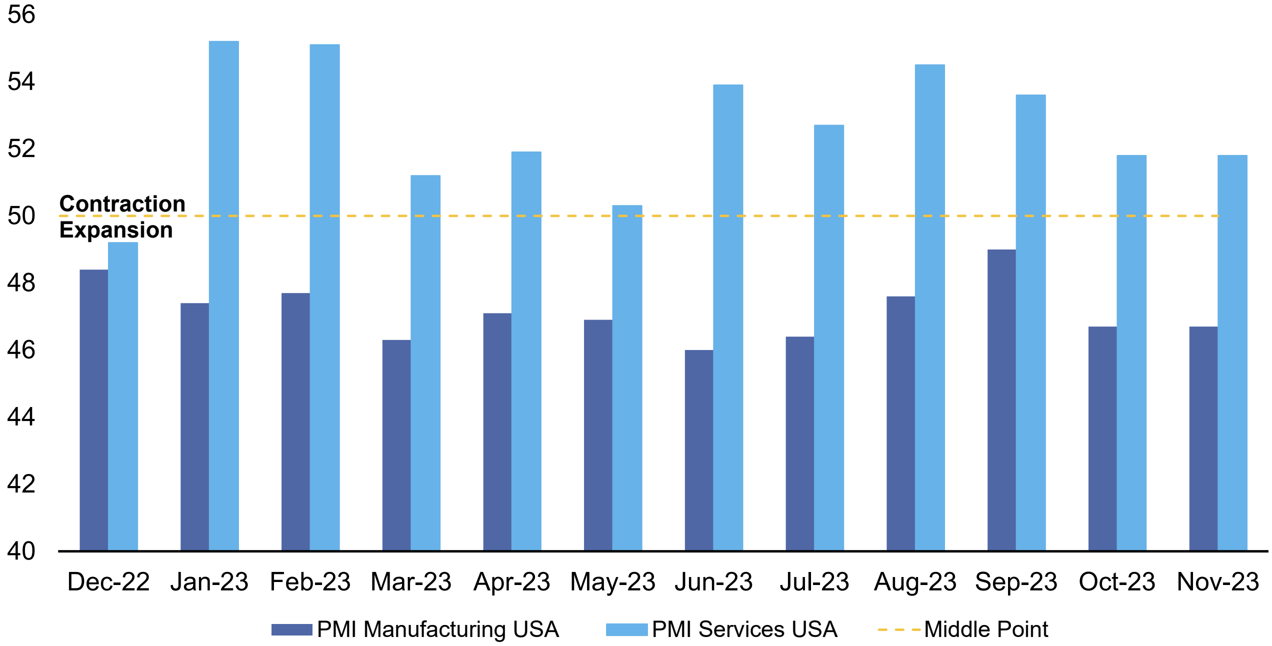


Exhibit 7. Purchaing Managers' Index U.S.



Source: ISM.

During the year, a pullback in manufacturing activity and slowing services activity also helped to bring down inflation in the U.S. (Exhibit 7). Meanwhile, services inflation remained elevated, partly due to the housing component. The inflation indices, both CPI and PCE (Personal Consumption Expenditures Price Index), tend to measure housing costs with a lag. Therefore, even as housing costs came down, the housing component of the inflation indices remained elevated. More recently, we are seeing the housing component moderate. As the Fed hiked interest rates, the U.S. economy was widely expected to enter a recession. However, strength in the labor markets (Exhibit 8) and consumer spending (Exhibit 9) have placed the economy on a path toward a soft landing.

Exhibit 8. U.S. Labor Market

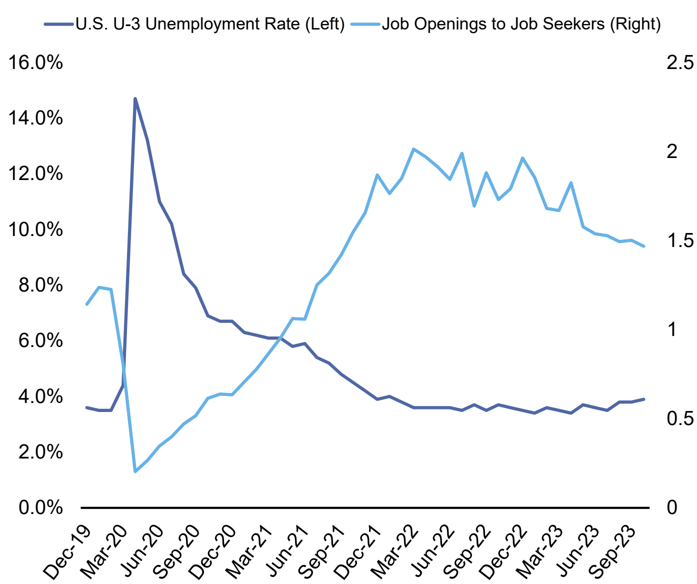


Exhibit 9. U.S. Real Average Weekly Earnings and Retail Sales

USD YoY Seasonally Adjusted

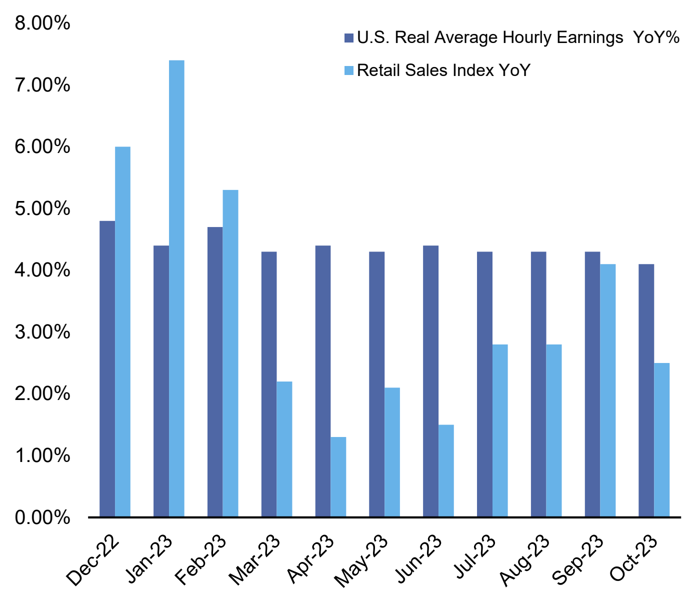
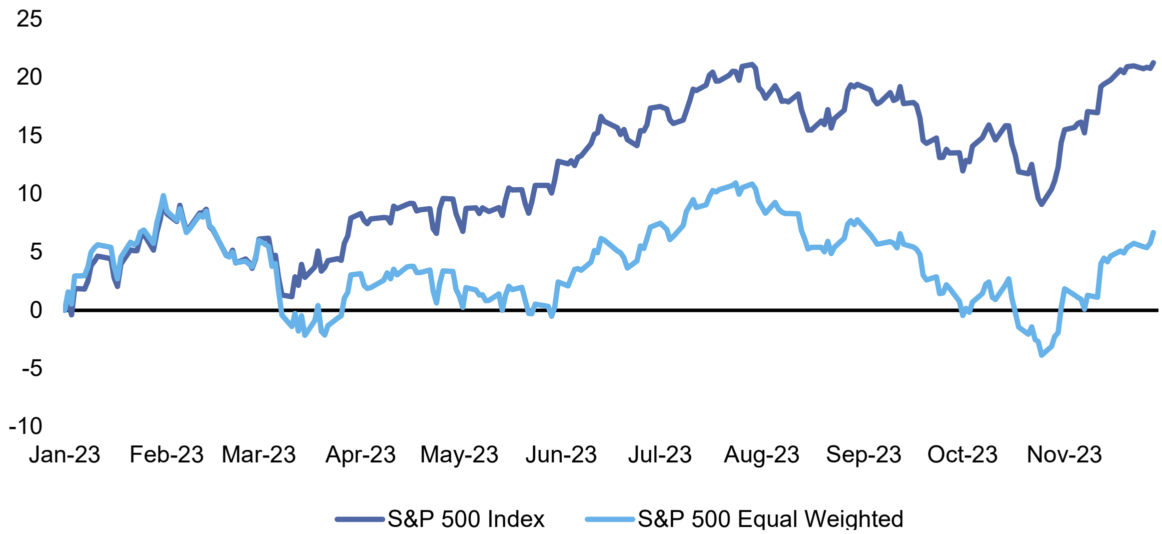


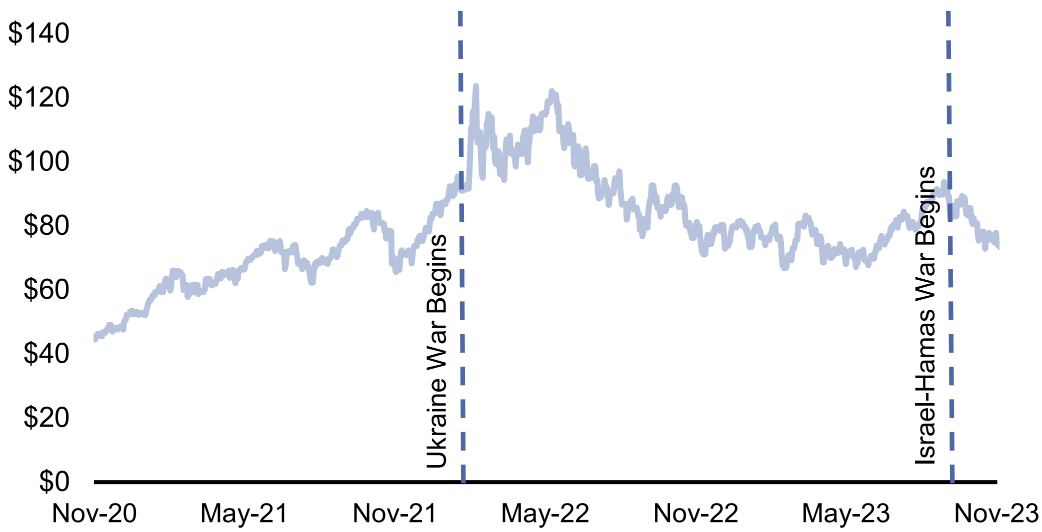
Exhibit 10. S&P 500 YTD Cumulative Total Returns



After suffering significant losses in 2022, domestic equity markets rebounded strongly in 2023. But, the majority of the gains came from the "Magnificent Seven" (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla) stocks. The outsized performance of these stocks was driven by investor sentiment around artificial intelligence (AI). The equal-weighted version of the S&P 500 turned in a more modest return in 2023, but recently, began to outperform modestly as investors gained confidence that the Fed was likely done raising rates (Exhibit 10).

In October, geopolitical risks took center stage after Israel was attacked by Hamas. While the conflict has been contained so far, the potential for a broader Middle East conflict could create geopolitical instability that would have ramifications for oil prices and inflation. Looking back, Russia's February 2022 invasion of Ukraine unsettled commodities markets and led to a sharp but temporary increase in crude oil prices over the subsequent months (Exhibit 11). For this reason, the Middle East conflict needs to be closely monitored. With all of that said, oil prices have changed little from the beginning of both 2022 and 2023.

Exhibit 11. WTI Crude Oil (per barrel)



Source: Bloomberg Energy Index.

In Europe, the European Central Bank (ECB) embarked on a rate-tightening policy that led to cooling inflation and slowing growth (Exhibit 4 on page 3 and Exhibit 12). European equities recovered during 2023 on the back of very attractive valuations relative to U.S. equities. But a stronger dollar has been a headwind for international equities when measured in U.S. dollar terms (Exhibit 13).

Japan was a bright spot in developed markets outside the U.S. Investors believe that the Bank of Japan is beginning to move away from its yield curve control policy and may allow long-term yields to rise above the 1% target. Japan also began to experience inflation after 25 years of deflation. Meanwhile, the Japanese yen depreciated substantially against the U.S. dollar (Exhibit 13) over the course of the year. A weaker yen is supportive of export-oriented companies in Japan. This year, the Tokyo Stock Exchange provided guidelines for companies with low price-to-book valuations, which led Japanese corporations to increase their focus on improving corporate governance. This move is likely to be an additional tailwind for Japanese equity returns.

Economic growth in China was lackluster due to lower exports, falling property prices, high government debt and rising geopolitical tensions with the U.S. Chinese equities struggled through the year (Exhibit 14 on page 7), underperforming other major EM. Outside of China, EM economies were mixed. India continued to perform fairly well, while some other large EM economies, such as Brazil, saw a slowdown in economic growth.

Exhibit 12. Eurozone GDP Growth YoY

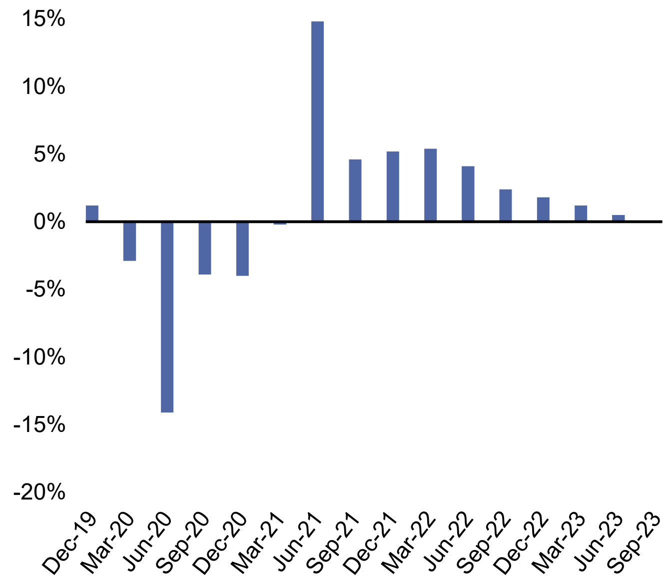


Exhibit 13. U.S. Dollar/Japanese Yen

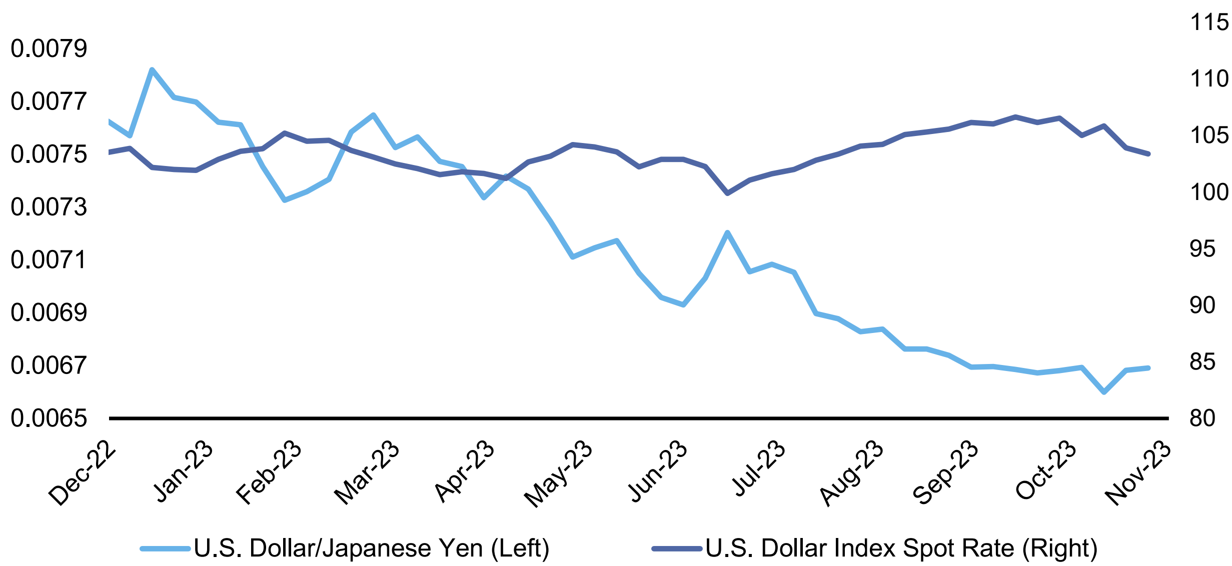
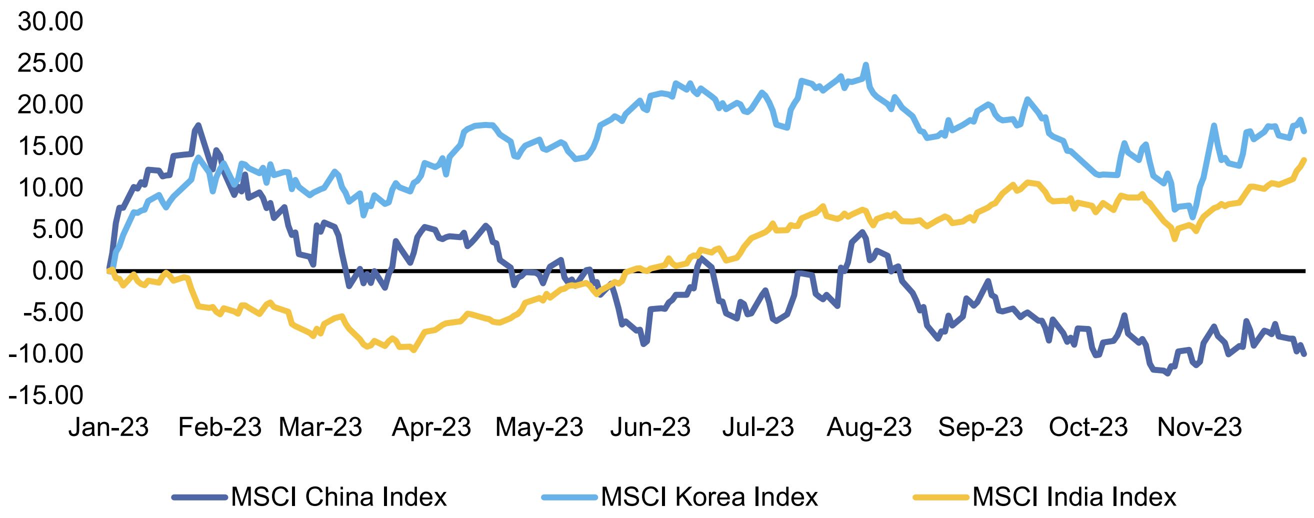


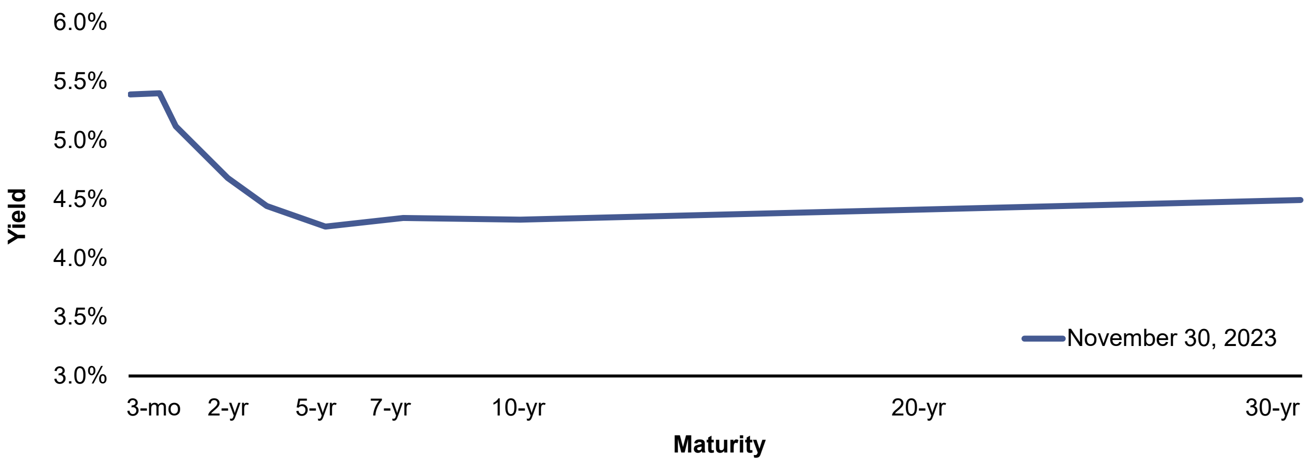
Exhibit 14. YTD Cumulative Total Returns



Historically, the yield curve has inverted preceding economic recessions. Currently, the yield curve is inverted (Exhibit 15). While the yield curve has been inverted for the last 17 months, a strong labor market and robust consumer spending have resulted in surprisingly resilient economic growth that points toward a soft landing.

With the fed funds rate at 5.5% as of December 1, 2023, financial conditions have tightened substantially over the course of the year. The failure of Silicon Valley Bank and the ensuing regional banking difficulties serves as a reminder that crisis looms closely when interest rates are rising. This comes at a time of increased fiscal deficits amid a steady deterioration in standards of governance over fiscal and debt matters, as noted by Fitch in their August announcement of a downgrade in the U.S. sovereign credit rating. Higher interest rates will further weigh on the fiscal deficit as interest costs rise as a percent of the federal budget. In 2024, we expect the federal budget deficit to be lower than the $2 trillion deficit (excluding the reversal of student loan forgiveness) of 2023. This will provide less fiscal stimulus to the economy and, along with higher interest rates and tighter financial conditions, will likely result in slowing economic growth. Rising geopolitical uncertainty further aggravates economic uncertainty, leading us to believe that U.S. economic growth will be lower in 2024 than in 2023, but still positive.

Exhibit 15. U.S. Treasury Yield Curve



Summary of 2024 Assumptions

Our long-term nominal gross domestic product (GDP) growth projection of 4.5% is based on productivity growth of 2%, labor force growth of 0.5% and long-term inflation of 2%. Nominal GDP growth is one component of our forecast for corporate revenue growth. Over the intermediate-term, we assume that the price-to-earnings ratio (PE) for U.S. equities will decline from 19.2 (current) to 17 over the next five years. We expect corporate revenues to grow at a 5.3% rate over the next five years. Corporate profits are expected to rebound strongly in 2024, after a weak 2023, and then grow slightly above 5% for the following four years. Conservatively, we are assuming a dividend yield of 1.5% and a stock buyback yield of 0.5%, resulting in a total return of 7.0% for U.S. equities. Over the long-term, we assume that corporate profit margins will decline from current levels. At the same time, we project interest rates to be lower than the historical average, resulting in a slightly higher PE of 17 versus the historical average. We also assume that the dividend yield rises to the long-term average of 2% and adding 0.5% for stock buybacks results in a long-term total return of 7.5%.

For non-U.S. developed economies, we assume a nominal GDP growth rate of 3.8% due to less favorable demographics and labor force growth, along with more moderate productivity. We assume that the PE ratio will return to its long-term average of 15 (compared to the currently depressed level of 12.7) at the end of five years and 16 over the long-term. We assume a dividend yield of 3%, leading us to project an 8.2% total return over the intermediate-term and 7.1% over the long-term.

The yield curve is currently inverted. We expect the yield curve to un-invert as short-term rates fall. Our rate projection at the short end is informed by Fed guidance and market expectations, then adjusted by our analysis and views about the economy and inflation. We expect 3-month T-bills and 10-year yields to fall over the next few years, stabilizing at 2.5% and 3.8%, respectively, at the end of 2027.

The changes in fixed income expected returns versus 2023 are driven in large part by higher starting yields than at the beginning of 2023 combined with our forecast for gradually declining rates.

2024 vs. 2023 CMAs

In our 2024 CMAs, we have slightly reduced our intermediate- and longer-term expectations for **U.S. equities** to 7.0% and 7.5% versus 7.2% and 7.7%, respectively, in our 2023 CMAs. U.S. equities entered 2023 after a significant sell-off in 2022, and as a result, valuations were depressed. In 2023, U.S. equities largely recouped the losses of 2022, while corporate profits are flat YoY. This results in higher starting valuations, and therefore slightly lower return expectations over the next five years. Over the longer-term, we expect interest rates to decline from current levels and the U.S. and global economies to return to trend growth. Lower interest rates should support higher-than-average valuations for equities and other asset classes.

	Current YTM	Duration
Cash	5.5%	0
Agg	5.5%	6
Global Agg	4.3%	6.4
EM	8.3%	6
Bank Loans	9.0%	0
HY	9.3%	4
Intermediate Corp	6.2%	4
Long Corp	6.4%	12.3

Inflation has receded from recent highs, and we expect it to gradually move closer to the Fed's 2.0% target. One factor that helped to keep inflation low over the past three decades was globalization. Globalization has been slowing and we expect this trend to continue as the relationship between the U.S. and China continues to be challenged, and U.S. companies continue to "nearshore." All other things being equal, slower globalization would result in slightly higher inflation versus what we have seen since the early 1990s due to higher costs. However, we believe that improving productivity will largely offset slowing globalization and result in modest inflation going forward.

Non-U.S. developed market equities are expected to return 8.2% over the next five years and 7.1% over the longer-term. The intermediate-term estimate is modestly lower than our previous expectation of 8.5%. This is due to modestly higher starting valuations as non-U.S. developed markets equities have recouped some of 2022's losses. In addition, some international developed markets, such as the Eurozone, are facing challenging economic conditions and according to International Monetary Fund (IMF) projections are expected to achieve only modest GDP growth in 2024 before returning to trend growth.

Offsetting the more challenging economic conditions is the fact that non-U.S. developed markets equities are trading at an attractive discount to U.S. equities and their long-term historical average. This helps to moderate the reduction in expected returns. At the same time, the U.S. dollar is currently at multi-year highs due to higher interest rates in the U.S. and is expected to weaken as inflation moderates and rates fall from current levels. More reasonable valuations combined with a weaker U.S. dollar should translate into more favorable returns for non-U.S. developed markets' equities relative to U.S. equities over the intermediate-term. Over the longer-term, we expect developed international economies to grow more modestly than the U.S. due to less favorable demographics as well as other factors, including productivity. Similarly, **non-U.S. small-cap equities** are expected to return 8.1% in the intermediate-term and 7.9% over the long-term, compared to our 2023 estimates of 8.6% and 7.9%, respectively.

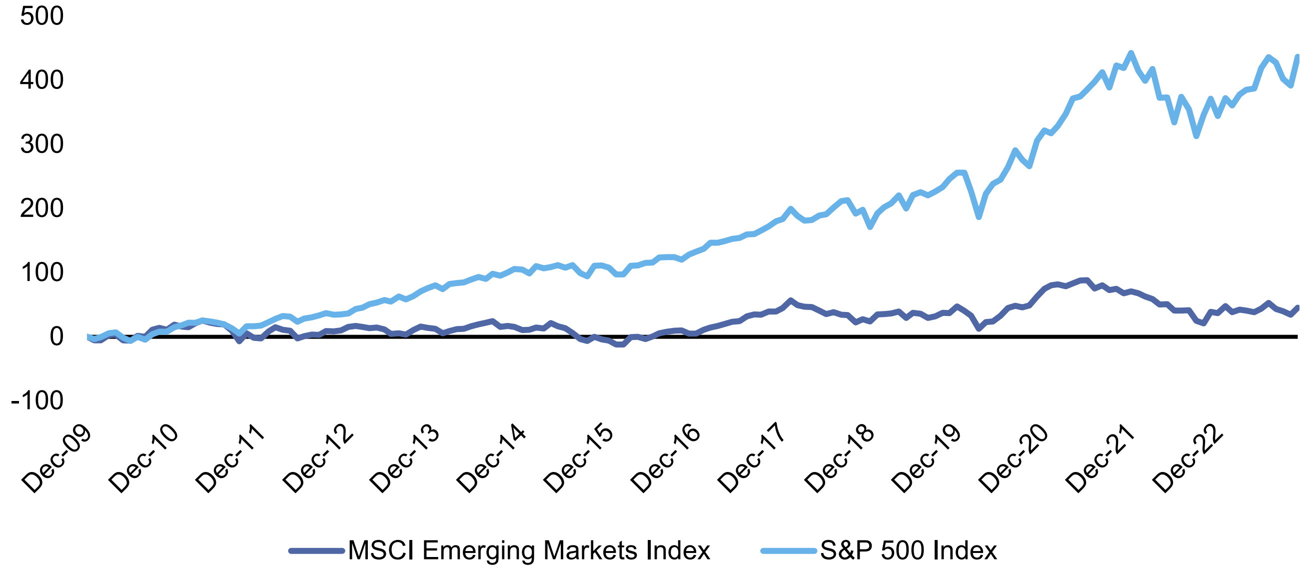
Emerging market equities are expected to return 8.6% over the intermediate-term versus 7.9% previously, and 7.4% over the longer-term as EM equities have not performed well for an extended period of time. Indeed, the MSCI EM Equity Index is 25% lower than at the beginning of 2008. As a result, valuations for EM equities are lower relative to other equity markets and to historical averages. This should help returns over the next several years as inflation moderates, economic growth improves, and corporate profits recover.

As of October 31, 2023, China represented about 30% of the MSCI EM Index and has been a detractor relative to other EM equities. Chinese equities are trading at very attractive valuations and are expected to recover, barring any negative geopolitical incidents. Over the longer-term, we remain more cautious with respect to EM equities versus investor consensus. China faces several headwinds, and the favorable conditions that helped it to develop and grow at high rates will be more challenging going forward.

We believe that demographics in EM (in general) and in China specifically are less favorable than many believe. In addition, EM economies have benefitted from growing globalization and global trade growing faster than global GDP. Going forward, we expect global trade to grow at a more modest pace and globalization to have less of a positive impact on EM. In addition, unlike developed markets equities, and despite current modest valuations, we believe EM equities are unlikely to see a significant re-rating due to continuing elevated economic and political risks. Although some investors believe that faster growth in EM will lead to higher equity returns, we would point out that despite faster growth, EM equities have underperformed the S&P 500 in the last 20 years (Exhibit 16 on page 10).

Fixed income capital market assumptions are derived using the current yield to maturity, term premiums and credit spreads, and then incorporate our expectations over various periods of time. For **core bonds** and other fixed income sub-asset classes, the starting yield to maturities are currently higher than at the end of 2022. This is the primary driver of higher expected returns. Core bonds, as represented by the Bloomberg U.S.

Exhibit 16. Cumulative Total Returns



Aggregate Bond Index, are expected to return 6.2% over the intermediate-term, a significant increase from our previous estimate of 4.5%. The much higher starting yield, which we expect to decline over both the intermediate and long-term, explains the higher expected return versus our 2023 expectation. Over the long-term, we expect core bonds to return 4.7%, whereas our previous expectation was 4.0%.

Over the intermediate-term, we expect **cash** to return 3.8% versus our previous expectation of 3.2%. Over the longer-term, we expect cash to return 2.7%, a modest increase from our 2023 expectation of 2.6%. The increase in expected return is driven by higher starting yields. Over the longer-term, we expect rates to come down as inflation moderates and the Fed lowers the federal funds rate to its long-term terminal value of 2.5%.

Over the next five years, we expect that **intermediate investment-grade credit** will generate an annualized return of 6.4%, an increase from our 2023 estimate of 5.5%. Over the longer-term, we expect a return of 5.4% compared to our 5.0% estimate in 2023. These changes are driven by higher starting yields and our updated projections for interest rates and credit spreads. Long-duration assets suffered significant losses as interest rates moved higher. These assets are expected to benefit as interest rates stabilize and begin to decline.

Long investment-grade credit is expected to return 7.2% over the intermediate-term compared to our 6.2% forecast last year. Returns will be enhanced by the impact of falling interest rates on longer-duration assets. Over the long-term, long investment-grade credit is expected to return 6.2%. This compares to our 5.2% forecast in 2023.

High-yield bonds are expected to return 8.3% over the intermediate-term and 6.8% over the longer-term. These estimates are higher than our 2023 CMAs and driven by the same factors impacting other fixed income instruments – higher starting yields. In addition, for high yield, defaults are expected to remain tame. While we expect defaults to rise as the economy slows, we do not currently expect a significant spike in defaults. Similar dynamics impact bank loans. The higher starting yield for bank loans is partly offset by higher expected defaults as the percentage of covenant-lite loans increased over the past several years as investors chased yield in a low-rate environment. **Bank loans** are expected to return 7.5% in the intermediate-term and 5.3% over long-term. This is up from our 2023 expectations of 6.5% and 5.1%, respectively. Higher starting yields are positive for EM debt returns as well. We expect **EM debt** to return 7.5% in the intermediate-term and 6.0% over the long-term. This compares to our prior estimates of 6.9% and 5.2%, respectively.

Our CMAs differ for publicly traded real estate investment trusts (REITs) and private real estate. REITs tend to hold high quality, core real estate property, while the private real estate market is made up of core, core-plus and opportunistic real estate. In addition, the amount of leverage differs for REITs versus private real estate. These differences result in different expected returns and risk profiles. For **private real estate**, we expect a total return of 6.0% over the intermediate-term and 7.4% over the longer-term. For **publicly traded REITs**, we expect a total return of 8.4% over the intermediate-term, which is markedly higher than our 2023 estimate of 6.6% and a return of 7.0% over the long-term. The higher return for REITs in the intermediate-term is due to lower valuations, a high discount to net asset value (NAV) and the impact of declining interest rates that we expect over the next few years.

Private markets tend to lag public markets in valuations. Given the stress in the commercial real estate space, especially in the office market, we expect private real estate markets to deliver lower returns than public REITs. The higher expected return for REITs versus private real estate is a continuation of our 2023 CMAs, but a reversal from prior years. Private real estate tends to use more leverage and has exposure to non-core real estate, which all other things being equal, should translate into a higher return. But currently, REITs are much more attractively valued than private real estate. Presently, REITs are trading at a close to 20% discount to NAV versus a long-term average of a 2% premium. Public REITs suffered significant drawdowns in 2022 and suffered further losses in 2023, even as other publicly traded equities regained some of the losses suffered in 2022. As a result, public markets offer more attractive valuations compared to private markets.

When deriving our estimates for “alternatives” investments, such as hedge funds and private equity, we assume that these strategies perform in line with public markets equivalencies once adjusted for the characteristics of these strategies, such as leverage. **Hedge funds** are expected to return 7.9% over the intermediate-term and 7.6% over the longer-term as compared to our prior year expectations of 8.3% and 7.0%, respectively. The lower expected return in the intermediate-term is mostly due to the higher cost of leverage that hedge funds use. Over the longer-term, we expect interest rates to decline, which should result in better returns for leveraged strategies such as hedge funds.

In the case of **private equity**, our intermediate-term return expectation of 9.0% is much lower than the 10.4% that was projected in 2023. In a typical private equity buyout transaction, approximately two-thirds of the purchase price is financed via various bonds and loans, but given the higher level of interest rates, we expect debt funding to be lower, and leveraged buyout (LBO) transactions to be financed half by debt and half by equity. The expected return for private equity is a function of the expected returns of public markets that private equity funds invest in, and the use of leverage. Private equity valuations tend to lag public markets, and we expect near-term valuation headwinds in the private equity space, leading to a lower return. Over the longer-term, we expect a return of 9.7%, a modest increase from our 2023 expectation of 9.6%. While these expected returns appear attractive relative to publicly traded markets, investors need to keep in mind that research has shown that private equity returns are effectively leveraged public equity.

For 2024, we have included return projections for global listed infrastructure. Listed infrastructure consists of stable, essential infrastructure assets with consistent cash flows. These assets tend to provide higher income potential with lower volatility than traditional equities. We expect **listed infrastructure equities** to return 6.5% and 6.8% over the intermediate and long-term. **Private infrastructure** provides access to opportunistic and value-added opportunities across greenfield and brownfield projects and is expected to return 7.1% and 8.0% over intermediate and long-term, respectively.

Outlook for the Global Economy and Capital Markets

In 2023, central banks continued to raise rates even as inflation moderated. Most capital markets rebounded from the losses of 2022. Economic growth in the U.S. remained strong and was helped by a robust labor market. Real GDP quarter-over-quarter (QoQ) annualized grew 5.2% in the third quarter of 2023. This was substantially better than the 2.2% and 2.1% annualized growth reported in the first and second quarters, respectively. After reporting strong growth in 2022, real GDP growth in the Eurozone slowed over the course of the 2023, with QoQ real GDP growth for third quarter 2023 at -0.1%.

China ended its zero-COVID policy toward the end of 2022, and this was expected to lead to strong economic growth due to pent up consumer demand. The economic rebound that many expected proved to be short-lived as households and companies remained cautious. The central government proved unwilling to implement a large stimulus package due to concerns over elevated debt levels. In addition, deflating real estate markets further weighed on economic growth.

The U.S. economy has managed to avoid a recession even in the face of aggressive rate hikes by the Fed. It has been helped by strength in the labor market and healthy consumer balance sheets. Consumers in the U.S. have benefitted from the excess savings accrued during the pandemic, which has helped them weather higher inflation in 2022 and into 2023. In addition, the housing market, which represents the largest portion of a typical household balance sheet, has continued to show price strength due to low inventory. But cracks have appeared, with labor markets experiencing a pickup in continuing jobless claims and an uptick in the unemployment rate. If the unemployment rate were to rise in a meaningful way when the economy is experiencing tightening financial conditions, the risk of recession would rise.

The IMF expects that global economic growth will slow from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024. This slowdown is driven by tempered expectations for developed economies. EM economies have historically outpaced advanced economies and this is expected to continue in 2024, with China and India expected to grow at 4.2% and 6.3%, respectively.

Over the course of 2023, inflation moderated globally. In the U.S., inflation, as measured by the CPI, stood at over 7.0% at the beginning of 2022. It eased to 6.4% at the beginning of 2023 and is currently 3.2%. As of October 31, 2023, Eurozone inflation was 2.9%, its lowest level since July 2021. Meanwhile, core inflation in Japan was at 2.8%.

Capital Market Assumptions for Various Asset Classes

Equity

The outlook for economic growth combined with interest rates that are expected to fall starting next year are the basis for our projections for capital markets returns over the intermediate- and long-term. While current valuations for U.S. equities are modestly higher than the historical average, we think that over time, interest rates will be lower than historical levels and this should provide support for higher-than-average valuations. We expect corporate profit growth to improve in 2024 and future years as economic growth continues, returning to the historical trend growth.

Given our outlook for inflation, interest rates, economic and corporate profit outlook, our total return expectation for U.S. equities over the intermediate-term is 7.0%. Over the long-term, we expect U.S. equities to return 7.5%, which is slightly lower than our estimate last year.

While economic conditions are more challenging outside of the U.S., valuations for non-U.S. equities are meaningfully lower than for U.S. equities. We believe that lower valuations, combined with a declining U.S. dollar, which is currently at multi-year highs and likely overvalued, will result in higher equity returns over the intermediate-term. For non-U.S. developed markets equities, as represented by the MSCI EAFE Equity Index, over the intermediate-term, we project a total return of 8.2%. For EM equities, we estimate a total return of 8.6% over the intermediate-term. While valuations for EM are comparable to non-U.S. developed markets, we believe China, which is a component of the EM equity index, will continue to face headwinds. Over the long-term, we estimate that non-U.S. developed and EM markets will return 7.1% and 7.4%, respectively.

Fixed Income

In 2023, interest rates increased significantly, even as inflation moderated as central banks continued to hike rates. In the U.S., and as of this writing, the Fed raised rates to 5.5%, and provided guidance that it would be open to additional rate hikes if inflation remains above its 2.0% target. 2022 was one of the worst years for fixed income market returns. Starting with current interest rates and credit spreads and combined with our expectations of falling interest rates in the intermediate-term, our 2024 intermediate-term fixed income expected returns have risen compared to 2023. For core bonds, we expect a total return of 6.2% over the intermediate-term versus 4.5% previously and 4.7% over the long-term versus 4.0% previously. We expect high yield bonds to return 8.3% over the intermediate-term and over the long-term, we expect a total return of 6.8%.

Alternatives

Though some investors view alternatives such as private equity, hedge funds, etc. as *sui generis*[1], we believe that alternative strategies need to be understood based on their underlying economic and market exposures. Therefore, the investment profile of alternatives, such as returns and risk are not dissimilar to those of public markets once we normalize or consider the different characteristics, such as leverage. In deriving our CMAs for alternatives, we start with our assumptions for public markets and make the necessary adjustments.

We expect hedge funds to return 7.9% over the intermediate-term and over the long-term, we expect a total return of 7.6%.

In a typical private equity buyout transaction, approximately two-thirds of the purchase price is financed via various bonds and loans. Given the elevated interest rate environment, we are seeing that recent transactions are using a lower debt to capital ratio. We assume that this trend will continue in the near-term. Our expected return for private equity is a function of our CMAs for public equity markets and the financing cost of the debt used in transactions. Over the intermediate-term, we expect private equity to return 9.0% compared to our 2023 projection of 10.4%. The decline is due to the impact of the higher cost of debt and near-term valuation headwinds. While the expected return is higher than for public equity markets, our view remains that private equity is simply leveraged public equities and investors need to appreciate the higher risk that comes with the added leverage. Over the longer-term, we expect a return of 9.7% for private equity.

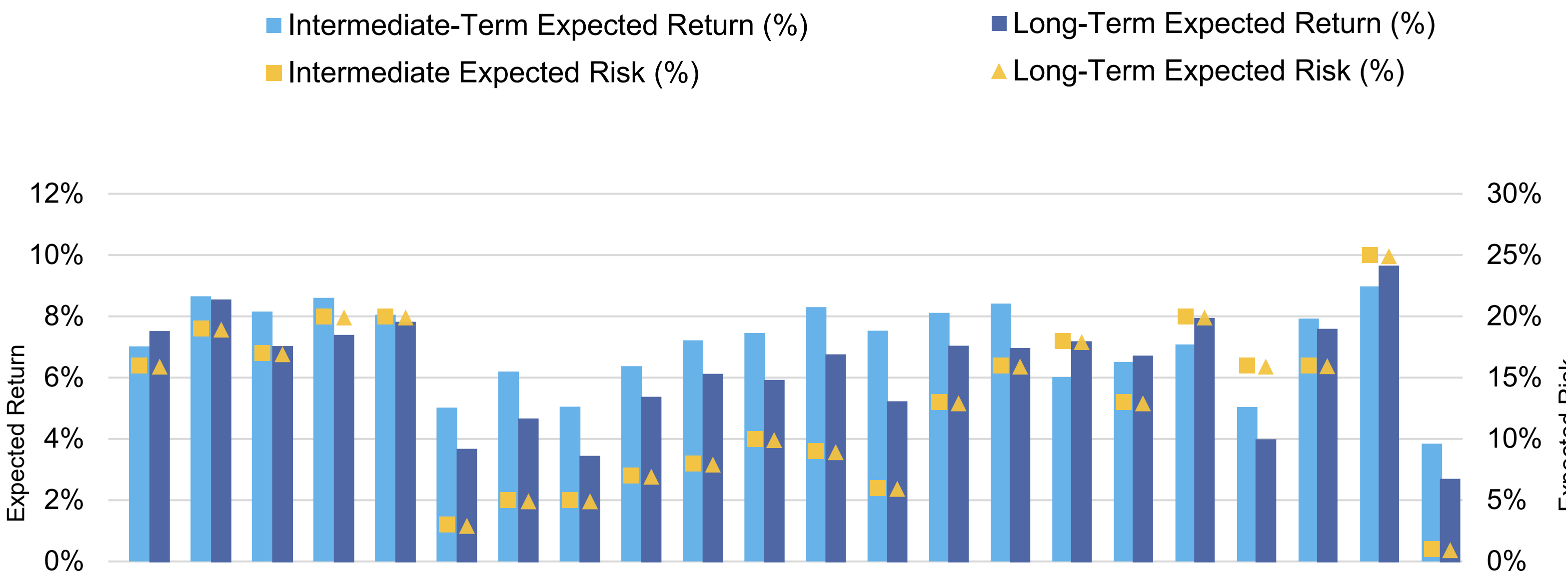
Private real estate as an asset class includes both high quality, core properties as well as non-core. For core real estate, most of the total return comes from income, while for non-core properties, price appreciation makes up a more meaningful part. Publicly traded REITs predominantly own high-quality core properties and as such, the expected total return is made up mostly by income combined with some price appreciation. For private real estate, we expect a total return of 6.1% over the intermediate-term and 7.2% over longer-term. For publicly traded REITs, over the intermediate-term, we expect an annualized total return of 8.4%, compared to our prior estimate of 6.6%. This reflects falling interest rates and lower current valuations.

For more information, please contact your PFMAM relationship manager.

Your Name
email@pfmam.com | xxx.xxx.xxxx

1 Sui generis is a Latin phrase that means "of its/his/her/their own kind," "in a class by itself," therefore "unique." A number of disciplines use the term to refer to unique entities.

Long- and Intermediate-Term Capital Market Assumptions



	U.S. Equity	U.S. Small-Cap	Int'l Developed Equity	EM Equity	Non-U.S. Small-Cap	Short Bonds	Core Bonds	Global Core	Intermediate IG Corp	Long IG Corp	EM Debt	High-Yield	Bank Loans	Private Debt	REITs	PE RE	Listed Infrastructure	Private Infrastructure	Commodities	Hedge Funds	Private Equity	Cash
Intermediate-Term Annualized Assumptions (Over the Next 5 Years)																						
Expected Return (%)	7.0	8.7	8.2	8.6	8.1	5.0	6.2	5.1	6.4	7.2	7.5	8.3	7.5	8.1	8.4	6.0	6.5	7.1	5.0	7.9	9.0	3.8
Expected Risk (%)	16	19	17	20	20	3	5	5	7	8	10	9	6	13	16	18	13	20	16	16	25	1
Long-Term Annualized Assumptions (Over the Next 30 Years)																						
Expected Return (%)	7.5	8.6	7.1	7.4	7.9	3.7	4.7	3.5	5.4	6.2	6.0	6.8	5.3	7.1	7.0	7.2	6.8	8.0	4.0	7.6	9.7	2.7
Expected Risk (%)	16	19	17	20	20	3	5	5	7	8	10	9	6	13	16	18	13	20	16	16	25	1

Asset Class Correlation Assumptions

	U.S. Equity	U.S. Small-Cap	Int'l Developed Equity	EM Equity	Non-U.S. Small-Cap	Short Bonds	Core Bonds	Global Core	Intermediate IG Corp	Long IG Corp	EM Debt	High Yield	Bank Loans	Private Debt	REITs	PE RE	Listed Infrastructure	Private Infrastructure	Commodities	Hedge Funds	Private Equity	Cash
U.S. Equity	1																					
U.S. Small-Cap	0.9	1																				
Int'l Developed Equity	0.8	0.8	1																			
EM Equity	0.7	0.7	0.8	1																		
Non-US Small-Cap	0.8	0.8	0.9	0.8	1																	
Short Bonds	0.2	0.2	0.1	0.1	0.1	1																
Core Bonds	0.1	0.1	0.2	0.2	0.2	0.5	1															
Global Core	0.2	0.2	0.3	0.3	0.3	0.4	0.7	1														
Intermediate IG Corp	0.3	0.3	0.2	0.2	0.2	0.7	0.9	0.9	1													
Long IG Corp	0.3	0.3	0.2	0.2	0.2	0.7	0.9	0.9	0.9	1												
EM Debt	0.5	0.5	0.6	0.6	0.6	0.3	0.6	0.7	0.7	0.7	1											
High Yield	0.7	0.7	0.5	0.5	0.5	0.3	0.4	0.4	0.7	0.4	0.8	1										
Bank Loans	0.4	0.4	0.3	0.3	0.3	0.4	0.1	0.3	0.5	0.3	0.7	0.7	1									
Private Debt	0.6	0.6	0.4	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.8	0.7	1								
REITs	0.6	0.7	0.7	0.6	0.6	0.2	0.3	0.3	0.3	0.3	0.3	0.5	0.4	0.4	1							
PE RE	0.4	0.4	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.2	0.2	0.4	0.2	0.4	0.8	1						
Listed Infrastructure	0.7	0.7	0.7	0.6	0.6	0.2	0.3	0.6	0.6	0.5	0.6	0.6	0.5	0.4	0.7	0.6	1					
Private Infrastructure	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.3	0.2	0.3	0.4	0.5	0.7	1				
Commodities	0.4	0.5	0.6	0.6	0.6	0.4	0.2	0.2	0.2	0.2	0.4	0.5	0.2	0.2	0.3	0.1	0.5	0.1	1			
Hedge Funds	0.6	0.6	0.5	0.5	0.5	0.3	0.4	0.4	0.4	0.3	0.3	0.4	0.4	0.4	0.4	0.3	0.4	0.3	0.2	1		
Private Equity	0.7	0.7	0.6	0.6	0.6	0.2	0.3	0.3	0.3	0.3	0.3	0.5	0.2	0.5	0.4	0.4	0.4	0.4	0.1	0.5	1	
Cash	0.1	0.1	0.1	0.1	0.1	0.5	0.2	0.2	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1

Important Disclosures

PFM Asset Management LLC (PFMAM) developed our assumptions by examining the economic fundamentals of each asset class. Our CMAs include expected returns, expected risks(measured as the standard deviation of returns) and correlations among a wide variety of asset classes. We derive our CMAs based on our projections for economic growth, inflation, interest rates, corporate profit growth and margins, and other fundamental economic and market conditions.

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Important disclosures, definitions of terms and index descriptions

If you have questions regarding this information or wish to receive definitions of any additional terms or indexes used in this report, please contact a team member.

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Important disclosures (page 1 of 4)

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EQUAL HOUSING LENDER Equal Housing Lender. Credit products are offered by U.S. Bank National Association and subject to normal credit approval. Deposit products offered by U.S. Bank National Association. Member FDIC.

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Performance reports included may show performance results gross of fees and expenses. If fees and expenses were included, the performance would be lower. If you have any questions, please speak with your relationship manager for additional information.

Based on our strategic approach to creating diversified portfolios, guidelines are in place concerning the construction of portfolios and how investments should be allocated to specific asset classes based on client goals, objectives and tolerance for risk. Not all recommended asset classes will be suitable for every portfolio. **Diversification and asset allocation do not guarantee returns or protect against losses.**

Important disclosures (page 2 of 4)

Equity securities are subject to stock market fluctuations that occur in response to economic and business developments. **Stocks of small-capitalization companies** involve substantial risk. These stocks historically have experienced greater price volatility than stocks of larger companies and may be expected to do so in the future. **Stocks of mid-capitalization companies** can be expected to be slightly less volatile than those of small-capitalization companies, but still involve substantial risk and may be subject to more abrupt or erratic movements than large-capitalization companies. The value of **large-capitalization stocks** will rise and fall in response to the activities of the company that issued them, general market conditions and/or economic conditions. **Growth investments** focus on stocks of companies whose earnings/profitability are accelerating in the short term or have grown consistently over the long term. Such investments may provide minimal dividends, which could otherwise cushion stock prices in a market decline. Stock value may rise and fall significantly based, in part, on investors' perceptions of the company, rather than on fundamental analysis of the stocks. Investors should carefully consider the additional risks involved in growth investments. **Value investments** focus on stocks of income-producing companies whose price is low relative to one or more valuation factors, such as earnings or book value. Such investments are subject to risks that their intrinsic values may never be realized by the market, or such stocks may turn out not to have been undervalued. Investors should carefully consider the additional risks involved in value investments.

International investing involves special risks, including foreign taxation, currency risks, risks associated with possible differences in financial standards and other risks associated with future political and economic developments. Investing in **emerging markets** may involve greater risks than investing in more developed countries. In addition, concentration of investments in a single region may result in greater volatility.

Investments in **real estate securities** can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates and risks related to renting properties (such as rental defaults). There are special risks associated with an investment in **commodities**, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors**.**

Investments in **fixed income securities** are subject to various risks, including changes in interest rates, credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors. Investment in fixed income securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term securities. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Investments in **high yield bonds** offer the potential for high current income and attractive total return, but involve certain risks. Changes in economic conditions or other circumstances may adversely affect a bond issuer's ability to make principal and interest payments.

Important disclosures (page 3 of 4)

The **municipal bond** market is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issues of municipal securities. Interest rate increases can cause the price of a bond to decrease. Income on municipal bonds is free from federal taxes, but may be subject to the federal alternative minimum tax (AMT), state and local taxes. **Treasury Inflation-Protected Securities (TIPS)** offer a lower return compared to other similar investments and the principal value may increase or decrease with the rate of inflation. Gains in principal are taxable in that year, even though not paid out until maturity.

Non-financial **specialty assets**, such as real estate, farm, ranch and timber properties, oil, gas and mineral interests or closely-held business interests are complex and involve unique risks specific to each asset type, including the total loss of value. Special risk considerations may include natural events or disasters, complex tax considerations and lack of liquidity. Specialty assets may not be suitable for all investors.

Alternative investments very often use speculative investment and trading strategies. There is no guarantee that the investment program will be successful. Alternative investments are designed only for investors who are able to tolerate the full loss of an investment. These products are not suitable for every investor even if the investor does meet the financial requirements. It is important to consult with your investment professional to determine how these investments might fit your asset allocation, risk profile and tax situation. **Hedge funds** are speculative and involve a high degree of risk. An investment in a hedge fund involves a substantially more complicated set of risk factors than traditional investments in stocks or bonds, including the risks of using derivatives, leverage and short sales, which can magnify potential losses or gains. Restrictions exist on the ability to redeem or transfer interests in a fund. **Exchange-traded funds (ETFs)** are baskets of securities that are traded on an exchange like individual stocks at negotiated prices and are not individually redeemable. ETFs are designed to generally track a market index and shares may trade at a premium or a discount to the net asset value of the underlying securities. **Private equity** investments provide investors and funds the potential to invest directly into private companies or participate in buyouts of public companies that result in a delisting of the public equity. Investors considering an investment in private equity must be fully aware that these investments are illiquid by nature, typically represent a long-term binding commitment and are not readily marketable. The valuation procedures for these holdings are often subjective in nature. **Private debt** investments may be either direct or indirect and are subject to significant risks, including the possibility of default, limited liquidity and the infrequent availability of independent credit ratings for private companies. **Structured products** are subject to market risk and/or principal loss if sold prior to maturity or if the issuer defaults on the security. Investors should request and review copies of Structured Products Pricing Supplements and Prospectuses prior to approving or directing an investment in these securities.

Important disclosures (page 4 of 4)

Mutual fund investing involves risk and principal loss is possible. Investing in certain funds involves special risks, such as those related to investments in small- and mid-capitalization stocks, foreign, debt and high-yield securities and funds that focus their investments in a particular industry. Please refer to the fund prospectus for additional details pertaining to these risks. An investment in **money market funds** is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although these funds seek to preserve the value of an investment at $1.00 per share, it is possible to lose money by investing in these funds.

Holdings of First American Funds: U.S. Bancorp Asset Management, Inc. is a registered investment advisor and subsidiary of U.S. Bank National Association. U.S. Bank National Association is a separate entity and wholly owned subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, performance or services of U.S. Bancorp Asset Management. U.S. Bancorp Asset Management, Inc. serves as an investment advisor to First American Funds. **Holdings of Nuveen mutual funds**: Firstar Capital Corporation (Firstar Capital), an affiliate of U.S. Bancorp, holds a less-than-10 percent ownership interest in Windy City Investments Holdings, LLC which was formerly the parent of Windy City Investment Inc. and the indirect parent of Nuveen Fund Advisors, LLC which is the investment advisor to the Nuveen Mutual Funds. On October 1, 2014, Windy City Investments, Inc. was sold to Teachers Insurance and Annuity Association of America. As a result of the sale, U.S. Bancorp no longer has an indirect ownership interest in Nuveen Fund Advisors, LLC. Depending on the outcome of certain factors, Firstar Capital might in the future receive an earn-out payment in respect of its interest in Windy City Investment Holdings, LLC, under the terms of the sale. **Non-proprietary mutual funds**: U.S. Bank may enter into agreements with other non-proprietary mutual funds or their service providers whereby U.S. Bank provides shareholder services and/or sub-transfer agency, custodial and other administrative support services and receives compensation for these services. Compensation received by U.S. Bank directly or indirectly from mutual funds does not increase fund fees and expenses beyond what is disclosed in the fund prospectuses. For more information, review the fund prospectus.

Definitions of report and statement terms (page 1 of 5)

Accredited Investor: Private placement securities generally require that investors be accredited due to the additional risks and speculative nature of the securities. For natural persons, the criteria is met by a net worth of more than $1 million (excluding primary residence) or an income of more than $200,000 individually ($300,000 jointly) for the two most recent years and a reasonable expectation for the same in the current year. For other entities, such as corporations, partnerships, trusts and employee benefit plans, the criteria is met with at least $5 million in assets. See full definition in Rule 501 of Regulation D under the Securities Act of 1933.

Alpha: A measure of risk-adjusted performance. A statistic measuring that portion of a stock, fund or composite's total return attributable to specific or non-market risk. Alpha measures non-market return and indicates how much value has been added or lost. A positive Alpha indicates the fund or composite has performed better than its Beta would predict (i.e., the manager has added value above the benchmark). A negative Alpha indicates a fund or composite has underperformed given the composite's Beta.

Alternative Investments: As used by U.S. Bank, an investment considered to be outside of the traditional asset classes of long-only stocks, bonds and cash. Examples of alternative investments include hedge funds, private equity, options and financial derivatives.

Annualized Excess Return: Shows the difference between the annualized linked returns of a portfolio and the model benchmark. Performance reports provided annualize only periods greater than one year.

Annualized or Annual Rate of Return: Represents the average annual change in the value of an investment over the periods indicated.

Batting Average: Shows how consistently the portfolio return met or beat the market.

Beta: A measure of your portfolio's risk relative to a benchmark. A portfolio with a beta of 1.5, for example, would be expected to return roughly 1.5 times the benchmark's return. A high Beta indicates a riskier portfolio.

Bond Credit Rating: A grade given to bonds by a private independent rating service that indicates their credit quality. Ratings are the opinion of Standard & Poor's or other agencies as noted and not the opinion of U.S. Bank.

Consumer Price Index (CPI): A measure of the average change in prices over time in a market basket of goods and services and is one of the most frequently used statistics for identifying periods of inflation and deflation.

Convexity to Stated Maturity: A measure of the curvature in the relationship between bond prices and bond yields that demonstrates how the duration of a bond changes as the interest rate changes. Convexity is used as a risk-management tool and helps to measure and manage the amount of market risk to which a portfolio of bonds is exposed. This version of convexity measures the rate change in duration of a bond as the yield to (stated) maturity changes.

Definitions of report and statement terms (page 2 of 5)

Cost basis/book value: The original value of an asset at the time it was acquired. This is normally the purchase price or appraised value at the time of acquisition. This data is for information purposes only.

Cumulative Excess Return: Shows the difference between the annualized linked returns of a portfolio and the model benchmark. Performance reports provided use unannualized returns in periods up to one year, but annualized returns for periods exceeding one year.

Downside Capture: The downside capture ratio reflects how a portfolio compares to a benchmark during periods when the benchmark is down. A downside capture ratio of 0.80 (or 80 percent) means the portfolio has historically declined only 80 percent as much as the benchmark during down markets.

Downside Deviation: The deviation of returns that fall below a minimum acceptable return (MAR). Although the numerator includes only returns below the MAR, the denominator includes all returns in the performance period. This risk statistic is similar to the downside standard deviation except the sum is restricted to returns less than the MAR instead of the mean.

Downside Standard Deviation: The deviation of returns that fall below the mean return. Although the numerator includes only returns below the mean, the denominator includes all returns in the performance period. This risk statistic is similar to the downside deviation except the sum is restricted to returns less than the mean instead of the minimum acceptable return (MAR).

Effective Maturity: The date of a bond's most likely redemption, given current market conditions, taking into consideration the optional and mandatory calls, the optional, mandatory and recurring puts, and the stated maturity.

Estimated annual income: The amount of income a particular asset is anticipated to earn over the period indicted. The shares multiplied by the annual income rate.

Gain/loss calculation: If an asset was sold, the difference between the proceeds received from the sale compared to the cost of acquiring the asset. If the value of the proceeds is the higher of the two numbers, then a gain was realized. If the value of the proceeds is the lower of the two numbers, a loss was incurred. This data is for information purposes only.

Gross of Fees: Represents all assets included in the calculation of the portfolio -- before the deduction of trust and asset management fees -- and is inclusive of all applicable third party security fees and expenses Details of those fees and expenses are provided in the security's prospectus or offering documents.

Information Ratio: The information ratio compares the average excess return of the portfolio over its associated benchmark divided by the tracking error.

M-Squared: The hypothetical return of the portfolio after its risk has been adjusted to match a benchmark.

Definitions of report and statement terms (page 3 of 5)

Market Value: Publicly traded assets are valued using market quotations or valuation methods from financial industry services believed by us to be reliable. Assets, that are not publicly traded, may be reflected at values from other external sources or special valuations prepared by us. Assets for which a current value is not available may be reflected as not valued, at par value, or at a nominal value. Values shown do not necessarily reflect prices at which assets could have been bought or sold. Values are updated based on internal policy and may be updated less frequently than statement generation.

Market Value Over Time: Many factors can impact the portfolio value over time, such as contributions to the account, distributions from the account, the investment of dividends and interest, the deduction of fees and expenses, and market performance.

Modified Duration to Effective Maturity: A formula that expresses the measurable change in the value of a security in response to a change in interest rates. This version of Modified Duration takes into consideration a “horizon date/price” that is, given current conditions, the most likely redemption date/price using the set of calls/puts, as well as stated maturity.

Modified Duration to Stated Maturity: A formula that expresses the measurable change in the value of a security in response to a change in interest rates. This version of Modified Duration uses stated maturity as the “horizon date/price” and ignores any potential call/put/pre-refunding, even if they are mandatory.

Net of Fees: Represents all assets included in the calculation of the portfolio -- after the deduction of trust and asset management fees. Please refer to the client fee schedule for additional information.

Price/Earnings Ratio (P/E): The P/E ratio of a company is calculated by dividing the price of the company’s stock by its trailing 12-month earnings per share. A high P/E usually indicates that the market is paying a premium for current earnings because it believes in the firm’s ability to grow its earnings. A low P/E indicates the market has less confidence that the company’s earnings will increase. Within a portfolio, P/E is the weighted average of the price/earnings ratios of the stocks in the portfolio.

Qualified Purchaser: Some private placement securities require that investors be Qualified Purchasers in addition to being Accredited Investors. For natural persons, the criteria is generally met when the client (individually or jointly) owns at least $5 million in investments. For other entities, such as corporations, partnerships, trusts and employee benefit plans, the criteria is met with at least $25 million in investments though there are other eligibility tests that may apply. See full definition in Section 2(a)(51) of the Investment Company Act of 1940.

R-Squared: Measures the portion of the risk in your portfolio that can be attributed to the risk in the benchmark.

Realized and Unrealized Gains/Losses: Are calculated for individual tax lots based on the records we have available. Some data may be incomplete or differ from what you are required to report on your tax return. Some data used in these calculations may have been obtained from outside sources and cannot be verified by U.S. Bank. The data is intended for informational purposes only and should not be used for tax reporting purposes. Please consult with your tax or legal advisor for questions concerning your personal tax or financial situation.

Definitions of report and statement terms (page 4 of 5)

Residual Risk: The amount of risk specific to the assets in a portfolio distinct from the market, represented by a benchmark.

Return: An indication of the past performance of your portfolio.

Sharpe Ratio: Measures of risk-adjusted return that calculates the return per unit of risk, where risk is the Standard Deviation of your portfolio. A high Sharpe ratio indicates that the portfolio is benefiting from taking risk.

Sortino Ratio: Intended to differentiate between good and bad volatility. Similar to the Sharpe ratio, except it uses downside deviation for the denominator instead of standard deviation, the use of which doesn't discriminate between up and down volatility.

Spread: The difference between the yields of two bonds with differing credit ratings (most often, a corporate bond with a certain amount of risk is compared to a standard traditionally lower risk Treasury bond). The bond spread will show the additional yield that could be earned from a bond which has a higher risk.

Standard Deviation: A measure of the volatility and risk of your portfolio. A low standard deviation indicates a portfolio with less volatile returns and therefore less inherent risk.

Time-weighted Return: The method used to calculate performance. Time-weighted return calculates period by period returns that negates the effect of external cash flows. Returns for periods of greater than one year are reported as an annualized (annual) rate of return. Returns of less than one year are reported on a cumulative return basis. Cumulative return is the aggregate amount an investment has gained or lost over time, independent of the period involved.

Tracking Error: A divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark. This is often in the context of a hedge or mutual fund that did not work as effectively as intended, creating an unexpected profit or loss instead.

Traditional Investments: As used by U.S. Bank, an investment made in equity, fixed income or cash securities, mutual funds or exchange-traded funds (ETFs) where the investor buys at a price with the goal that the investment will go up in value.

Top 10 Holdings: The 10 assets with the highest market values in the account.

Total Portfolio Gross of Fees: Represents all assets included in the calculation of the portfolio, before the deduction of trust and asset management fees, and is inclusive of all applicable third-party security fees and expenses. Details of those fees and expenses are provided in the security's prospectus or offering documents.

Definitions of report and statement terms (page 5 of 5)

Total Return: The rate of return that includes the realized and unrealized gains and losses plus income for the measurement period.

Treynor Ratio: Measures the performance of a sector relative to risk by dividing the return of the sector in excess of the risk-free return by the sector's Beta. The higher the Treynor ratio, the better the return relative to risk.

Turnover Percent: Indicates how frequently asset are bought and sold within a portfolio.

Turnover Ratio: The percentage of a mutual fund’s or other investment vehicle's holdings that have been "turned over" or replaced with other holdings in a given year.

Unrealized gain (loss) — The difference between the current market value (at the end of the statement period) and the cost to acquire the asset. If the current market value is higher than the cost, a gain is reflected. If the current market value is lower than the cost paid, a loss is reflected. This data is for information purposes only.

Upside Capture: The upside capture ratio reflects how a portfolio compares to the selected model benchmark during periods when the benchmark is up. An upside capture ratio of 1.15 (or 115 percent) means the portfolio has historically beat the benchmark by 15 percent during up markets.

Yield: The annual rate of return on an investment, expressed as a percentage. For bonds, it is the coupon rate divided by the market price. For stocks, it is the annual dividend divided by the market price.

Frequently used indexes (page 1 of 5)

Bloomberg Barclays 1-3 year U.S. Treasury Index: Measures the performance of the U.S. government bond market and includes public obligations of the U.S. Treasury with a maturity between one year and up to (but not including) three years.

Bloomberg Barclays 1-5 year U.S. Treasury Index: Includes all publicly issued, U.S. Treasury securities that have a remaining maturity of greater than or equal to one year and less than five years, are rated investment grade and have $250 million or more of outstanding face value.

The Bloomberg Barclays 1-5 year Municipal Index: Measures the performance of municipal bonds with time to maturity of more than one year and less than five years.

Bloomberg Barclays 7-year Municipal Index: Includes municipal bonds with a minimum credit rating of Baa that have been issued as part of a transaction of at least $50 million, have a maturity value of at least $5 million and a maturity range of four to six years.

Bloomberg Barclays Global Aggregate Index ex-U.S. Index: Measure of global investment grade debt from 24 local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Global Treasury ex-U.S. Index: Includes government bonds issued by investment-grade counties outside the United States, in local currencies, that have a remaining maturity of one year or more and are rated investment grade.

Bloomberg Barclays High Yield Municipal Bond Index: An unmanaged index made up of bonds that are non-investment grade, unrated or below Ba1 bonds.

Bloomberg Barclays Intermediate Aggregate Index: Consists of one- to 10-year governments, one- to 10-year corporate bonds, all mortgages and all asset-backed securities within the Aggregate Index.

Bloomberg Barclays Mortgage-Backed Securities Index: Covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid adjustable-rate mortgages) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

Bloomberg Barclays U.S. Aggregate Bond Index: Measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities.

Bloomberg Barclays U.S. Corporate Bond Index: Measures the investment grade, fixed-rate, taxable corporate bond market and includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Frequently used indexes (page 2 of 5)

Bloomberg Barclays U.S. Corporate High Yield Bond Index: Measures the U.S. dollar denominated, high yield, fixed-rate corporate bond market.

Bloomberg Barclays U.S. Municipal Bond Index: Measures the investment grade, U.S. dollar-denominated, fixed tax-exempt bond market. The index includes state and local general obligation, revenue, insured and pre-refunded bonds.

Bloomberg Barclays U.S. Treasury Index: Measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury.

Bloomberg Barclays U.S. Treasury Inflation-Protected Securities (TIPS) Index: An unmanaged index includes all publicly issued, U.S. TIPS that have at least one year remaining to maturity, are rated investment grade, and have $250 million or more of outstanding face value.

Cambridge U.S. Private Equity Index: This index is based on returns data compiled for U.S. private equity funds (including buyout, growth equity and mezzanine funds) that represent the majority of institutional capital raised by private equity partnerships formed since 1986. Returns may be delayed by up to six months. Quarterly performance is prorated based on the cube root for the months of the quarter.

Citigroup 3-Month Treasury Bills: An unmanaged index and represents monthly return equivalents of yield averages of the last three-month Treasury Bill issues.

Citigroup 6-Month Treasury Bills: An unmanaged index and represents monthly return equivalents of yield averages of the last six-month Treasury Bill issues.

Credit Suisse Leverage Loan Index: Represents tradable, senior-secured, U.S. dollar-denominated non-investment grade loans.

Dow Jones Industrial Average (DJIA): The price-weighted average of 30 significant U.S. stocks traded on the New York Stock Exchange and NASDAQ. The DJIA is the oldest and single most watched index in the world.

Dow Jones Select REIT Index: Measures the performance of publicly traded REITs and REIT-like securities in the U.S. and is a proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

HFRI Indices: The Hedge Fund Research, Inc. (HFRI) indexes are a series of benchmarks designed to reflect hedge fund industry performance by constructing composites of constituent funds, as reported by the hedge fund managers listed within the HFR Database.

Frequently used indexes (page 3 of 5)

HFRI Equity Hedge Total Index: Uses the HFR (Hedge Fund Research) database and consists only of equity hedge funds with a minimum of $50 million assets under management or a 12-month track record and that reported assets in U.S. dollars.

HFRI Relative Value Fixed Income Corporate Index: Uses the HFR (Hedge Fund Research) database and consists of only relative value fixed income corporate funds with a minimum of $50 million assets under management or a 12-month track record and that reported assets in U.S. dollars.

ICE BofAML 1-3 Year Corporate Index: Tracks U.S. dollar-denominated investment grade public debt issued in the U.S. bond market with maturities of one to three years.

ICE BofAML 1-5 Year Corporate and Government Index: Tracks the performance of short-term U.S. investment grade government and corporate securities with maturities between one and five years.

ICE BofAML U.S. 7-10 Year Index: Tracks the performance of U.S. dollar denominated investment grade rated corporate debt publicly issued in the U.S. domestic market and includes all securities with a remaining term to maturity of greater than or equal to seven years and less than 10 years.

ICE BofAML Global Broad Market Index: Tracks the performance of investment grade public debt issued in the major domestic and Eurobond markets, including global bonds.

ICE BofAML U.S. High Yield Master II Index: Commonly used benchmark index for high yield corporate bonds and measures the broad high yield market.

J.P. Morgan Emerging Markets Bond Index Global (EMBI Global): Tracks total returns for traded external debt instruments in the emerging markets.

London Interbank Offered Rate (LIBOR) 3-months: The interest rate offered by a specific group of London banks for U.S. dollar deposits with a three-month maturity.

London Interbank Offered Rate (LIBOR) 9-months: The interest rate offered by a specific group of London banks for U.S. dollar deposits with a nine-month maturity.

MSCI All Country World Index (ACWI): Designed to measure the equity market performance of developed and emerging markets.

Frequently used indexes (page 4 of 5)

Russell 2000 Value Index: Measures companies in the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index includes the 2,000 firms from the Russell 3000 Index with the smallest market capitalizations.

Russell 3000 Index: Measures the performance of the 3,000 largest U.S. securities based on total market capitalization.

Russell Midcap Index: Measures the 800 smallest companies in the Russell 3000 Index.

Russell Midcap Growth Index: Measures companies in the Russell Midcap Index having higher price-to-book ratios and higher forecasted growth values.

Russell Midcap Value Index: Measures companies in the Russell Midcap Index having lower price-to-book ratios and lower forecasted growth values.

MSCI All County World ex-U.S. Index (ACWI, excluding United States): Tracks the performance of stocks representing developed and emerging markets around the world that collectively comprise most foreign stock markets. U.S. stocks are excluded from the index.

MSCI EAFE Index: Includes approximately 1,000 companies representing the stock markets of 21 countries in Europe, Australasia and the Far East.

MSCI Emerging Markets (EM) Index: Designed to measure equity market performance in global emerging markets.

MSCI World Index: Tracks equity market performance of developed markets through individual country indices.

NAREIT Index: Includes REITs (Real Estate Investment Trusts) listed on the New York Stock Exchange, NASDAQ and American Stock Exchange.

NASDAQ Composite Index: A market capitalization-weighted average of roughly 5,000 stocks that are electronically traded in the NASDAQ market.

NCREIF Property Index (NPI): Measures the investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

Russell 1000 Index: Measures the performance of the 1,000 largest companies in the Russell 3000 Index and is representative of the U.S. large capitalization securities market.

Frequently used indexes (page 5 of 5)

Russell 1000 Growth Index: Measures companies in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values. It includes the largest 1,000 firms in the Russell 3000 Index.

Russell 1000 Value Index: Measures companies in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth values. It includes the largest 1,000 firms in the Russell 3000 Index.

Russell 2000 Index: Measures the performance of the 2,000 smallest companies in the Russell 3000 Index and is representative of the U.S. small capitalization securities market.

Russell 2000 Growth Index: Measures companies in the Russell 2000 Index having higher price-to-book ratios and higher forecasted growth values. and is representative of U.S. securities exhibiting growth characteristics. The Russell 2000 Index includes the 2,000 firms from the Russell 3000 Index with the smallest market capitalizations.

S&P 500 Index: Consists of 500 widely traded stocks that are considered to represent the performance of the U.S. stock market.

S&P Global ex-U.S. Property Index: Measures the investable universe of publicly traded property companies domiciled in developed and emerging markets excluding the United States. The companies included are engaged in real estate related activities such as property ownership, management, development, rental and investment.

S&P GSCI: A composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities.

S&P/Case-Shiller Home Price Indexes: A group of indexes that track changes in home prices throughout the United States. Case-Shiller produces indexes representing certain metropolitan statistical areas (MSA) as well as a national index.

Swiss Re Global Cat Bond Total Return Index: Tracks the aggregate performance of all U.S. dollar-denominated euros and Japanese yen-denominated catastrophe bonds, capturing all ratings, perils and triggers.

U.S. Dollar Index: Indicates the general international value of the U.S. dollar by averaging the exchange rates between the U.S. dollar and six major world currencies.

Wilshire 5000 Index: Composed of more than 6,700 publicly-traded U.S. companies and is designed to track the overall performance of the American stock markets.

LARM Market Update / Renewal Strategy and Expectations

Presented by: Justin Swarbrick

2/27/2024

Alliant Insurance Services
www.alliant.com

(THIS INFORMATION HAS BEEN CONSOLIDATED FROM VARIOUS INDUSTRY SOURCES)

Agenda

1. Global Market Overview
2. LARM Property Program
3. Renewal Strategy
4. Renewal Expectations
5. Renewal Timeline

Global Market Overview

Global Market Update

- 2023 combined ratio: 103% (significant residential losses)
- Investment income on the rise
- Reinsurance market - STABLE
- Markets looking to grow
- Not hard market, not soft market, stable market

Market Update

Property

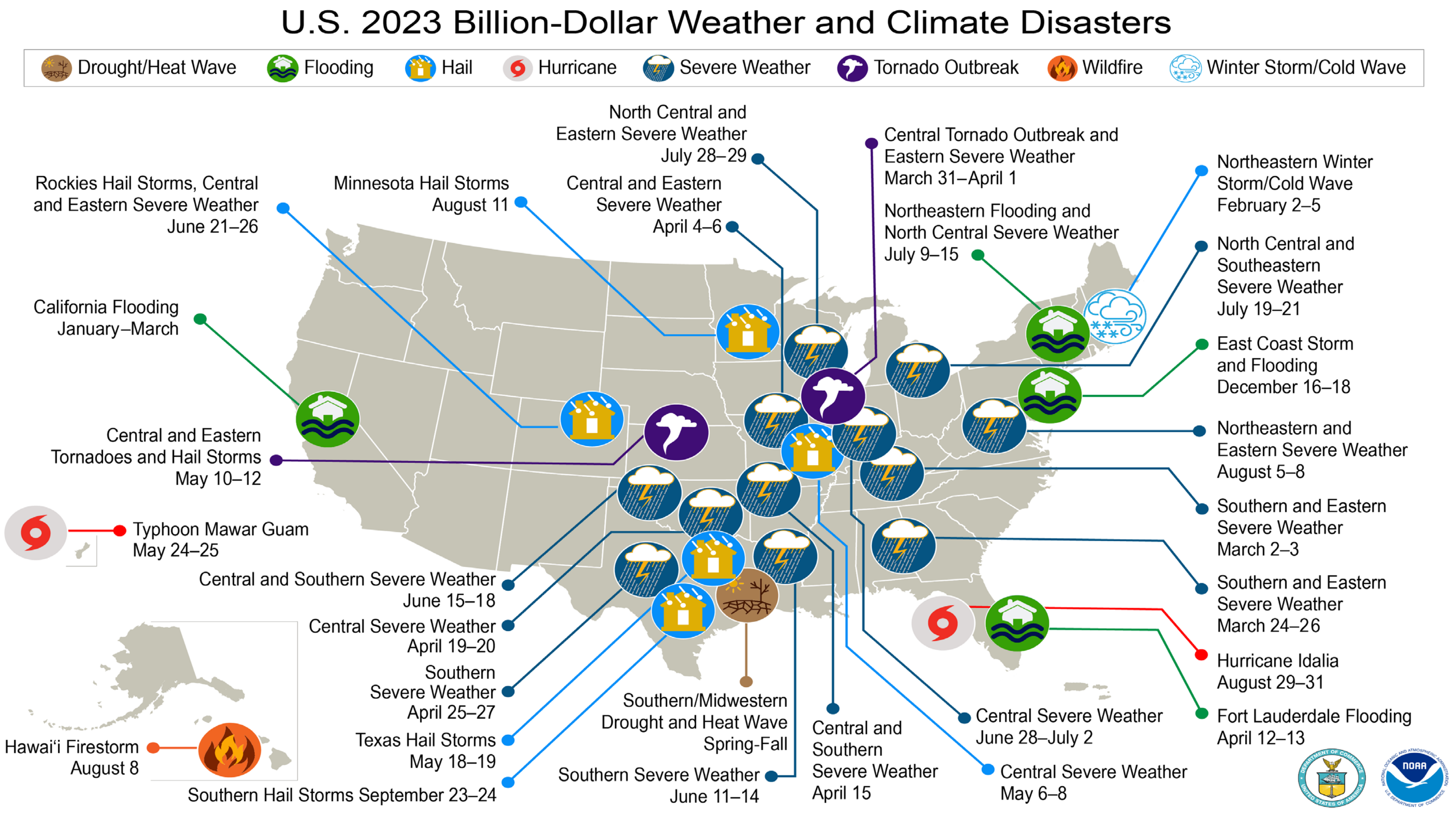
- Over $100 Billion in property claims (Top 5 all time)
- Severe convective storm accounted for nearly 70% of losses
- Valuations continue to be important

Property Coverage Items – Industry Trends

- Scheduled value or Margin Clause
- Cosmetic Damage Exclusions / Sub-limits
- Percentage Deductibles for Wind / Hail (Typically 2% or 3%)
- Public Adjustor Exclusions

Major U.S Losses in 2023

Another Record Breaking Year of $1b CAT Losses

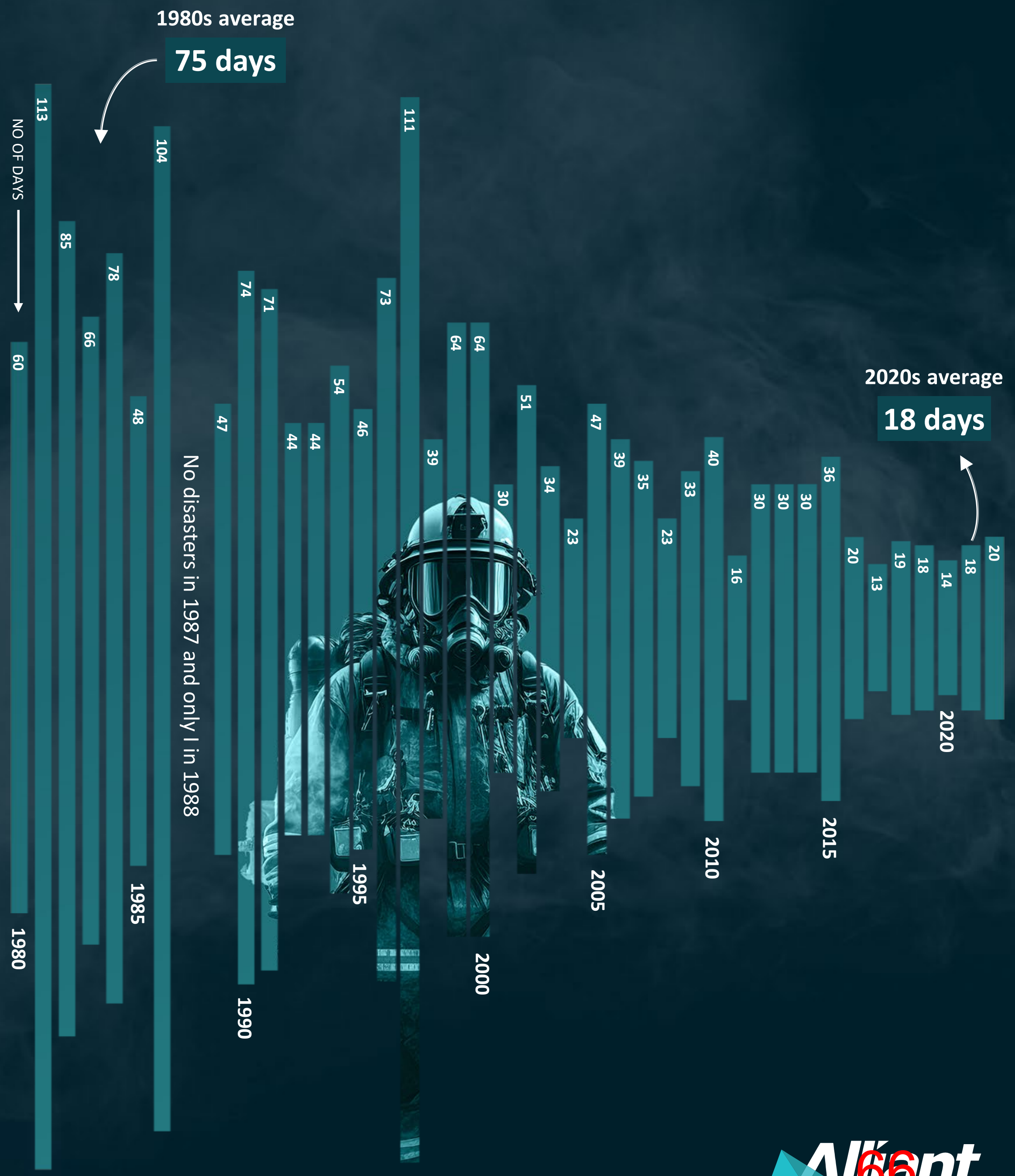


*This map denotes the approximate location for each of the **28 separate billion-dollar weather and climate disasters that impacted the United States in 2023.***

Days between billion-dollar disasters

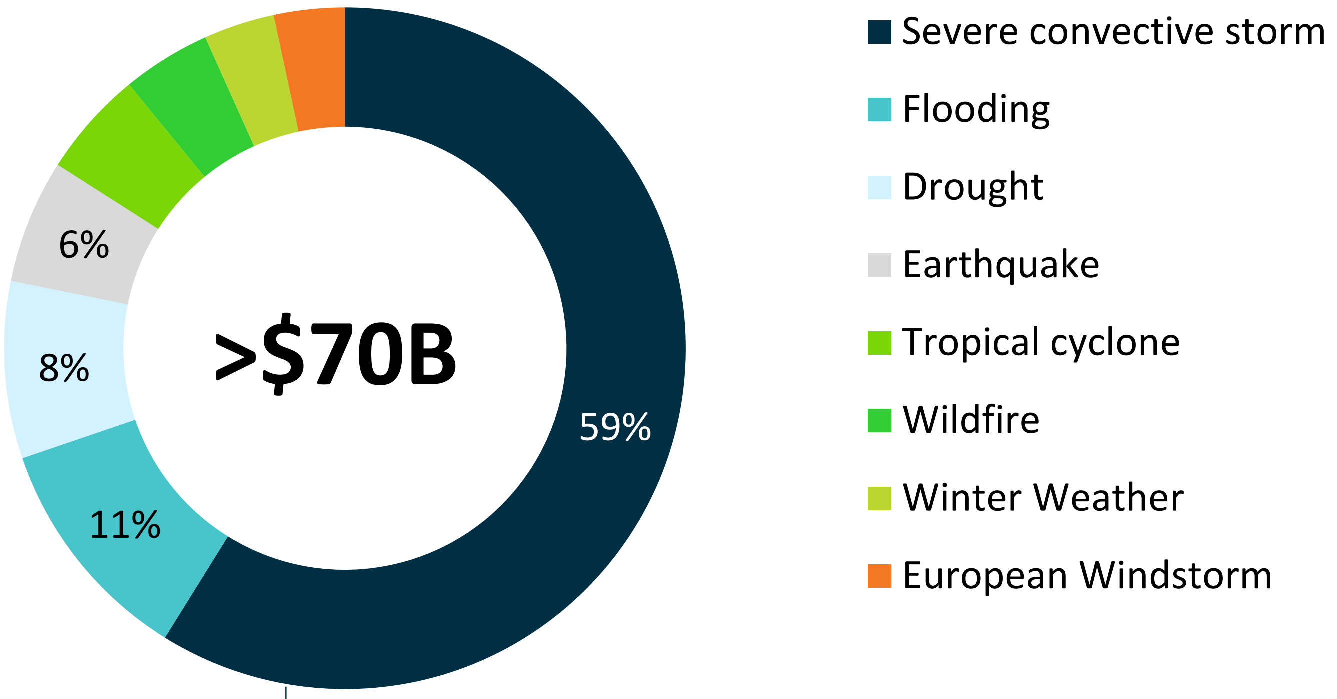
Since the 1980s, the U.S. has faced more frequent climate disasters with every passing decade. Between 2020 to 2022, the average number of days between billion-dollar disaster events within one year dropped to just 18.

Billion-dollar disasters are events where overall damages/costs reached or exceeded $1 billion (including CPI adjustment to 2023).



Source: NOAA |

Global Insured Losses by Peril in 2023



Severe convective storm (SCS) events accounted for nearly 60% of global insured natural CAT losses during 2023

Secondary perils (including SCS) are of increasing concern to insurers and reinsurers
2023: > $50B in SCS losses in U.S.

There have only been 3 years on record where US hurricane losses resulted in $50B+ insured losses

Source: https://www.theinsurer.com/news/aon-estimates-2023-insured-nat-cats-at-118bn-as-protection-gap-rises-to-69/

Market Update

Liability

- Nuclear verdicts
- Litigation financing
- Law enforcement liability
- Election year impact?

Liability Coverage Items – Industry Trends

- Biometric Exclusions

Market Update

Cyber Liability

- Ransomware on the rise
- Critical infrastructure hacks
- “Black Swan” event

Cyber Liability Coverage Items – Industry Trends

- Systemic Loss Exclusions
- War Wording

LARM Property Program

LARM Property Program

APIP Provides Excess Coverage Up to $250 Million

NLC Provides Coverage Up to $3 Million

$100,000 All Risk / $450,000 Wind and Hail Deductible

Key Renewal Points

- APIP renewal/excess coverage driven by global market
- NLC renewal driven by LARM claim history

Renewal Strategy 2024

Strategies by Line of Coverage

Property

- Explore early negotiations with incumbent
- Consider marketing excess reinsurance program
- Renew/Restructure NLC Mutual layer

Casualty

- Renew with NLC Mutual

Cyber / Pollution Liability

- Market program for other cyber options

Excess Work Comp

- Continue Relationship with MWCC

Renewal Expectations

Renewal Expectations

Property

Excess coverage should be stable (0-15% rate increase)

NLC likely to push for higher retentions and rate (TBD)

No significant coverage changes

Liability

Stable renewal with NLC (5-15% rate increase)

Cyber

Stable renewal (flat – 10% rate increase)

Excess Workers Compensation

Stable renewal with MWCC (flat – 10% rate increase)

Renewal Timeline

Renewal Timeline

Activity	Timeframe
Renewal Strategy Discussion	February 27^{th}
Send Submission to the Marketplace	March
Underwriter Meetings	March 3 – 5 (AGRIP)
Early Renewal Indications	May 1
Bind Renewal Coverage	May Board Meeting

Questions

LEAGUE ASSOCIATION OF RISK MANAGEMENT
FINANCIAL STATEMENTS
FOR THE PERIODS ENDED DECEMBER 31, 2023 AND 2022
(Unaudited)
AND THE YEAR ENDED SEPTEMBER 30, 2023
(Audited)

LEAGUE ASSOCIATION OF RISK MANAGEMENT

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Financial Reports & Supplemental Information

League Association of Risk Management

Balance Sheet - Statutory Basis

December 31, 2023 and 2022 and September 30, 2023

Assets

	December 31 2023 (Unaudited)	December 31 2022 (Unaudited)	September 30 2023 (Audited)
Cash:			
Cash on deposit	$ 5,380,282	1,507,489	$ 2,354,318
Short-term investments	4,937,447	6,880,639	-
Total cash	10,317,729	8,388,128	2,354,318
Long-term investments	12,494,931	14,780,865	13,493,414
Accounts receivable	-	4,228	4,424
Premiums receivable	191,978	108,548	14,131,220
Interest receivable	27,148	66,367	21,472
Reinsurance recoverable on paid losses	923,553	583,021	732,865
Total assets	$ 23,955,339	23,931,157	$ 30,737,713

Liabilities and Surplus

	December 31 2023 (Unaudited)	December 31 2022 (Unaudited)	September 30 2023 (Audited)
Loss reserves	$ 5,827,033	5,092,530	$ 5,598,841
Loss adjustment expenses	2,157,763	2,373,808	2,080,595
Unearned premium	8,467,841	7,865,097	14,055,259
Taxes payable	155,322	136,727	120,304
Other liabilities	227,243	425,633	387,134
Funds held under reinsurance treaties	25,000	25,000	25,000
Total liabilities	16,860,202	15,918,795	22,267,133
Surplus	7,095,137	8,012,362	8,470,580
Total liabilities and surplus	$ 23,955,339	23,931,157	$ 30,737,713

League Association of Risk Management

Statements of Income - Statutory Basis

For the Periods Ended December 31, 2023 and 2022

and the Year Ended September 30, 2023

	Three Months Ended		Year Ended
	December 31 2023 (Unaudited)	December 31 2022 (Unaudited)	September 30 2023 (Audited)
Revenue:			
Premiums earned, direct	$ 4,092,912	3,302,580	$ 13,598,774
Premiums earned, transferred by excess	(1,499,425)	(1,112,143)	(4,757,150)
Net premiums	2,593,487	2,190,437	8,841,624
Investment income	59,460	69,280	264,924
Miscellaneous income	1,039	99,306	115,198
Total revenues	2,653,986	2,359,023	9,221,746
Expenses:			
Losses incurred, direct	3,464,081	1,154,365	7,052,358
Losses incurred, transferred by excess	(1,689,671)	(23,776)	(1,832,519)
Net losses	1,774,410	1,130,589	5,219,839
Loss expenses incurred	301,240	288,799	608,024
Other underwriting expense incurred	1,953,779	1,357,929	3,353,959
Total expenses	4,029,429	2,777,317	9,181,822
Net income/(loss) - statutory basis	$ (1,375,443)	(418,294)	$ 39,924

League Association of Risk Management

Statement of Changes in Surplus - Statutory Basis

For the Periods Ended December 31, 2023 and 2022

and the Year Ended September 30, 2023

	Three Months Ended		Year Ended
	December 31 2023 (Unaudited)	December 31 2022 (Unaudited)	September 30 2023 (Audited)
Surplus, beginning of period	$ 8,470,580	8,430,656	$ 8,430,656
Net income/(loss) - statutory basis	(1,375,443)	(418,294)	39,924
Unrealized capital gain	-	-	89,606
Change in non-admitted assets	-	-	(89,606)
Surplus, end of period	$ 7,095,137	8,012,362	$ 8,470,580

League Association of Risk Management

Statement of Cash Flows - Statutory Basis

For the Periods Ended December 31, 2023 and 2022

and the Year Ended September 30, 2023

	Three Months Ended		Year Ended
	December 31 2023 (Unaudited)	December 31 2022 (Unaudited)	September 30 2023 (Audited)
Premiums collected, net of excess insurance	$ 10,949,425	8,978,608	$ 7,797,399
Loss and loss adjustment expenses paid	(1,960,978)	479,428	(3,865,793)
Underwriting expense paid	(2,078,652)	(1,275,890)	(3,326,842)
Cash from underwriting	6,909,795	8,182,146	604,764
Investment Income	53,784	24,416	354,561
Other Income/(Expense)	1,039	99,306	115,198
Net cash from operations	6,964,618	8,305,868	1,074,523
Transfer in:			
Other sources	998,793	122	218,144
Transfer out:			
Other applications	-	(1,069,307)	(89,794)
Net change in cash and short-term investments	7,963,411	7,236,683	1,202,873
Cash and short term investments, beginning of period	2,354,318	1,151,445	1,151,445
Cash and short term investments, end of period	$ 10,317,729	8,388,128	$ 2,354,318

League Association of Risk Management
Reconciliation of Unpaid Claim Liabilities
For the Periods Ended December 31, 2023 and 2022
and the Year Ended September 30, 2023

	Three Months Ended		Year Ended
	December 31 2023 (Unaudited)	December 31 2022 (Unaudited)	September 30 2023 (Audited)
Unpaid claims and claims adjustment expenses at the beginning of period	$ 7,679,436	6,871,870	$ 6,871,870
Incurred claims and claims adjustment expenses:			
Provision for insured events of current policy year	1,594,499	1,255,000	7,580,837
Increase/(decrease) in provision in insured events of prior policy year	481,151	164,388	(1,752,974)
Total incurred claims and claims adjustment expense	2,075,650	1,419,388	5,827,863
Payments:			
Claims and claims adjustment expenses attributable to insured events of the current policy year	88,533	132,604	3,122,439
Claims and claims adjustment expenses attributable to insured events of prior policy year	1,681,757	692,316	1,897,858
Total payments	1,770,290	824,920	5,020,297
Unpaid claims at end of period	$ 7,984,796	7,466,338	$ 7,679,436