

PERFORMA

● ● ● INVESTMENT MANAGEMENT

OCTOBER 13, 2022

TxCIA 2022 | THE ECONOMIC LANDSCAPE

PRESENTER

SCOTT MILDRUM | ECONOMIC AND MACRO STRATEGIST

BERMUDA | SOUTH CAROLINA | VERMONT

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SECTION 1

WELCOME BACK TO EARTH

WELCOME BACK TO EARTH | 2020 - 2022

FEBRUARY 2020



WELCOME BACK TO EARTH | 2022

OCTOBER 2022



WELCOME BACK TO EARTH | 10 YEAR U.S. TREASURY



JERRY CELL

Hey Jerry!! I'm finally back from being abducted by aliens.

That's awesome! Hope all is well.

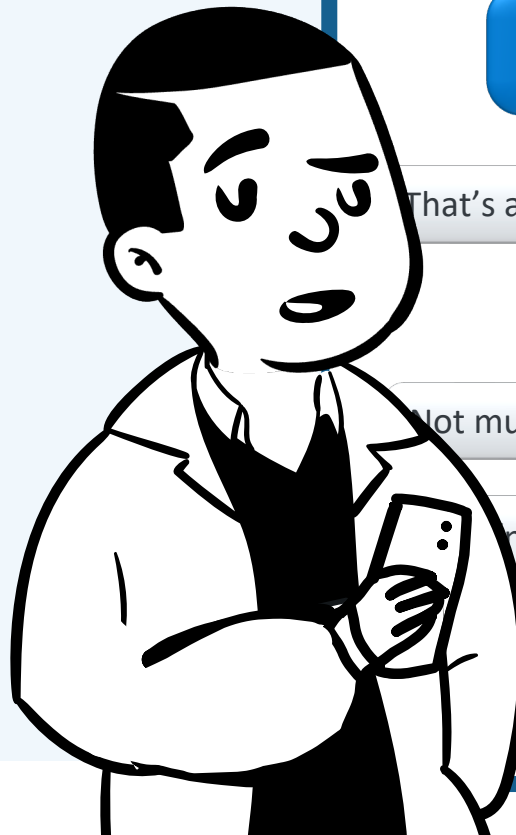
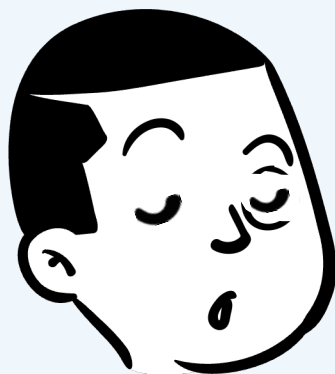
Thx. What did I miss?

Not much.

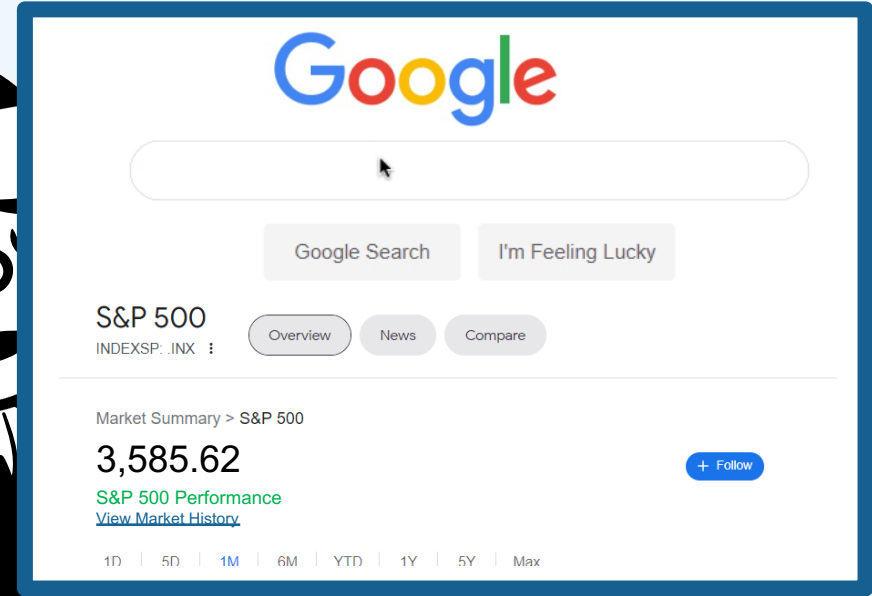
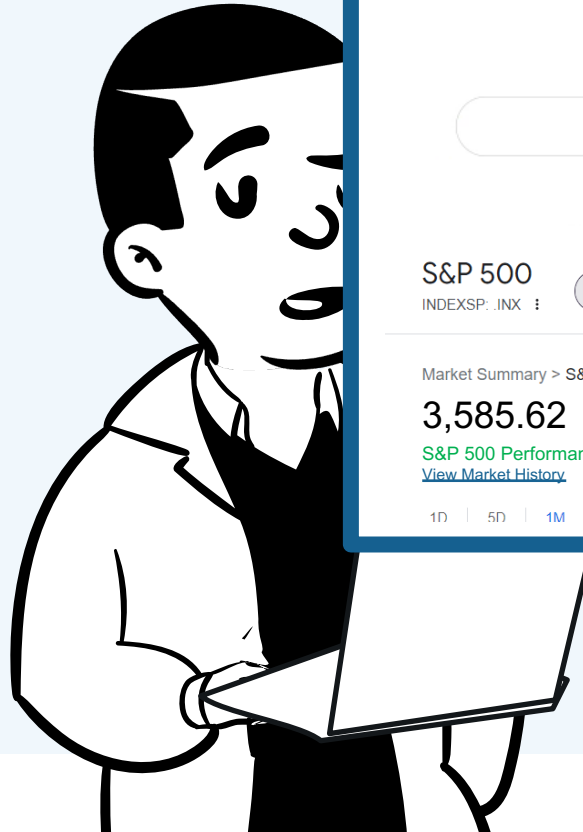
"Not much" I guess I mean...

...g you're dying

Are 10-YR USTs still at 1.15% ??????



WELCOME BACK TO EARTH | S&P 500 INDEX



WELCOME BACK TO EARTH | LABOR MARKET



PER 2022

WELCOME BACK TO EARTH | HOUSING



U.S. REAL ESTATE:

FOR SALE: SEE PAGES 28-34 FOR
LOCAL HOUSING LISTINGS.

REAL ESTATE NEWS:

MEDIAN EXISTING HOME PRICE

INCREASED FROM **\$270.4K TO**
\$389.5K (2020 – 2022)

WELCOME BACK TO EARTH | RECAP

....The S&P 500 has
returned over 25%!

So
th
Things must
Gr

...& THE MEDIAN EXISTING HOME
PRICE IS UP OVER 40%?!?!?

about
another 2.5%
on 10-YR USTs.

UNEMPLOYMENT IS STILL AT
A HISTORICALLY LOW RATE



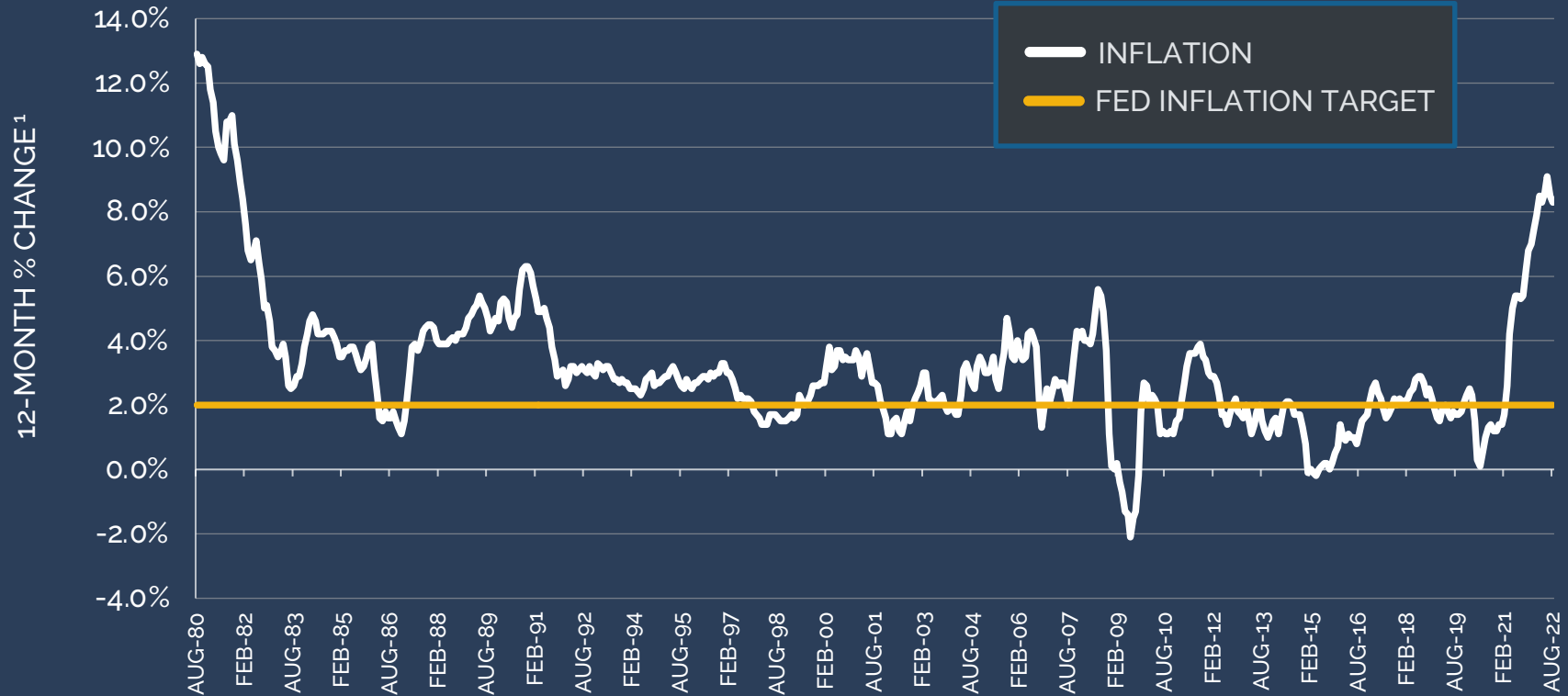
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SECTION 2

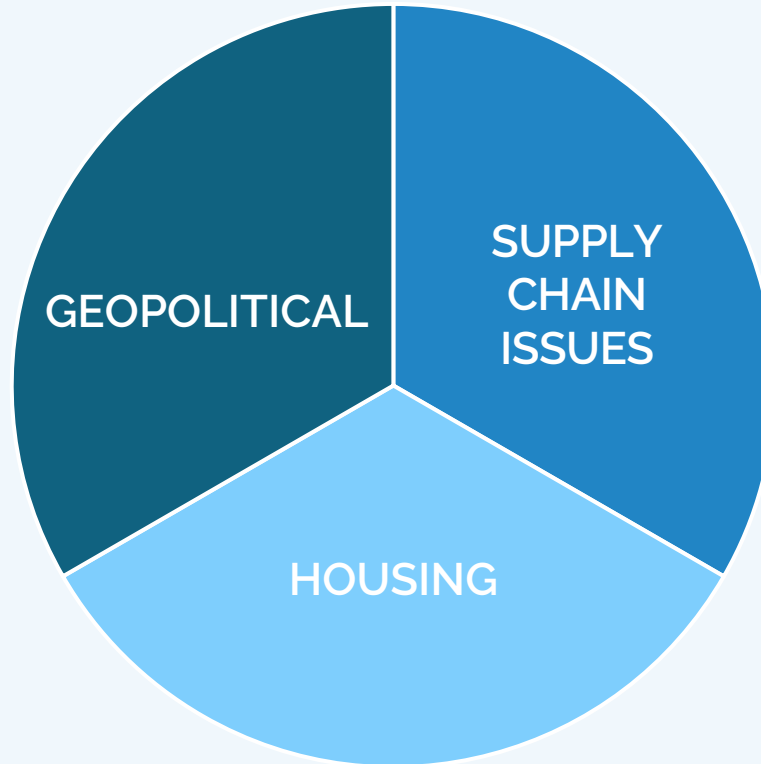
A MAJOR DIFFERENCE

A MAJOR DIFFERENCE | INFLATION | AUG 1980 VS AUG 2022

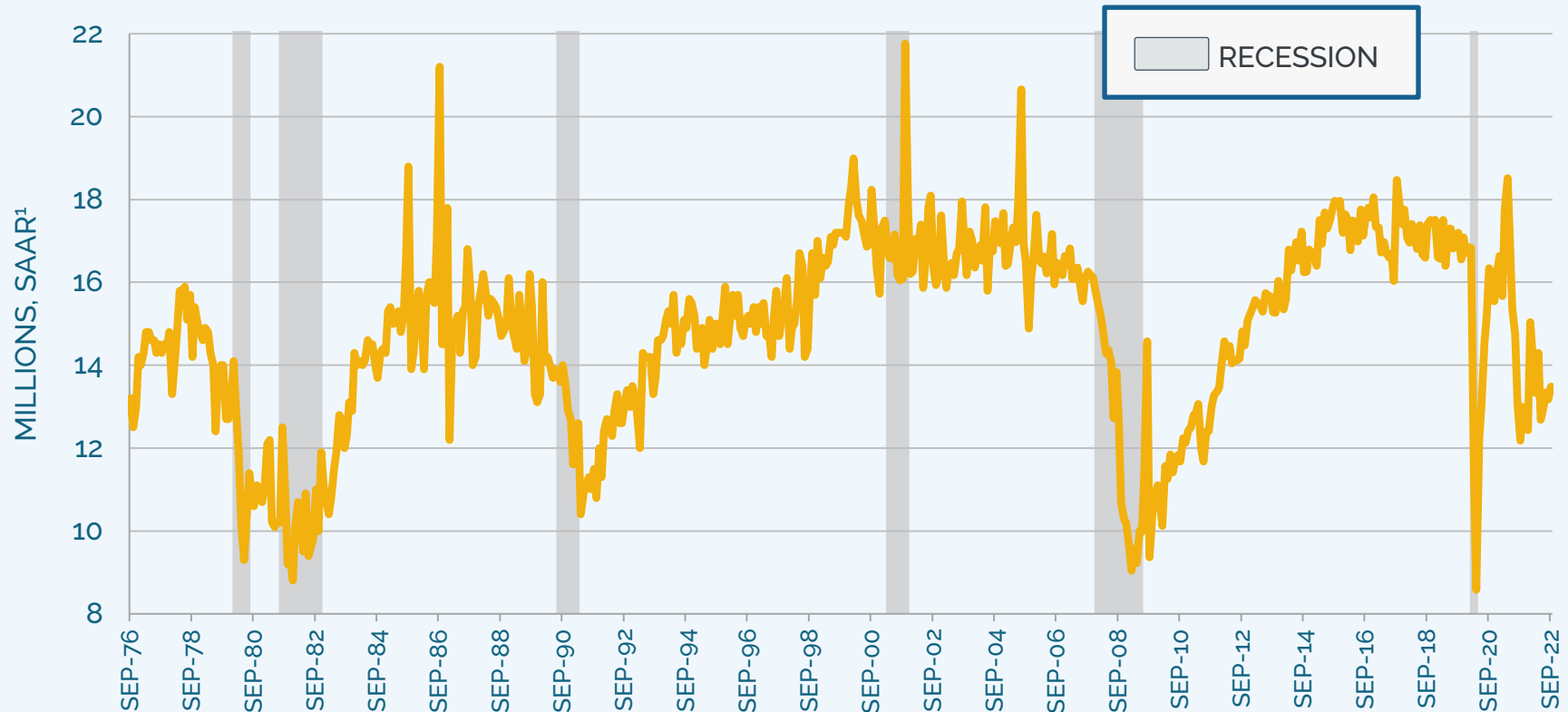


SOURCE: BUREAU OF LABOR STATISTICS | ¹ CONSUMER PRICE INDEX, YEAR OVER YEAR, NON SEASONALLY ADJUSTED, BLOOMBERG, PERFORMA

A MAJOR DIFFERENCE | INFLATION | THREE BIG FACTORS

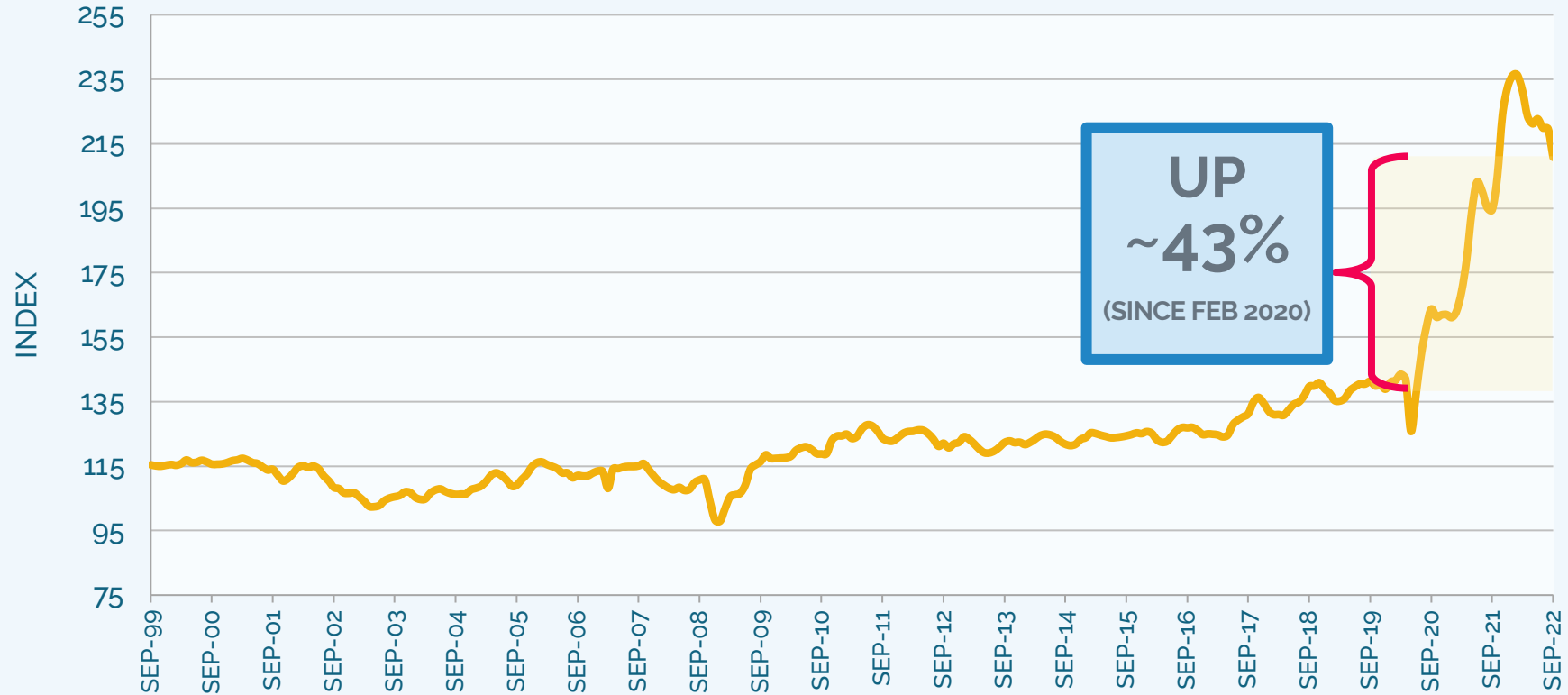


A MAJOR DIFFERENCE | SUPPLY CHAIN | AUTO SALES



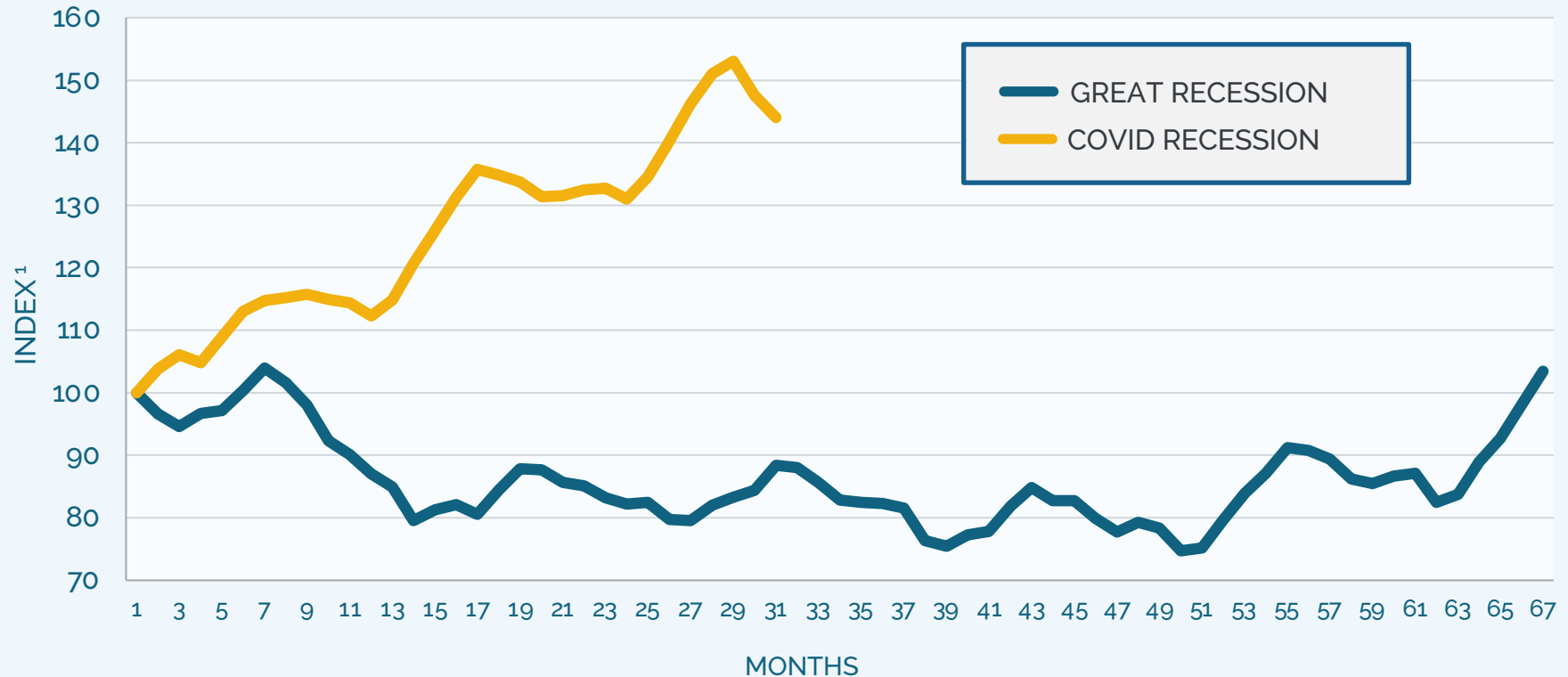
SOURCE: WARD'S AUTOMOTIVE GROUP, *SEASONALLY ADJUSTED ANNUALIZED RATE, NBER, BLOOMBERG, PERFORMA

A MAJOR DIFFERENCE | SUPPLY CHAIN | USED VEHICLE PRICES



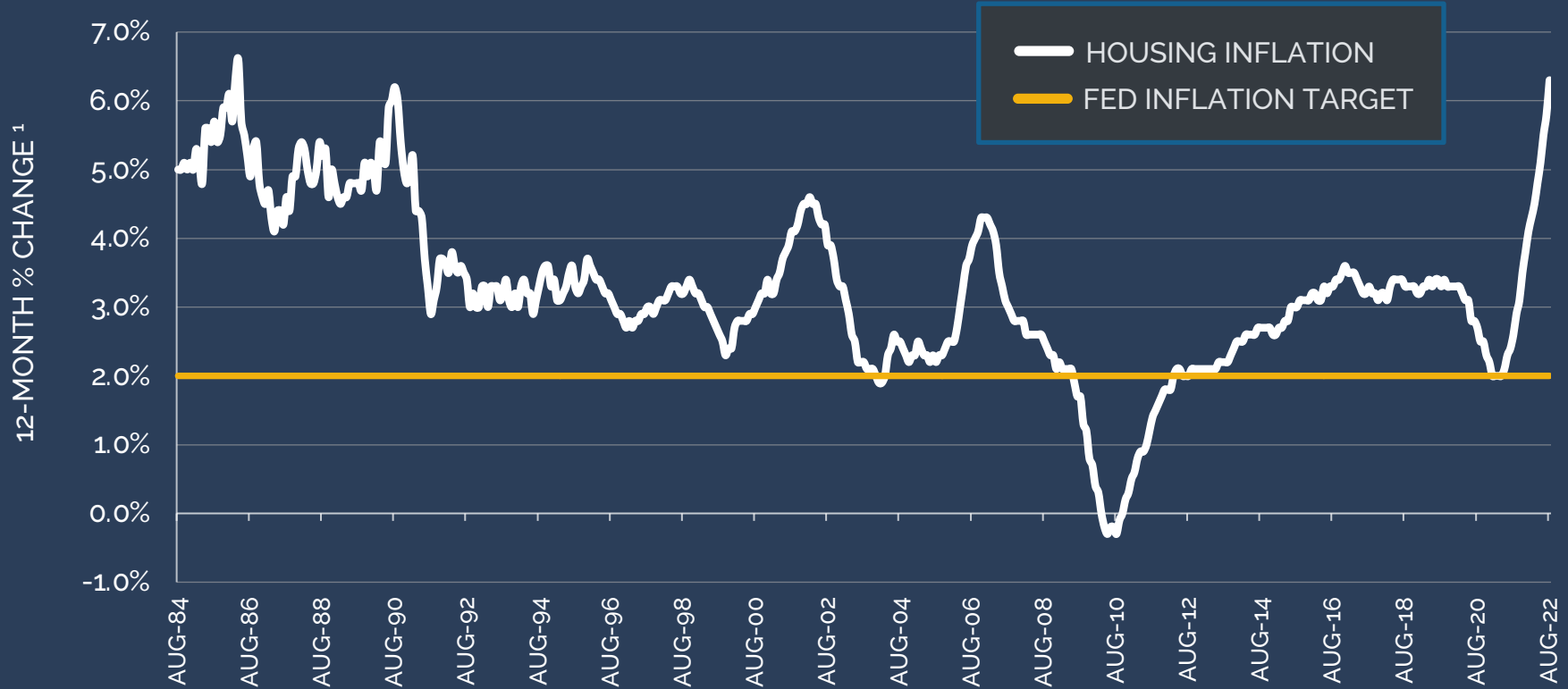
SOURCE: PERFORMA, BLOOMBERG, MANHEIM US USED VEHICLE VALUE INDEX, SEASONALLY ADJUSTED

A MAJOR DIFFERENCE | HOUSING | MEDIAN EXISTING HOME PRICES



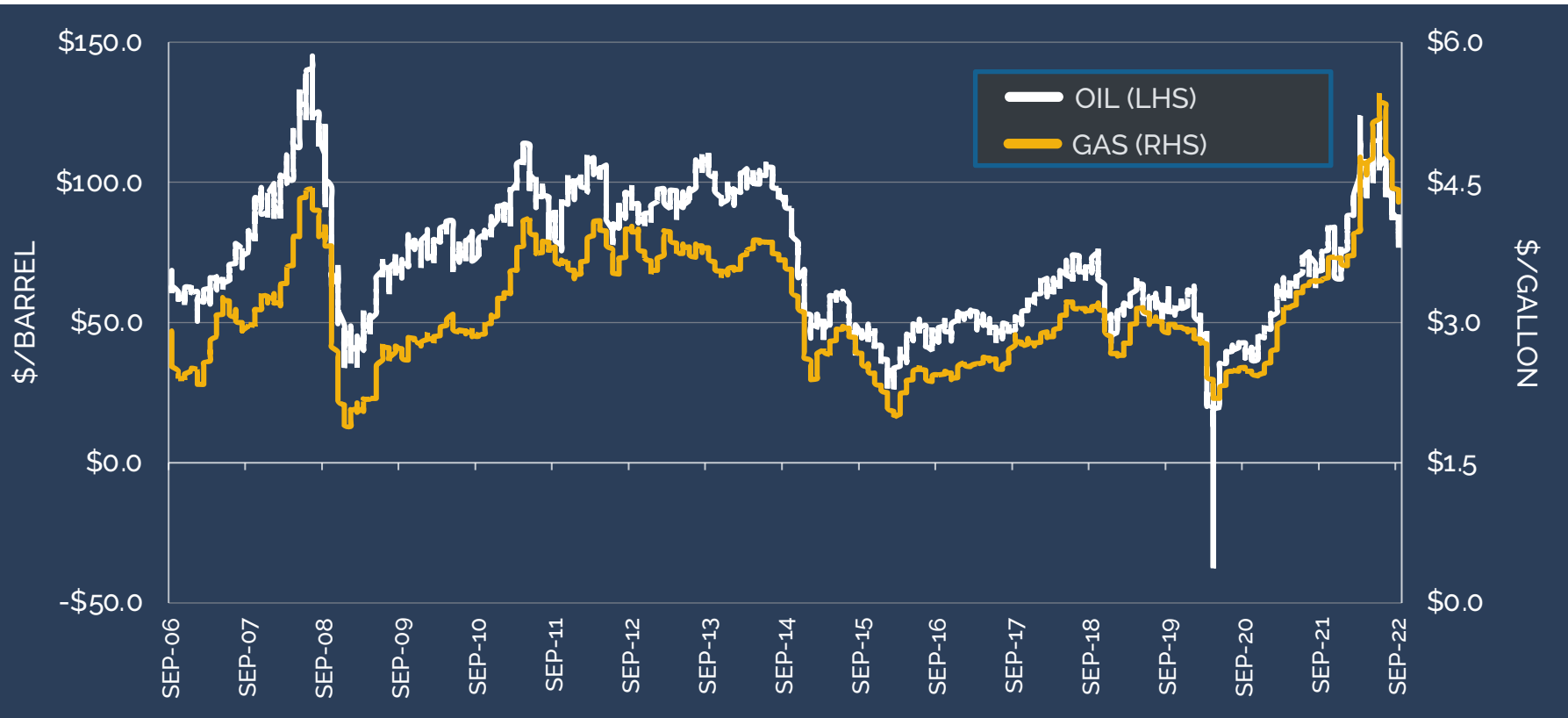
SOURCE: PERFORMA, BLOOMBERG, NATIONAL ASSOC. OF REALTORS, NBER | ¹MEDIAN EXISTING HOME PRICES START DATE NORMALIZED TO 100

A MAJOR DIFFERENCE | HOUSING | RENT PRICES CATCHING UP



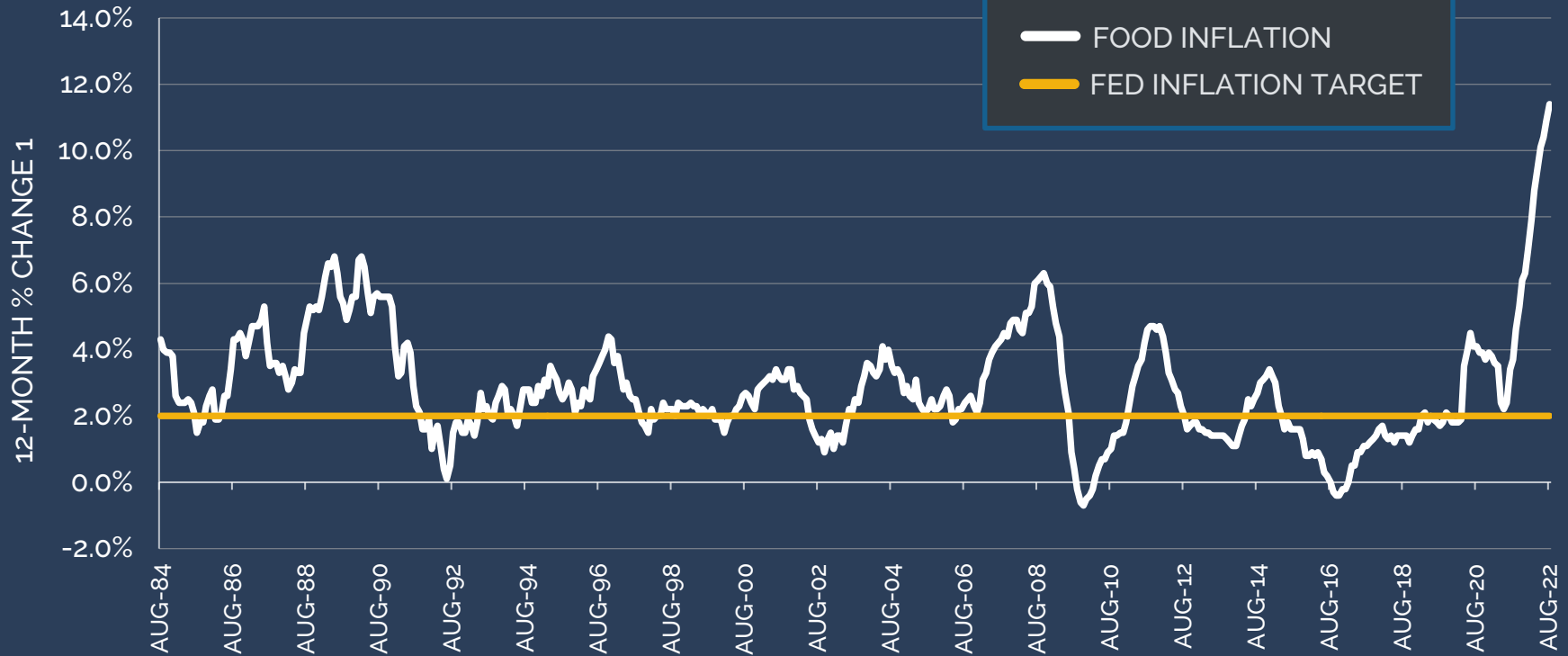
SOURCE: BUREAU OF LABOR STATISTICS | ¹ CONSUMER PRICE INDEX OWNERS EQUIVALENT RENT OF RESIDENCES, YEAR OVER YEAR, NON SEASONALLY ADJUSTED, BLOOMBERG, PERFORMA

A MAJOR DIFFERENCE | GEOPOLITICAL | ENERGY PRICES



SOURCE: WTI CRUDE FUTURES PRICE | U.S. AVERAGE GASOLINE PRICE IS USD PER GALLON BLOOMBERG INTELLIGENCE, BLOOMBERG, PERFORMA

A MAJOR DIFFERENCE | GEOPOLITICAL | FOOD



SOURCE: BUREAU OF LABOR STATISTICS | ¹ CONSUMER PRICE INDEX FOOD, YEAR OVER YEAR, NON SEASONALLY ADJUSTED, BLOOMBERG, PERFORMA

A MAJOR DIFFERENCE | INFLATION RECAP | SINCE FEB 2020

MEDIAN EXISTING HOMES PRICE ↑



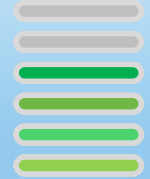
44%



NEW VEHICLE PRICES ↑



18%



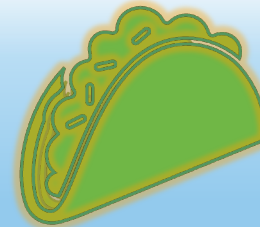
GAS PRICES ↑



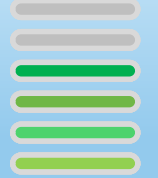
57%



FOOD PRICES ↑



19%



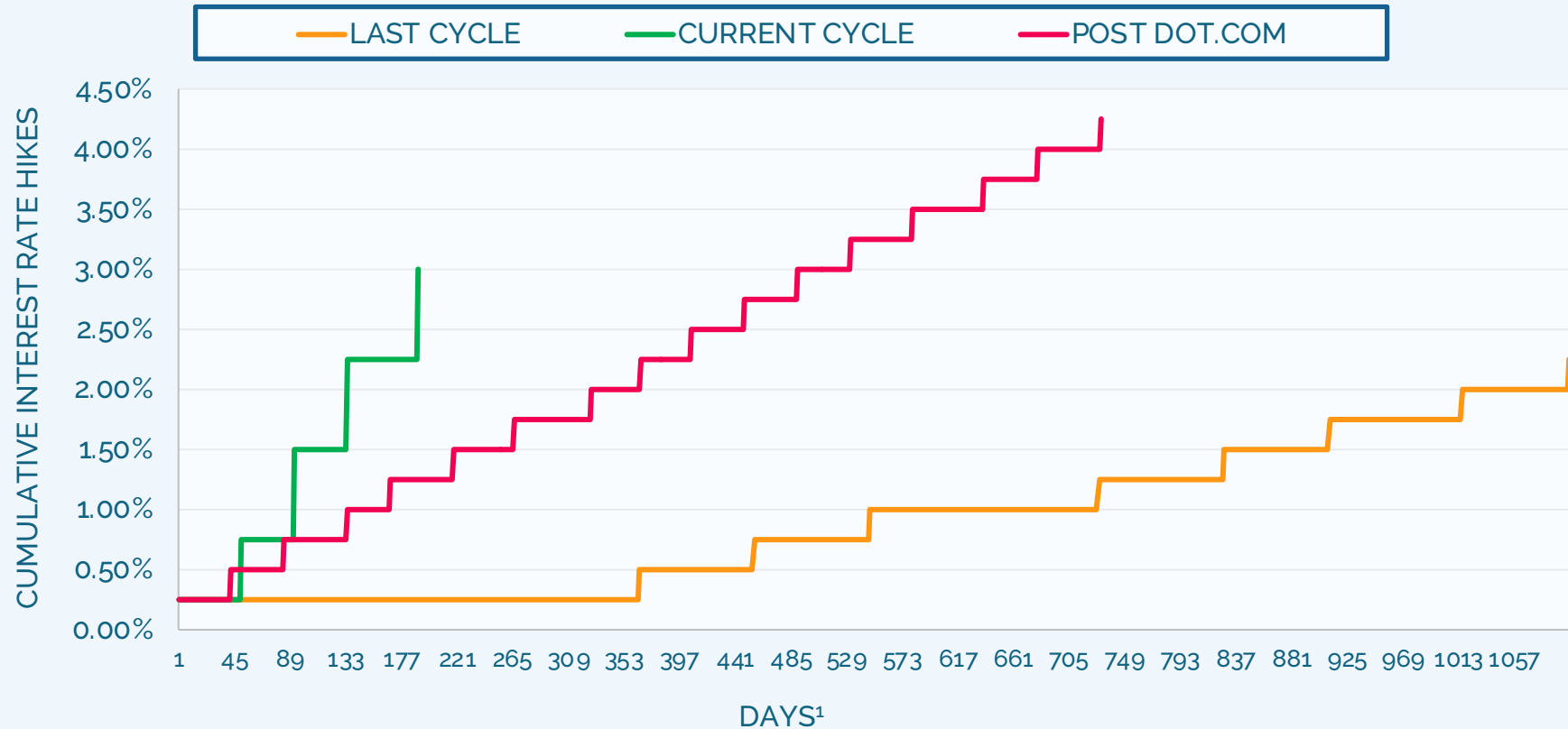
SOURCE: NATIONAL ASSOC. OF REALTORS, U.S. AVERAGE GASOLINE PRICE IS USD PER GALLON BLOOMBERG INTELLIGENCE, BLS | CONSUMER PRICE INDEX NON SEASONALLY ADJUSTED, BLOOMBERG, PERFORMA

A MAJOR DIFFERENCE | S&P 500 | AUG 31ST 2015 – AUG 30TH 2019



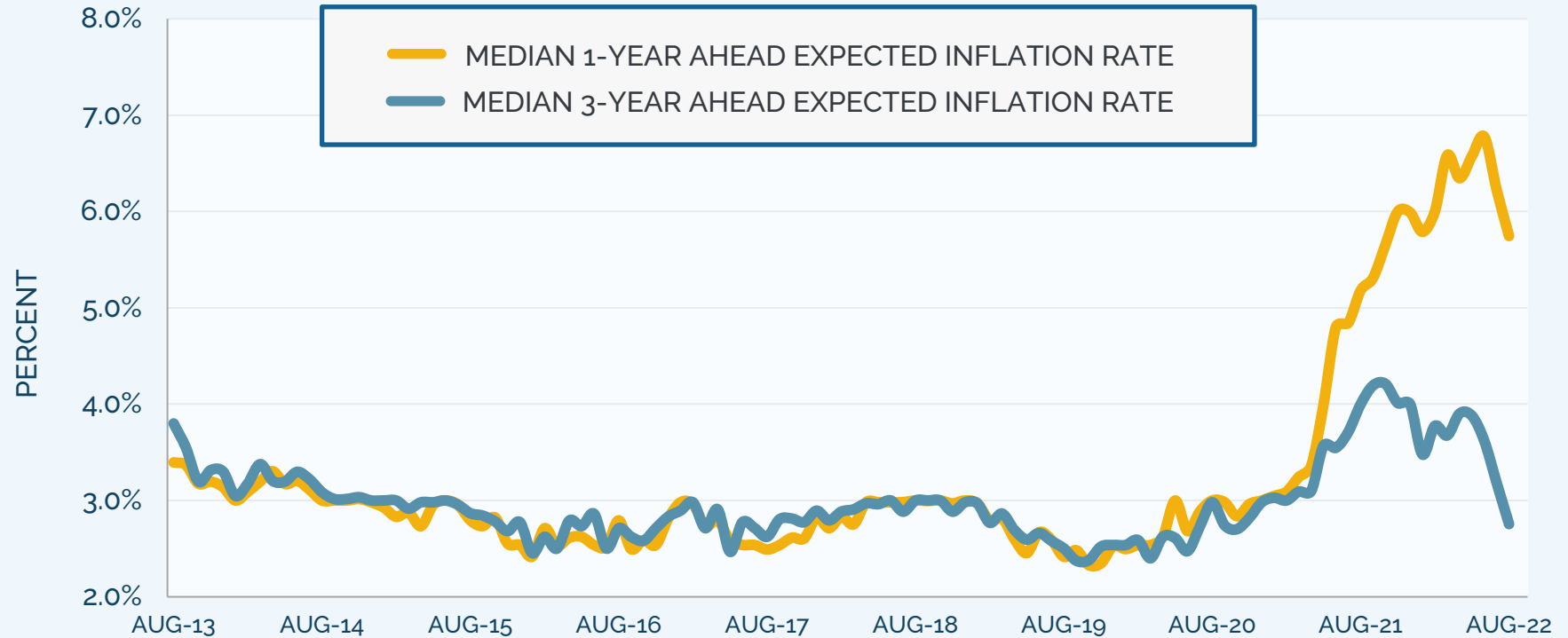
SOURCE: PERFORMA, BLOOMBERG

A MAJOR DIFFERENCE | FED POLICY | RATE HIKING CYCLES



SOURCE: ¹DAY 1 = START OF HIKING CYCLE, PERFORMA, BLOOMBERG

A MAJOR DIFFERENCE | INFLATION | EXPECTATIONS



SOURCE: PERFORMA, BLOOMBERG, NEW YORK FEDERAL RESERVE



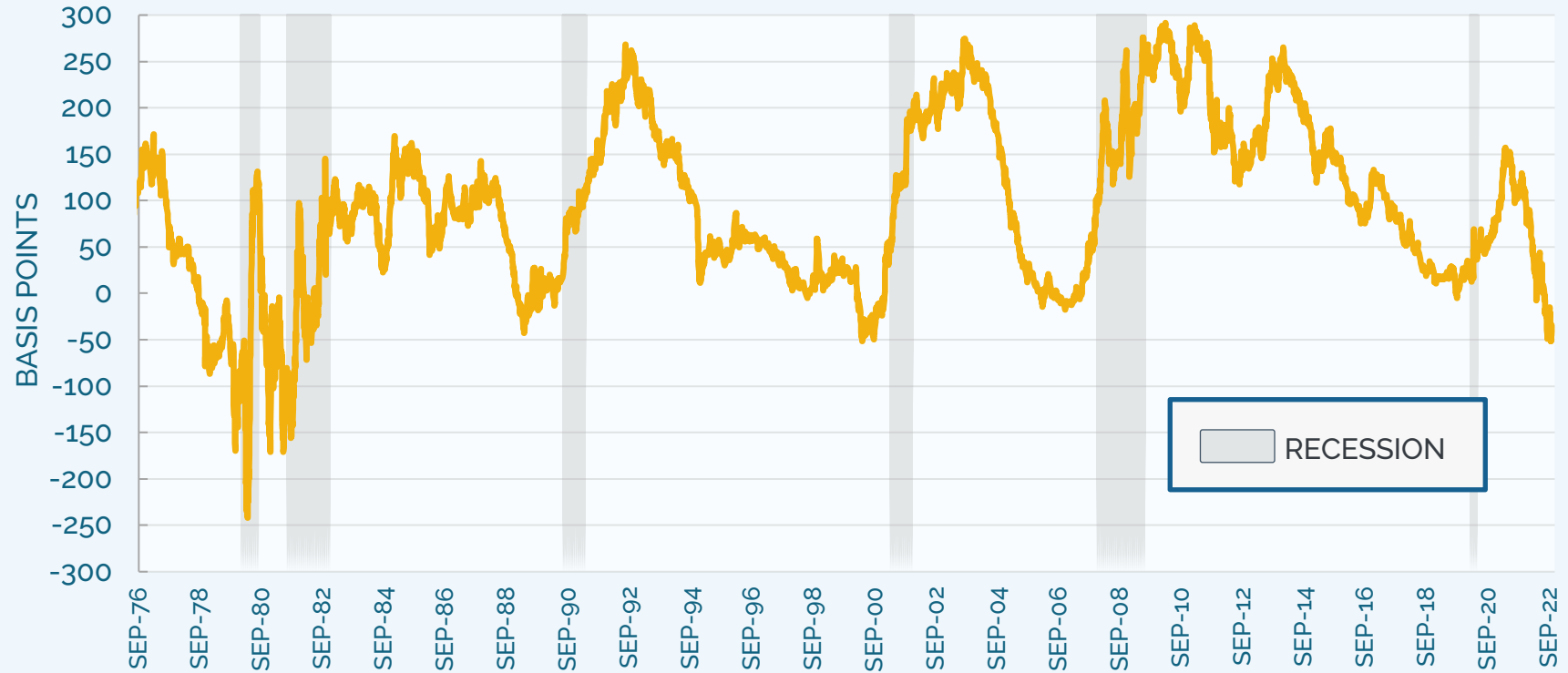
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SECTION 3

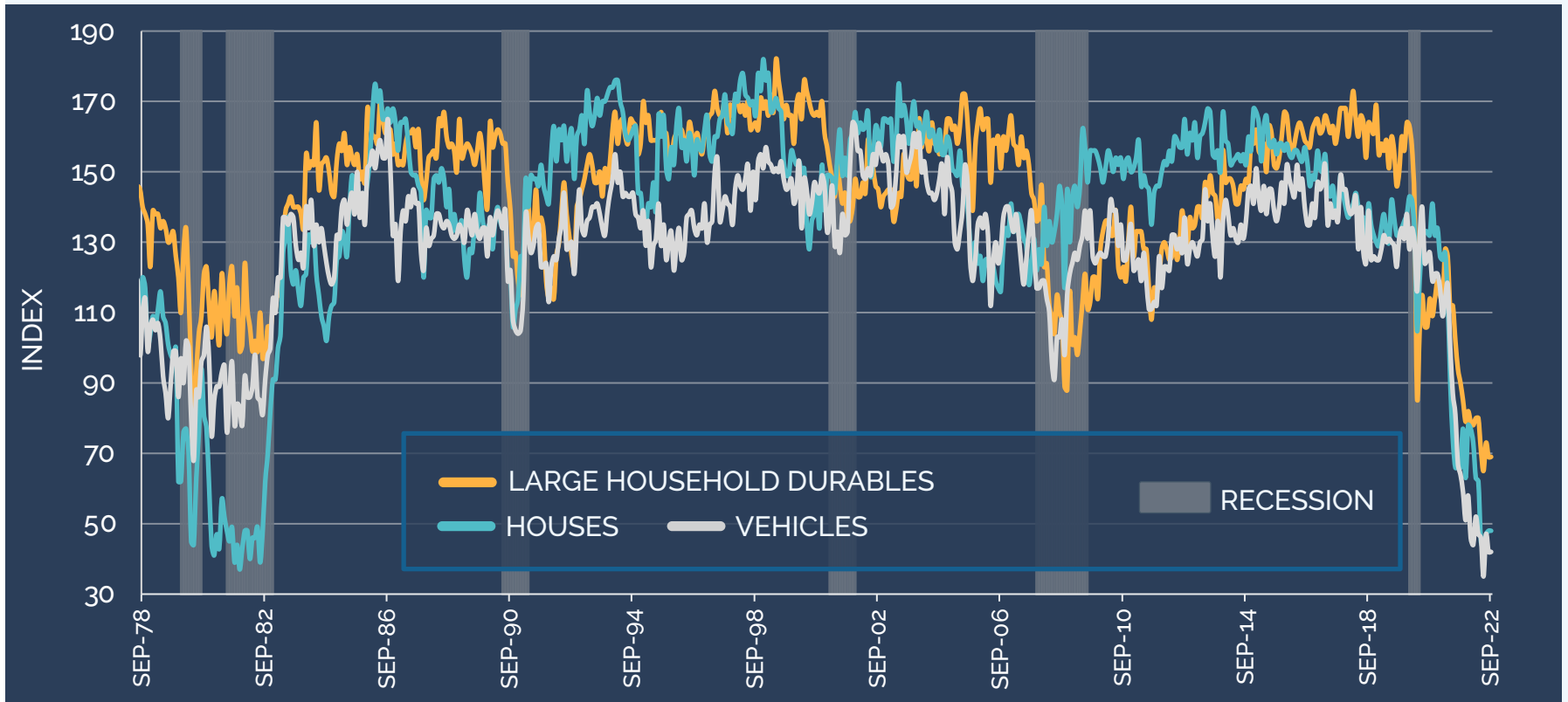
CONCERNS ARE RISING

CONCERNS ARE RISING | MARKETS FLASHING WARNING SIGNS | $2S/10S^1$



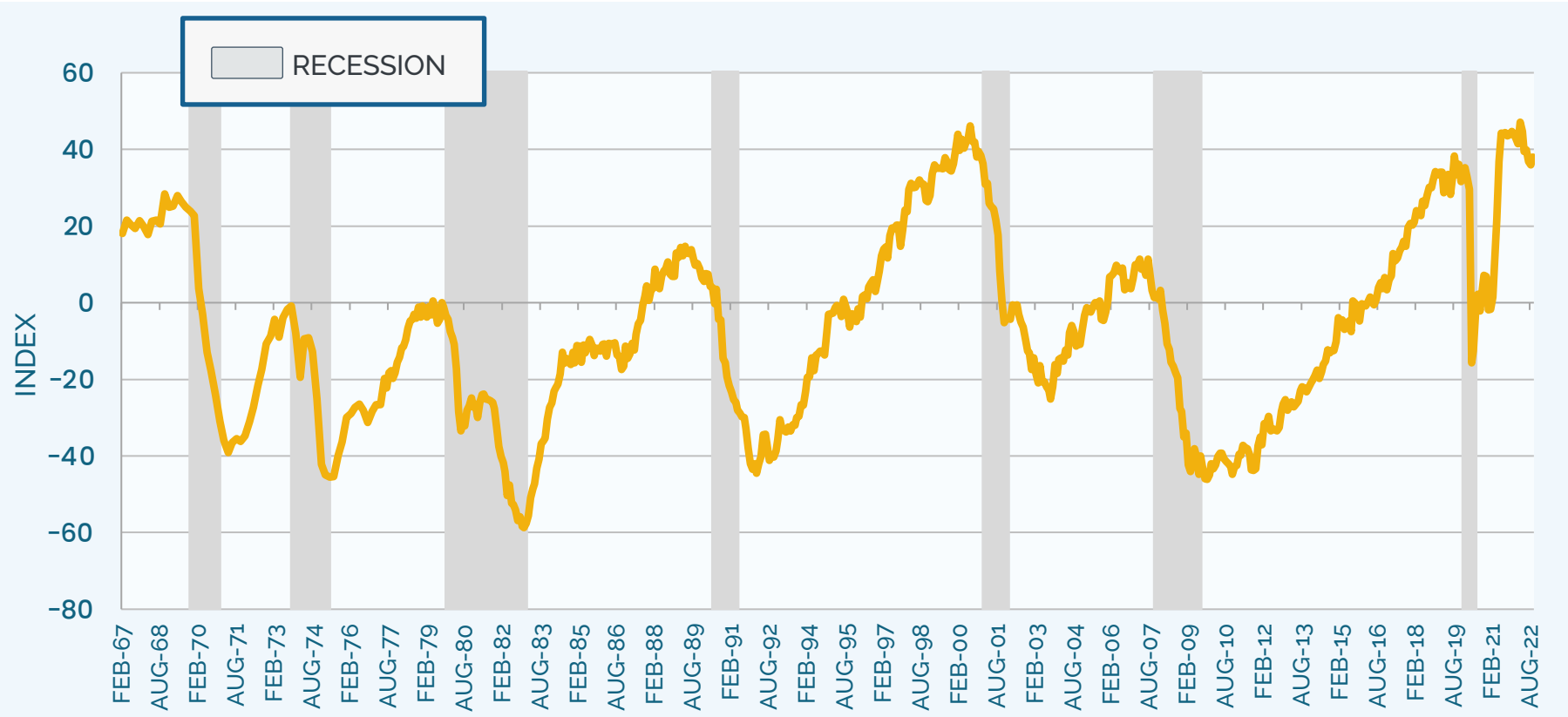
SOURCE: PERFORMA, BLOOMBERG, NBER | $2S/10S$ IS THE SPREAD BETWEEN 10-YR UST AND 2-YR UST YIELDS

CONCERNS ARE RISING | CONSUMER SENTIMENT | BUYING CONDITIONS



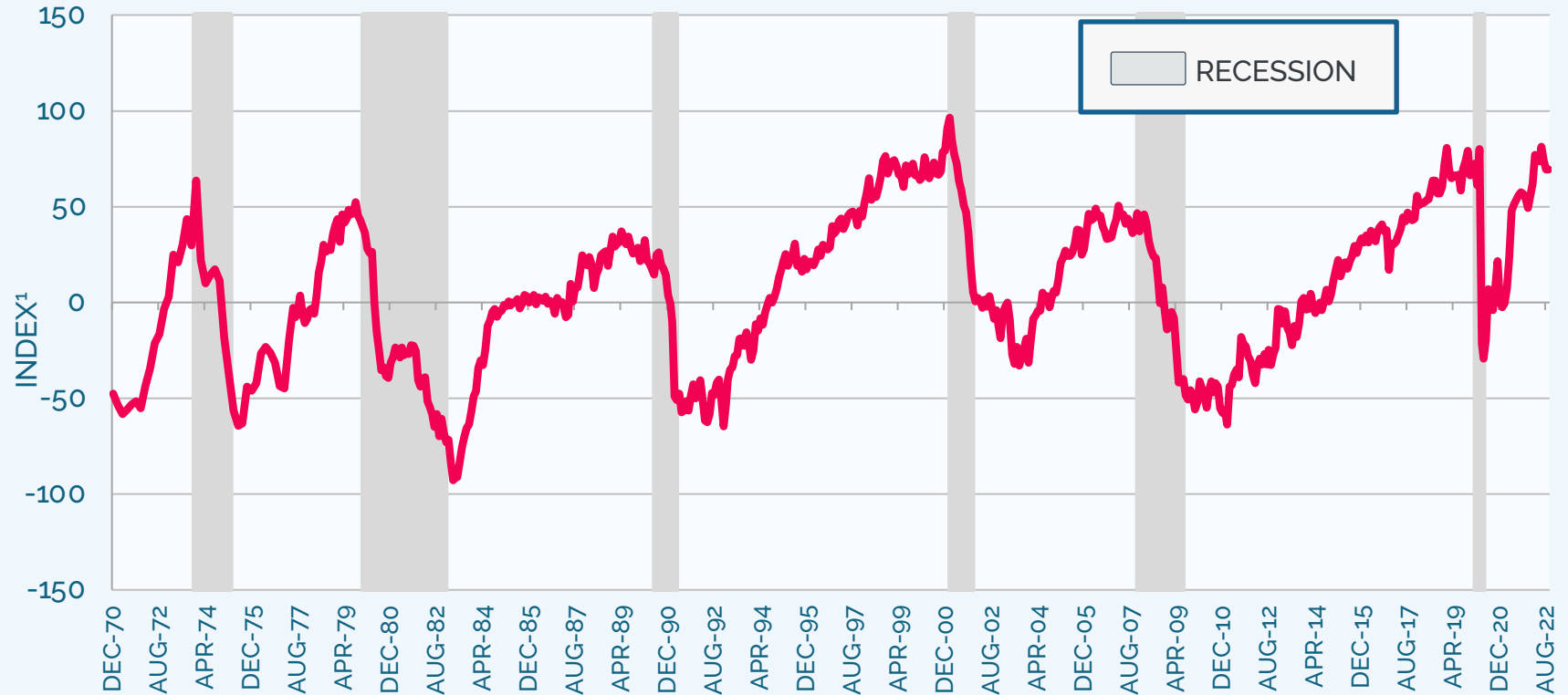
SOURCE: UNIVERSITY OF MICHIGAN SURVEY OF CONSUMER SENTIMENT, BLOOMBERG, NBER, PERFORMA

CONCERNS ARE RISING | CONSUMER SENTIMENT | LABOR DIFFERENTIAL



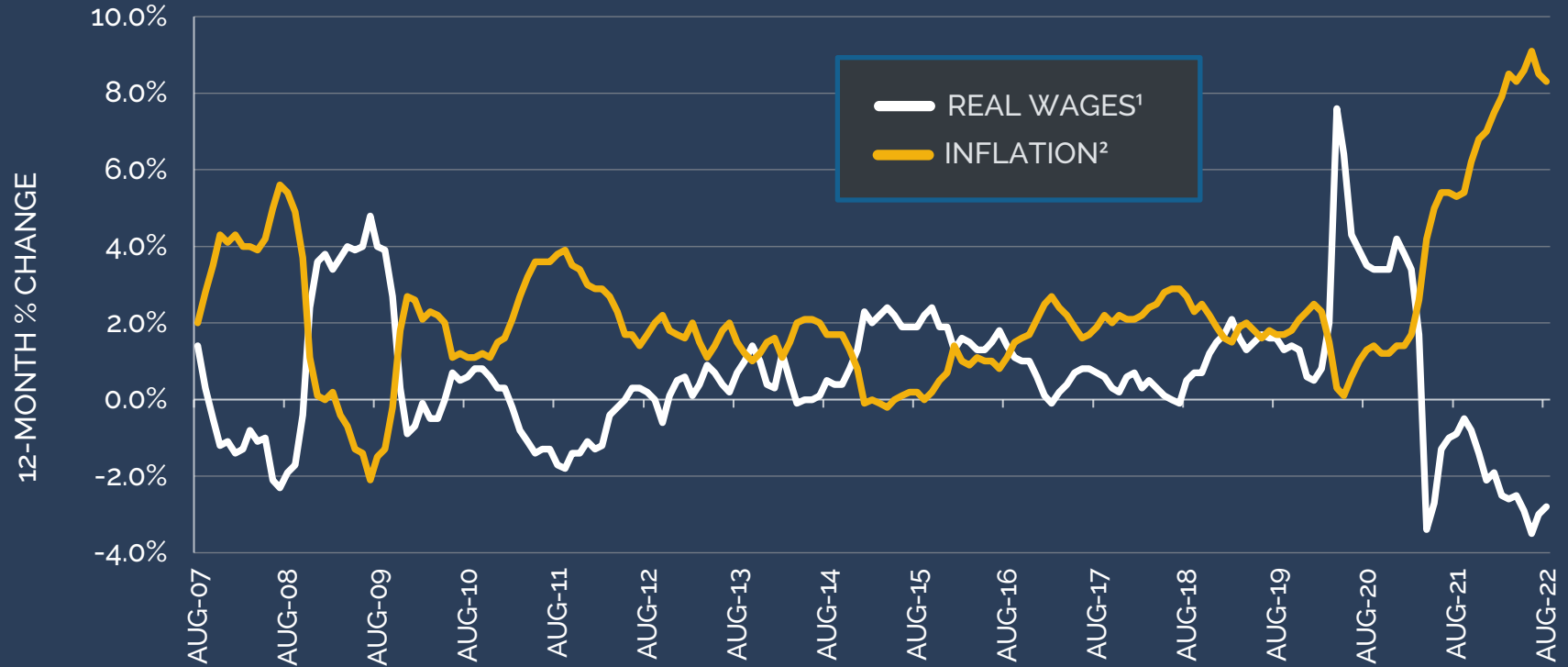
SOURCE: CONFERENCE BOARD CONSUMER CONFIDENCE SURVEY, BLOOMBERG, NBER, PERFORMA

CONCERNS ARE RISING | CONSUMER CONFIDENCE | DIVERGENT VIEWS



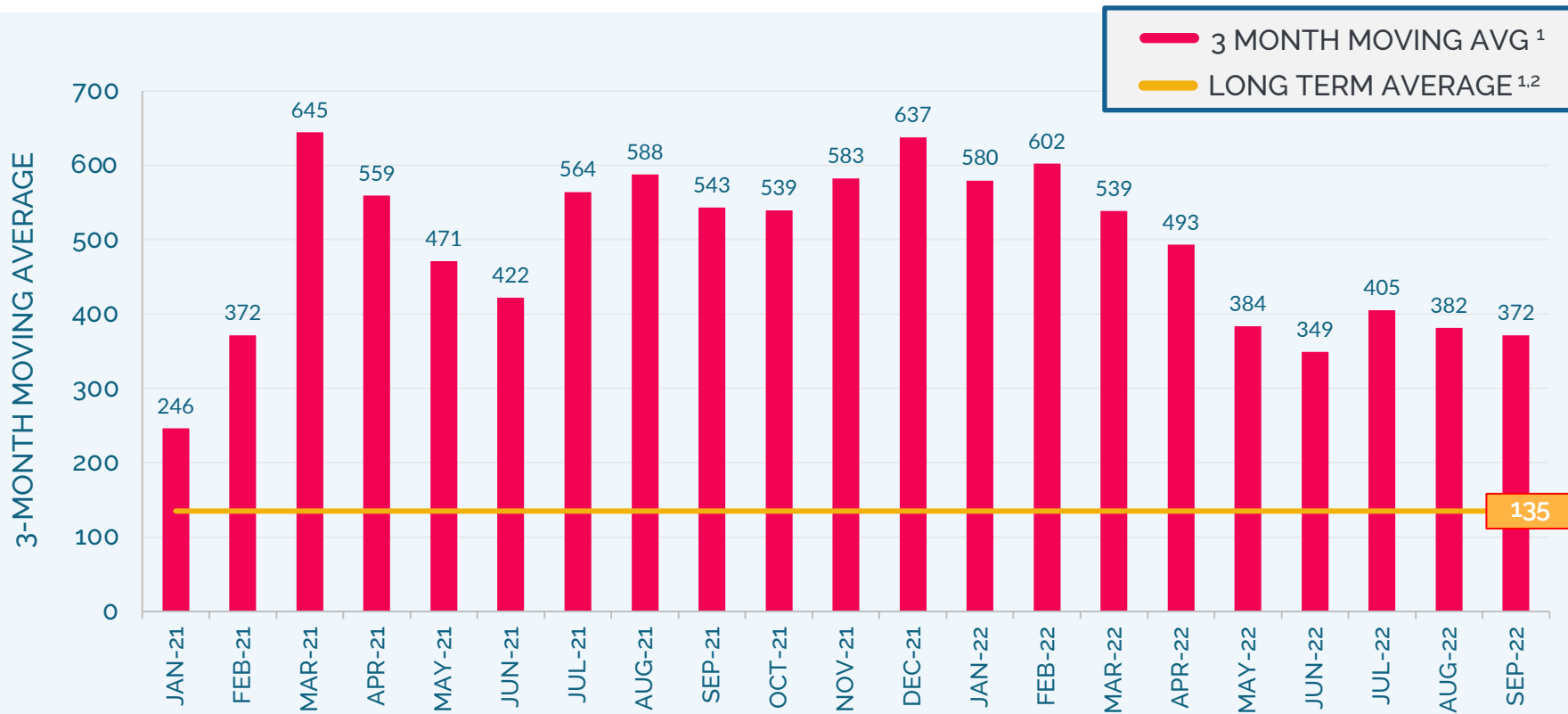
SOURCE: CONFERENCE BOARD CONSUMER CONFIDENCE SURVEY | ¹DIFFERENCE BETWEEN CURRENT CONDITIONS AND EXPECTATIONS, NBER, BLOOMBERG, PERFORMA

CONCERNS ARE RISING | INFLATION | REAL WAGES



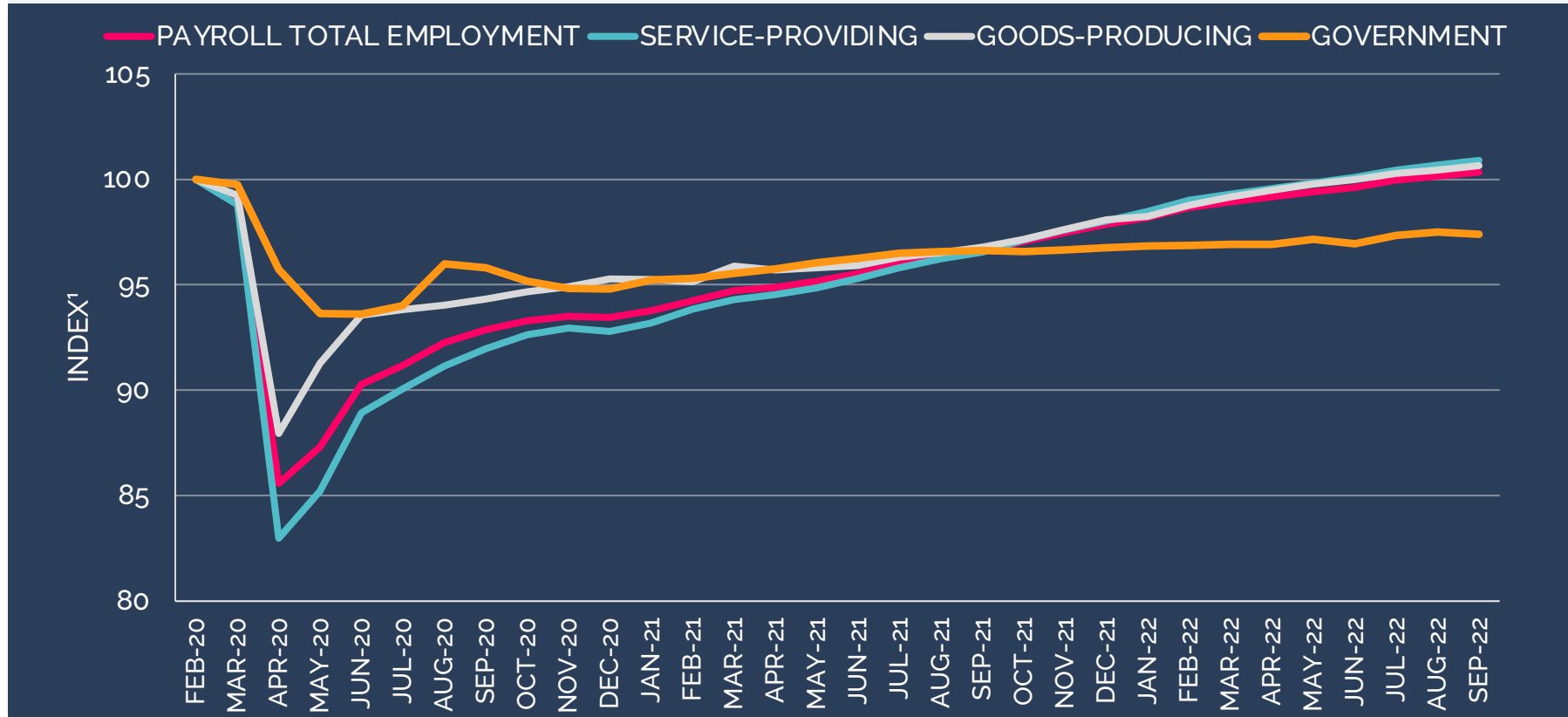
SOURCE: BUREAU OF LABOR STATISTICS | ¹ CONSUMER PRICE INDEX, YEAR OVER YEAR, NON SEASONALLY ADJUSTED, ²US REAL AVG HOURLY EARNINGS, SEASONALLY ADJUSTED, BLOOMBERG, PERFORMA

CONCERNS ARE RISING | NOT ALL BAD | LABOR MARKETS HOLDING STRONG



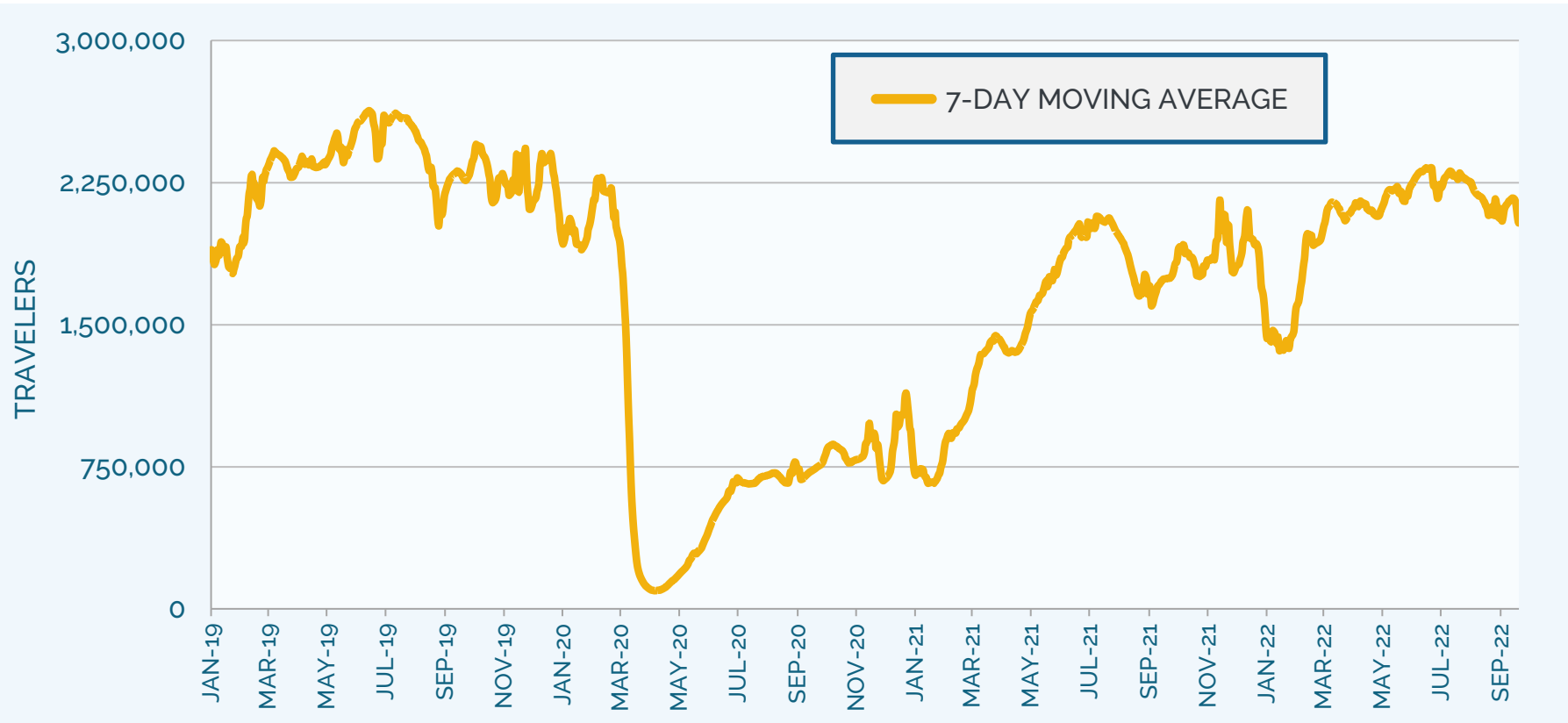
SOURCE: PERFORMA, BLOOMBERG, BLS | ¹3-MONTH MOVING AVERAGE OF NON-FARM PAYROLLS, SEASONALLY ADJUSTED, THOUSANDS. ²1/31/1970 - 2/29/2020

CONCERNS ARE RISING | NOT ALL BAD | LABOR MARKET COVID REBOUND



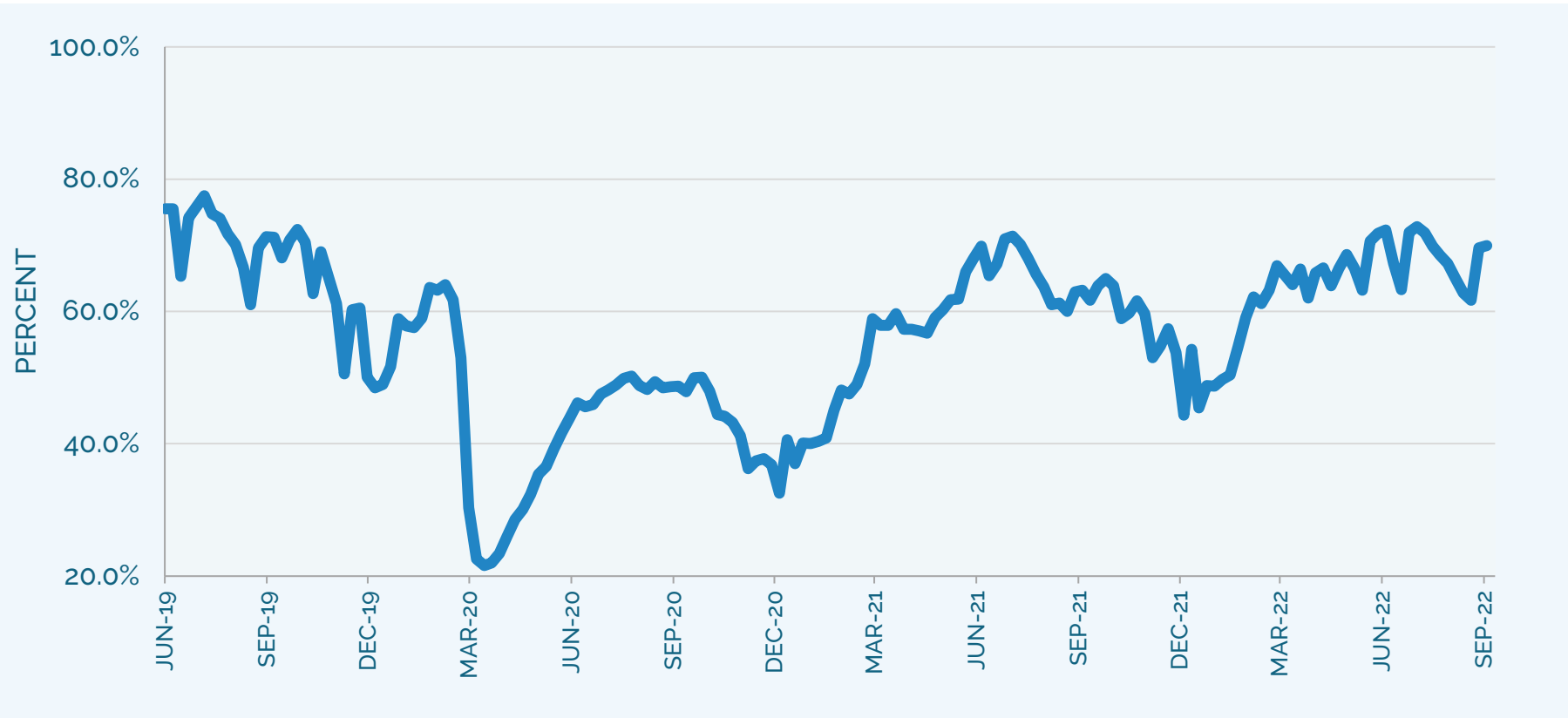
SOURCE: PERFORMA, BLOOMBERG, BLS | *NON-FARM PAYROLLS, SEASONALLY ADJUSTED | DATA INDEXED SUCH THAT FEB 2020 = 100

CONCERNS ARE RISING | NOT ALL BAD | TSA THROUGHPUT



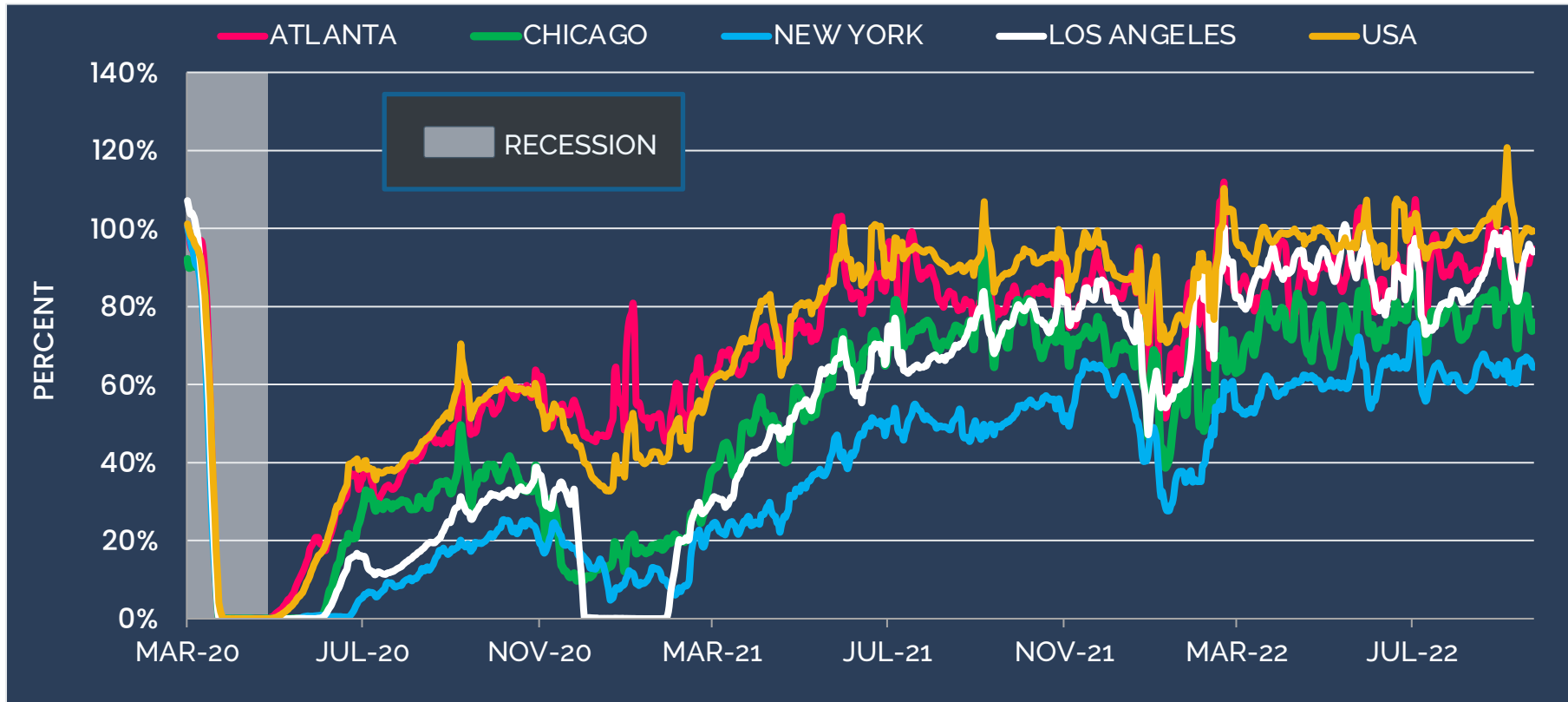
SOURCE: PERFORMA, BLOOMBERG, TRANSPORTATION SAFETY AUTHORITY

CONCERNS ARE RISING | NOT ALL BAD | HOTEL OCCUPANCY



SOURCE: PERFORMA, BLOOMBERG, SMITH TRAVEL RESEARCH

CONCERNS ARE RISING | NOT ALL BAD | RESTAURANT ACTIVITY



SOURCE: PERFORMA, OPEN TABLE 7-DAY MOVING AVERAGE



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SECTION 4

BIG PICTURE CONSIDERATIONS

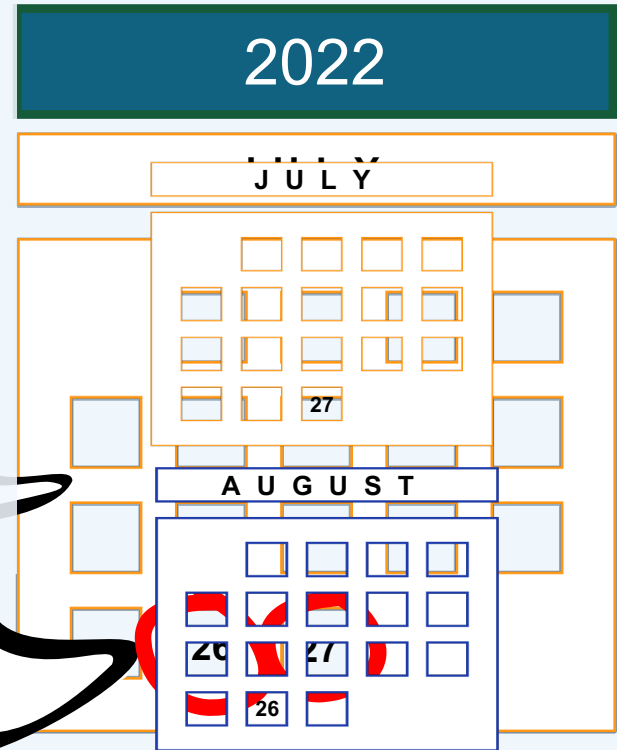
BIG PICTURE CONSIDERATIONS | IN HIS WORDS

JULY 27TH

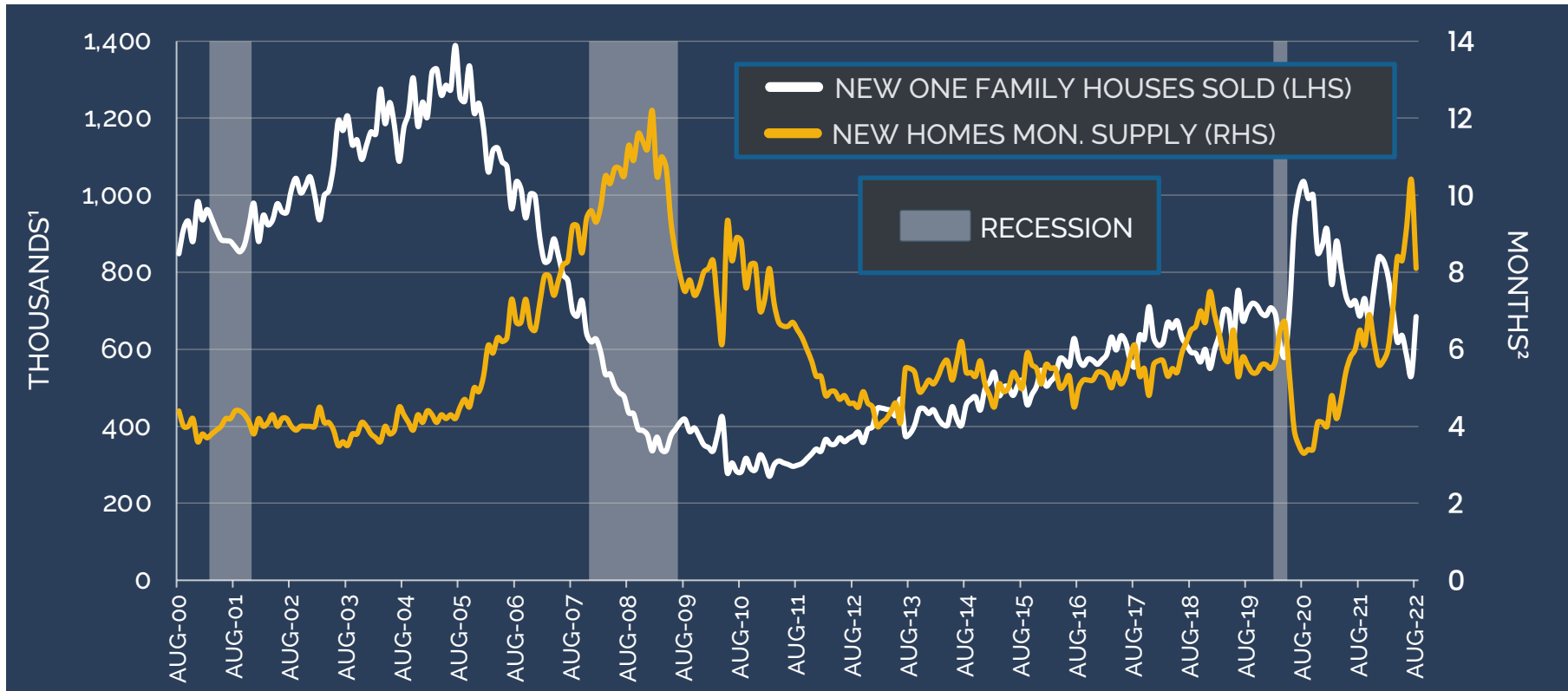
CHAIR JAY POWELL: *"This process is likely to involve a period of below trend economic growth and some softening in labor market conditions. But such outcomes are likely necessary to restore price stability and to set*

AUGUST 26TH

CHAIR JAY POWELL: *"Reducing inflation is likely to require a sustained period of below-trend growth. Moreover, there will very likely be some softening of labor market conditions. While higher interest rates, slower growth, and softer labor market conditions will bring down inflation, they will also bring some pain to households and businesses."*

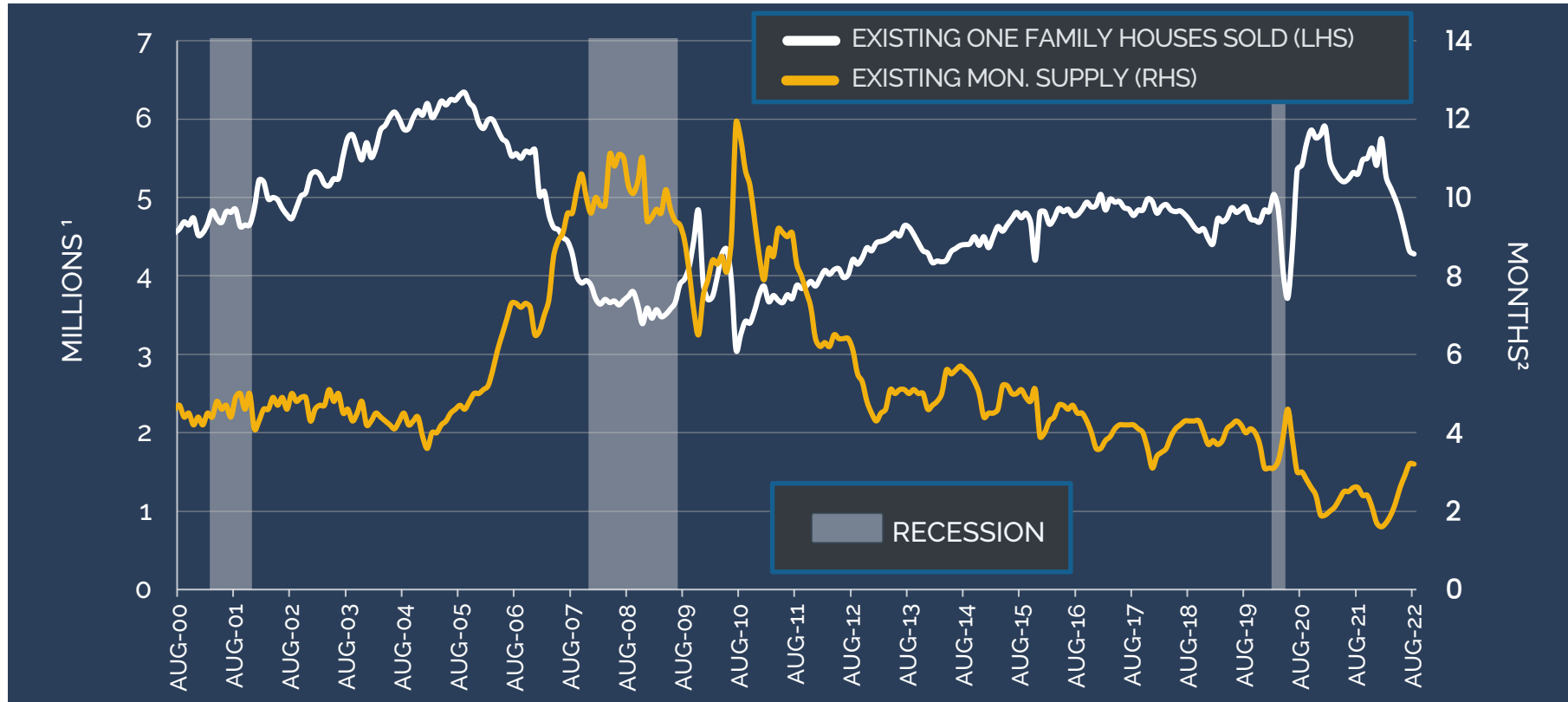


BIG PICTURE CONSIDERATIONS | HOUSING ACTIVITY | NEW HOMES



SOURCE: BLOOMBERG, PERFORMA, U.S. CENSUS BUREAU, ¹ SEASONALLY ADJUSTED ANNUALIZED RATE, ² NONSEASONALLY ADJUSTED, NBER

BIG PICTURE CONSIDERATIONS | HOUSING ACTIVITY | EXISTING HOMES

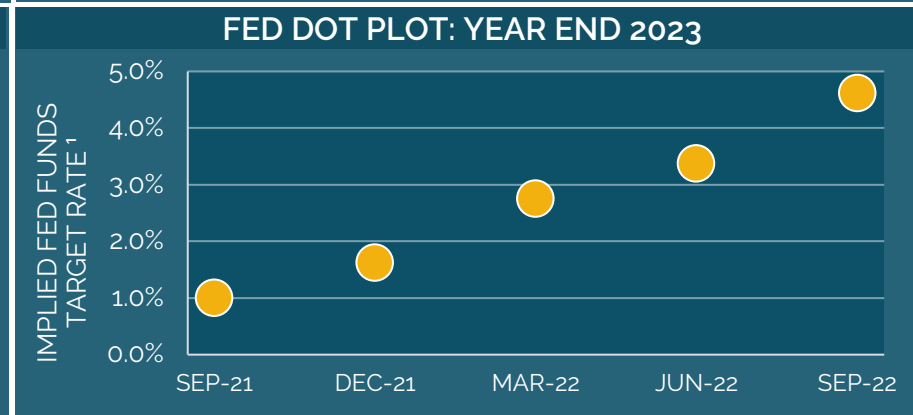
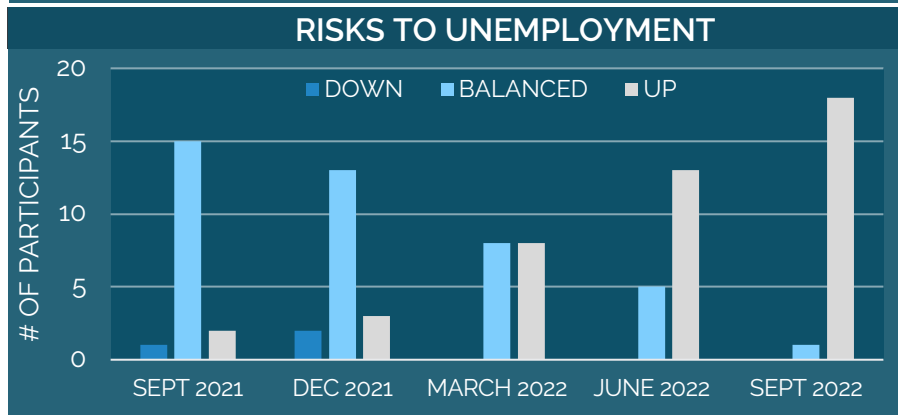
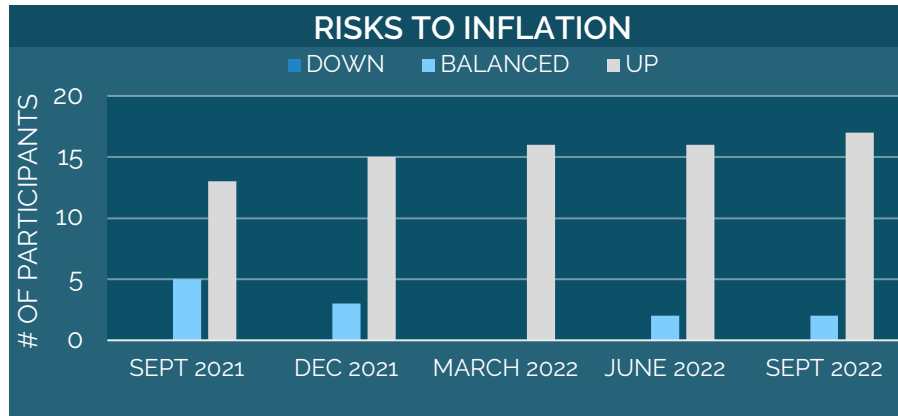


SOURCE: BLOOMBERG, PERFORMA, NATIONAL ASSOCIATION OF REALTORS, ¹SEASONALLY ADJUSTED ANNUALIZED RATE, ²NONSEASONALLY ADJUSTED, NBER

BIG PICTURE CONSIDERATIONS | FED CHECK LIST



BIG PICTURE CONSIDERATIONS | EVOLUTION OF FED ESTIMATES OVER TIME



SOURCE: PERFORMA, BLOOMBERG, FEDERAL RESERVE SUMMARY OF ECONOMIC PROJECTIONS, ¹ MEDIAN DOT

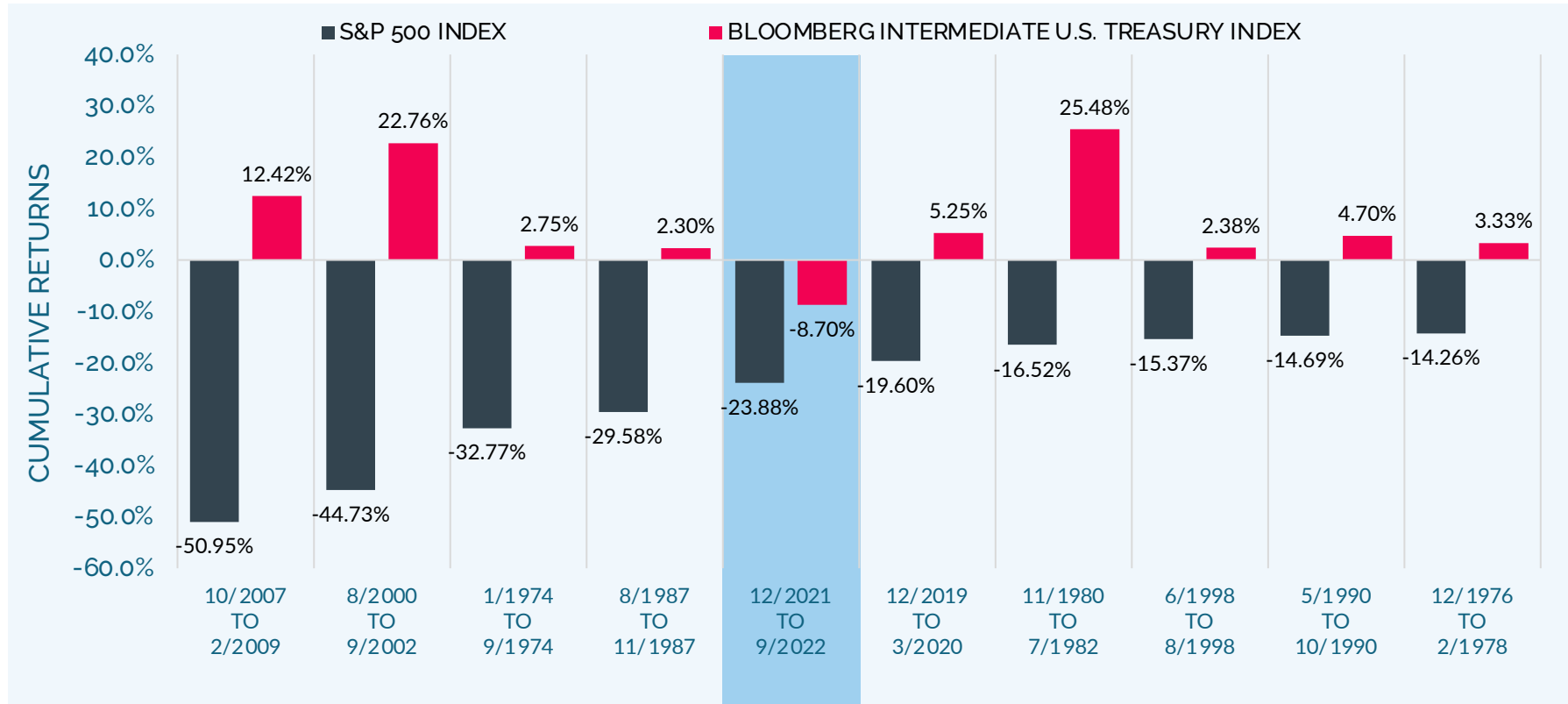
BIG PICTURE CONSIDERATIONS | A HIGHLY UNUSUAL START | S&P 500

DEPTH	LENGTH	RECOVERY	PEAK	VALLEY
-50.95%	16	37	OCT-2007	FEB-2009
-44.73%	25	49	AUG-2000	SEP-2002
-32.77%	9	9	JAN-1974	SEP-1974
-29.58%	3	18	AUG-1987	NOV-1987
-23.88%	9	0	DEC-2021	SEP-2022
-19.60%	3	4	DEC-2019	MAR-2020
-16.52%	20	3	NOV-1980	JUL-1982
-15.37%	2	3	JUN-1998	AUG-1998
-14.69%	5	4	MAY-1990	OCT-1990
-14.26%	14	5	DEC-1976	FEB-1978
-8.30%	2	8	JUL-2015	SEP-2015
-8.27%	1	4	AUG-1986	SEP-1986
-7.41%	6	3	NOV-1983	MAY-1984
-6.96%	2	5	JAN-1994	MAR-1994
-6.82%	2	1	DEC-1999	FEB-2000
-6.71%	1	4	DEC-1989	JAN-1990
-6.60%	2	3	MAR-2012	MAY-2012
-6.40%	1	2	SEP-1979	OCT-1979
-6.36%	2	1	AUG-2020	OCT-2020
-6.35%	1	1	APR-2019	MAY-2019
-6.24%	3	2	JUN-1999	SEP-1999
-6.13%	2	4	JAN-2018	MAR-2018
-5.60%	1	3	JUL-1997	AUG-1997
-5.59%	1	1	JUN-1986	JUL-1986
-5.00%	2	3	MAR-2000	MAY-2000
-4.71%	2	2	MAY-2007	JUL-2007

DEPTH	LENGTH	RECOVERY	PEAK	VALLEY
-4.65%	1	1	AUG-2021	SEP-2021
-4.58%	1	2	MAY-1991	JUN-1991
-4.42%	1	2	JUN-1996	JUL-1996
-4.37%	3	1	AUG-1991	NOV-1991
-4.11%	1	1	FEB-1997	MAR-1997
-4.10%	3	1	JUN-1985	SEP-1985
-3.89%	3	2	AUG-1994	NOV-1994
-3.46%	1	1	DEC-2013	JAN-2014
-3.25%	2	1	NOV-2014	JAN-2015
-3.11%	1	1	JAN-1999	FEB-1999
-2.95%	1	4	JUN-1983	JUL-1983
-2.90%	1	1	JUL-2013	AUG-2013
-2.72%	2	2	AUG-1989	OCT-1989
-2.53%	3	1	DEC-1991	MAR-1992
-2.42%	1	1	MAR-1993	APR-1993
-2.36%	1	1	APR-1999	MAY-1999
-2.26%	2	1	SEP-1976	NOV-1976
-2.17%	1	1	APR-1979	MAY-1979
-2.05%	1	3	JUL-1992	AUG-1992
-1.98%	1	1	NOV-1996	DEC-1996
-1.96%	1	2	JAN-2007	FEB-2007
-1.94%	1	1	MAY-2015	JUN-2015
-1.88%	2	1	MAR-1976	MAY-1976
-1.85%	1	3	SEP-2012	OCT-2012
-1.82%	1	1	SEP-2016	OCT-2016
-1.72%	1	1	APR-1998	MAY-1998
-1.58%	1	1	JUL-2019	AUG-2019
-1.58%	1	2	FEB-2015	MAR-2015
-1.49%	1	1	MAY-1992	JUN-1992
-1.40%	1	1	AUG-2014	SEP-2014

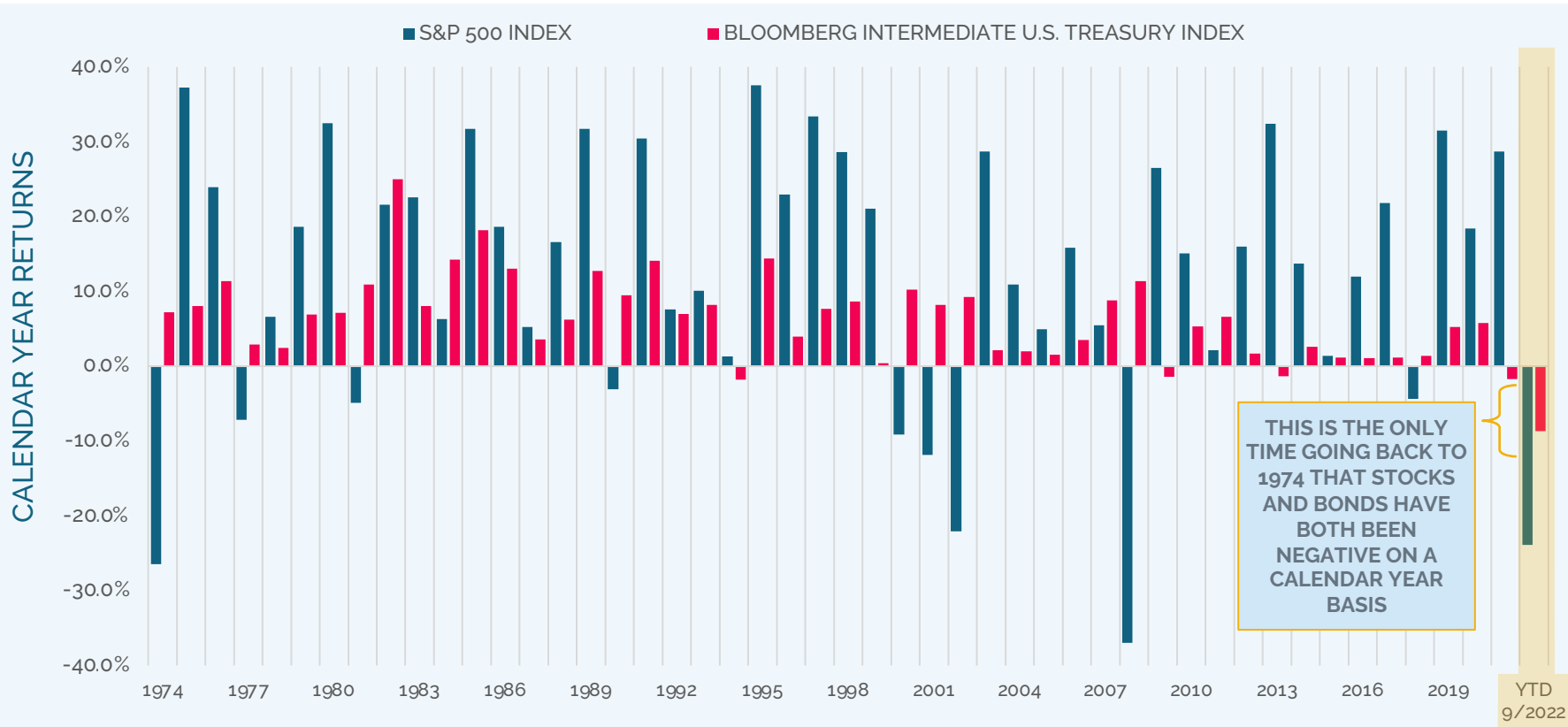
SOURCE: PERFORMA, EVESTMENT | MONTHLY RETURNS PEAK TO VALLEY DRAWDOWN

BIG PICTURE CONSIDERATIONS | A HIGHLY UNUSUAL START



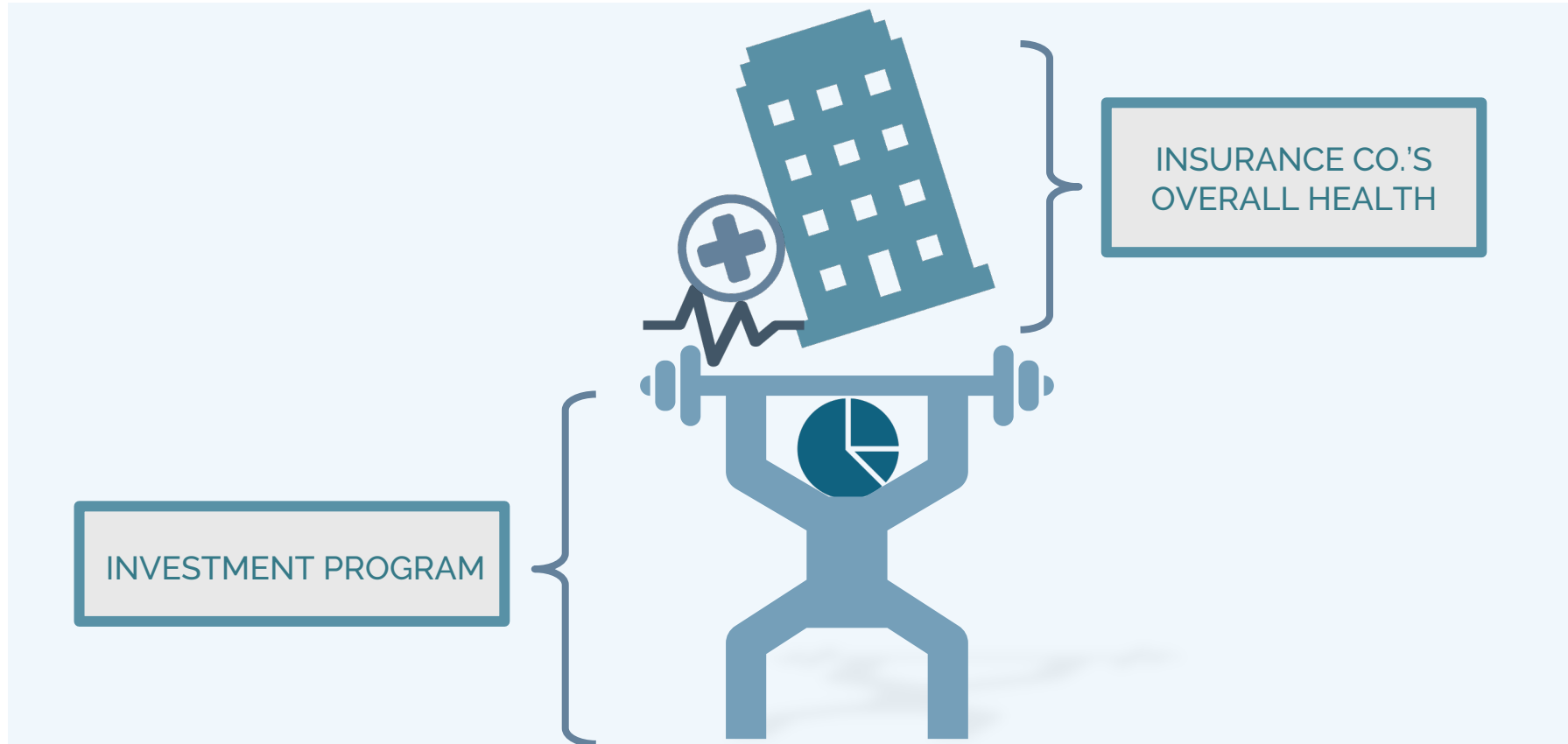
SOURCE: PERFORMA, EVESTMENT, MONTHLY RETURNS

BIG PICTURE CONSIDERATIONS | A HIGHLY UNUSUAL START



SOURCE: PERFORMA, EVESTMENT, MONTHLY RETURNS

CONSIDERATIONS FOR YOUR CAPTIVE | TAKE A HOLISTIC APPROACH



CONSIDERATIONS FOR YOUR CAPTIVE | TAKE A HOLISTIC APPROACH

GOAL: SUCCESSFUL INSURANCE COMPANY

TOOL: YOUR INVESTMENT PROGRAM

METHOD:

REQUIREMENTS FOR SUCCESS

- LONG-RUN FOCUS
- DISCIPLINE
- THE LITTLE THINGS



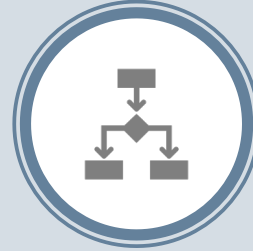
MARKET TIMING IS **NOT** A WINNING STRATEGY

COVID IS ONLY THE LATEST
EXAMPLE AS TO WHY

BIG PICTURE CONSIDERATIONS | TAKE A HOLISTIC APPROACH



ALLOCATING
NEW MONEY



ASSET
ALLOCATION



MANAGEMENT OF
INDIVIDUAL STRATEGIES

YEAR
2022

DON'T GET SCARED
OFF YOUR LONG
RUN GAME PLAN

HARD TO BE TOO
AGGRESSIVE GIVEN
MASSIVE UNCERTAINTY

UP IN QUALITY
BIAS SEEMS
PRUDENT

BIG PICTURE CONSIDERATIONS | PUBLIC SERVICE ANNOUNCEMENT



CONTACT INFORMATION



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