



**2023 Annual Conference**  
*Texas Captives: Empowering Texas Business*

# The Economic Landscape | 2023

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**PERFORMA**  
●●● INVESTMENT MANAGEMENT

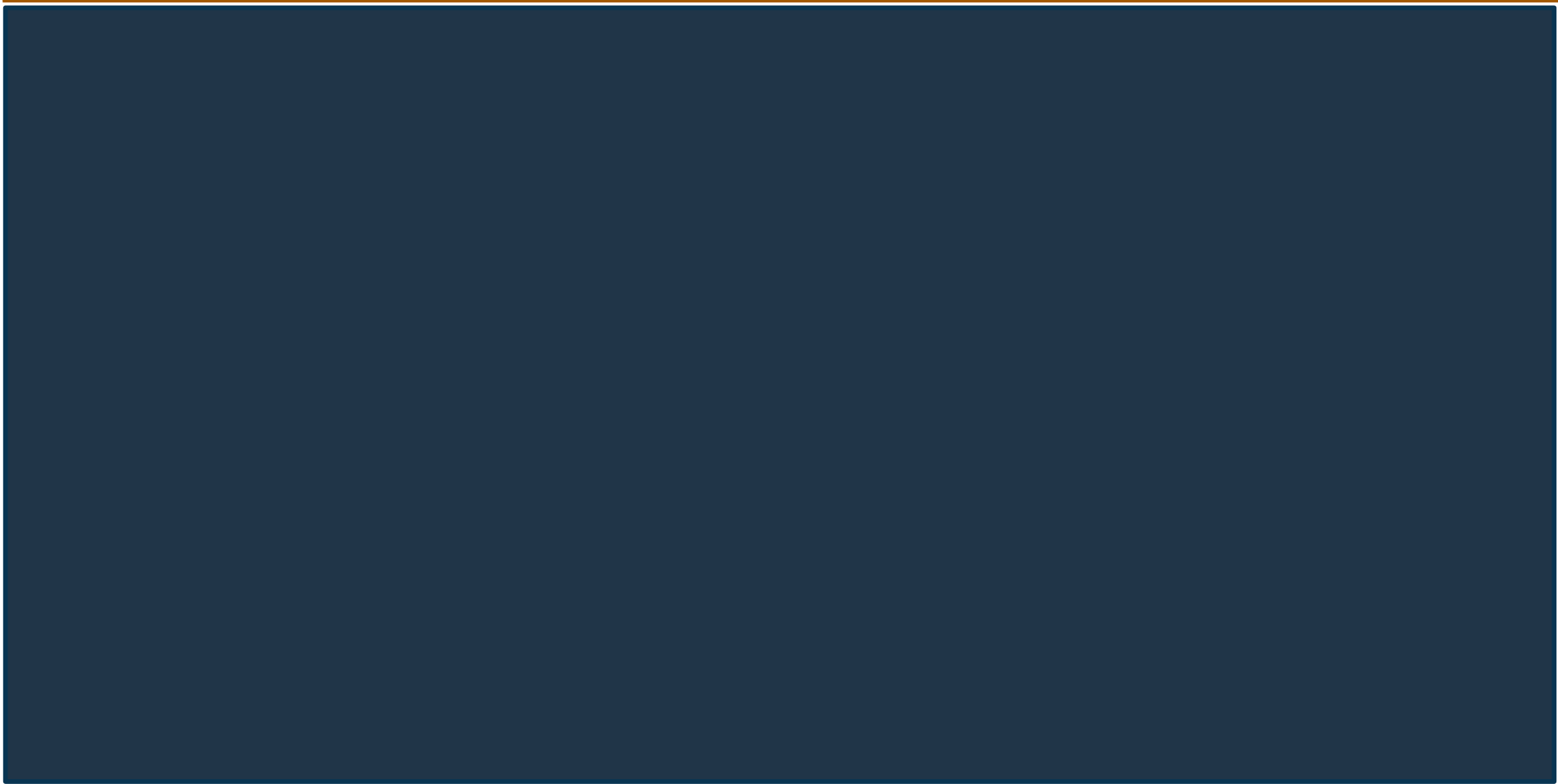
- I. FINDING BALANCE
- II. INFLATION
- III. WHAT TYPE OF LANDING?
- IV. A RESILIENT CAPTIVE INVESTMENT PORTFOLIO

## SECTION 1

# FINDING BALANCE

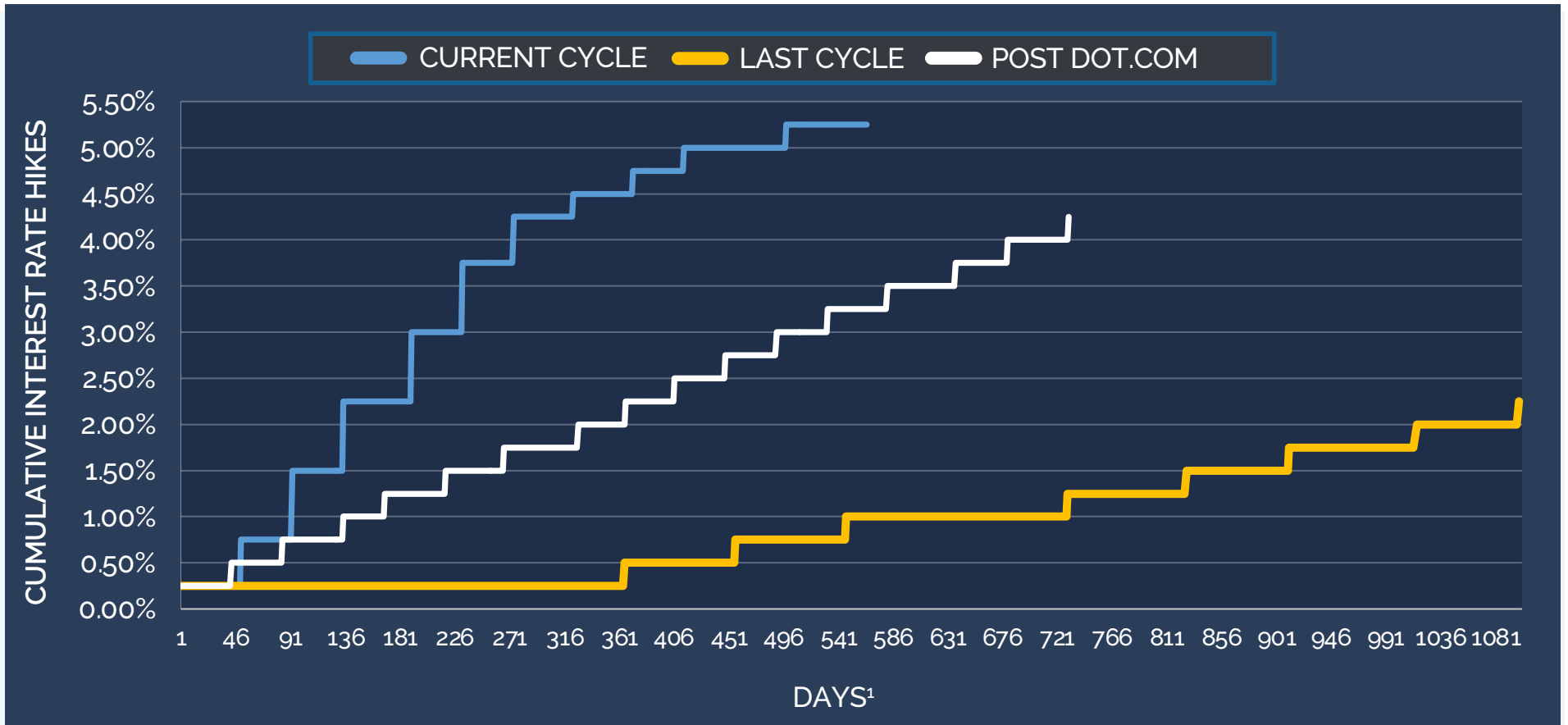


# FINDING BALANCE



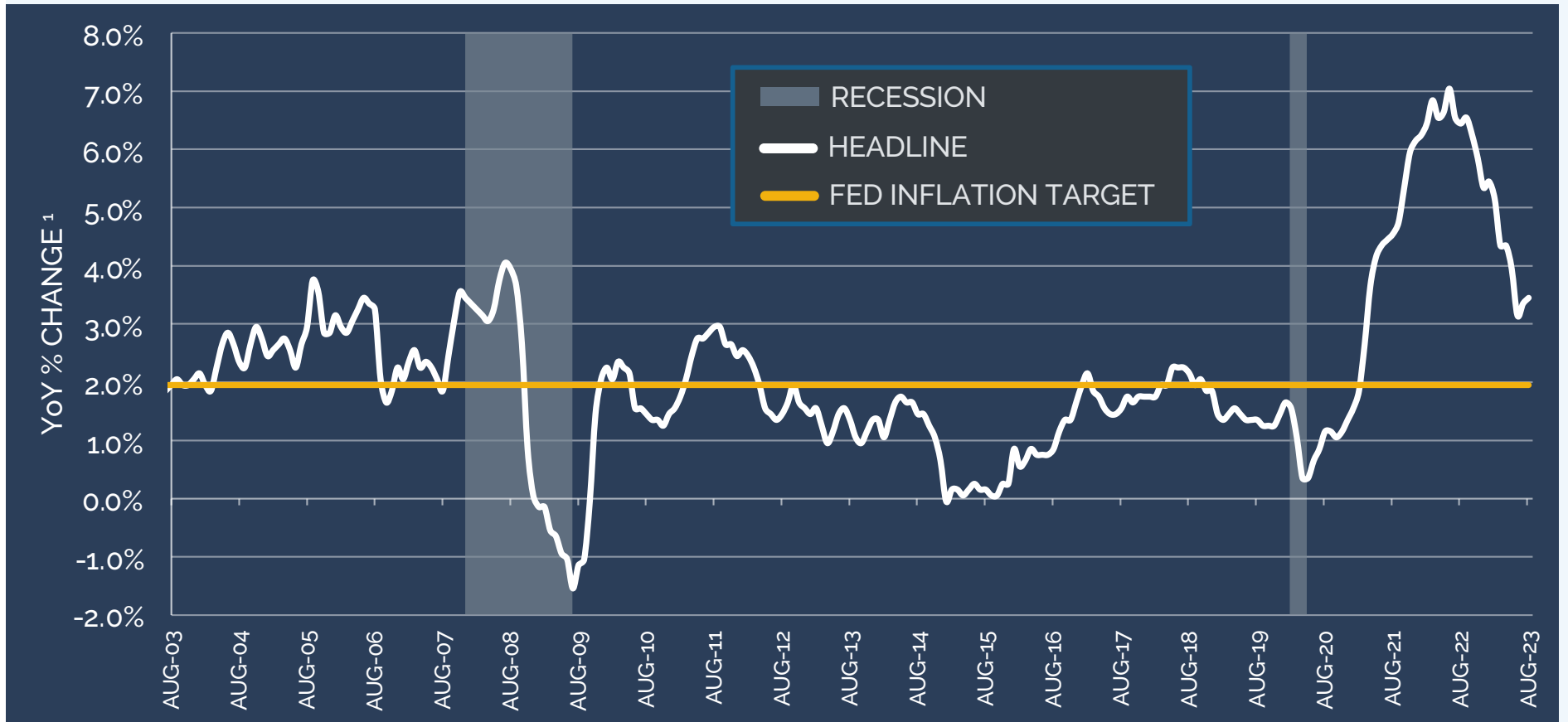
## SECTION 2

# INFLATION

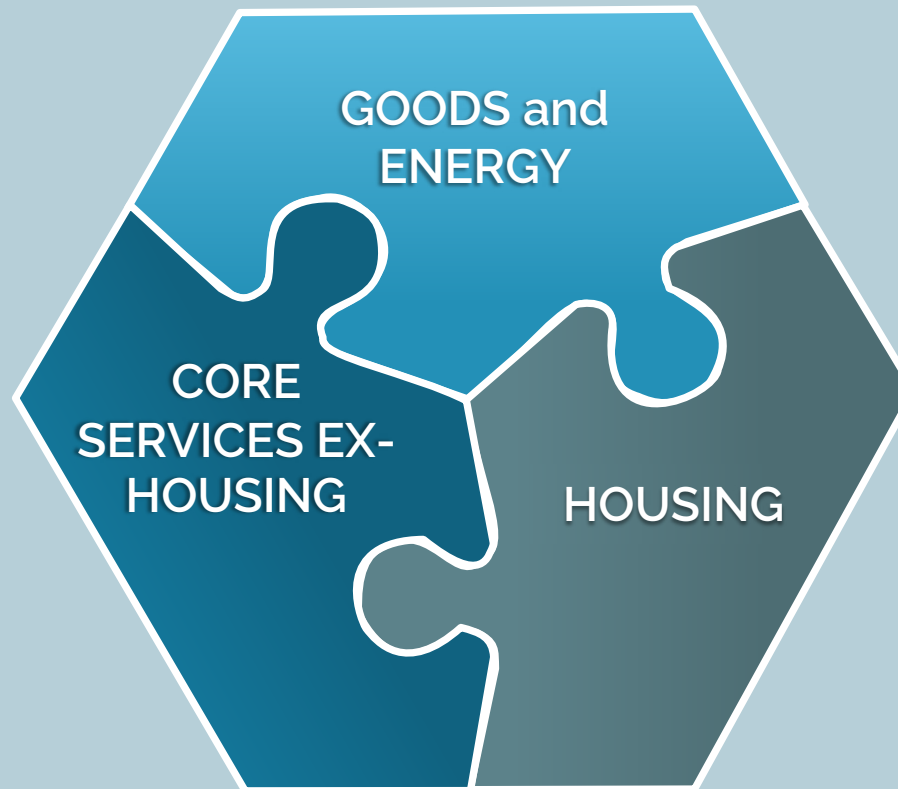


SOURCE: <sup>1</sup>DAY 1 = START OF HIKING CYCLE, PERFORMA, BLOOMBERG, FEDERAL RESERVE

# INFLATION | HEADLINE | AUG 2003 – AUG 2023

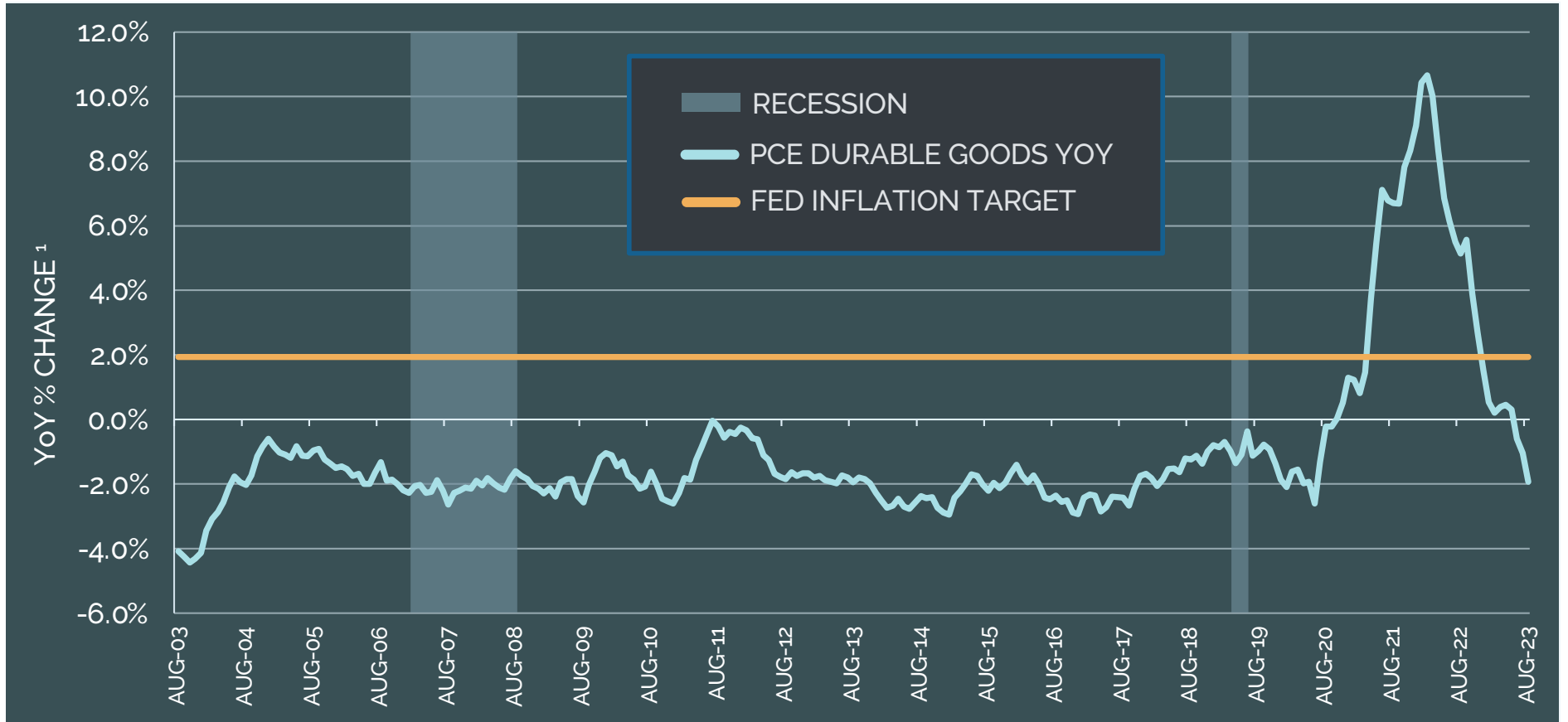


SOURCE: BLOOMBERG, PERFORMA, NBER, BEA | <sup>1</sup> PERSONAL CONSUMPTION EXPENDITURES PRICE INDEX, SA



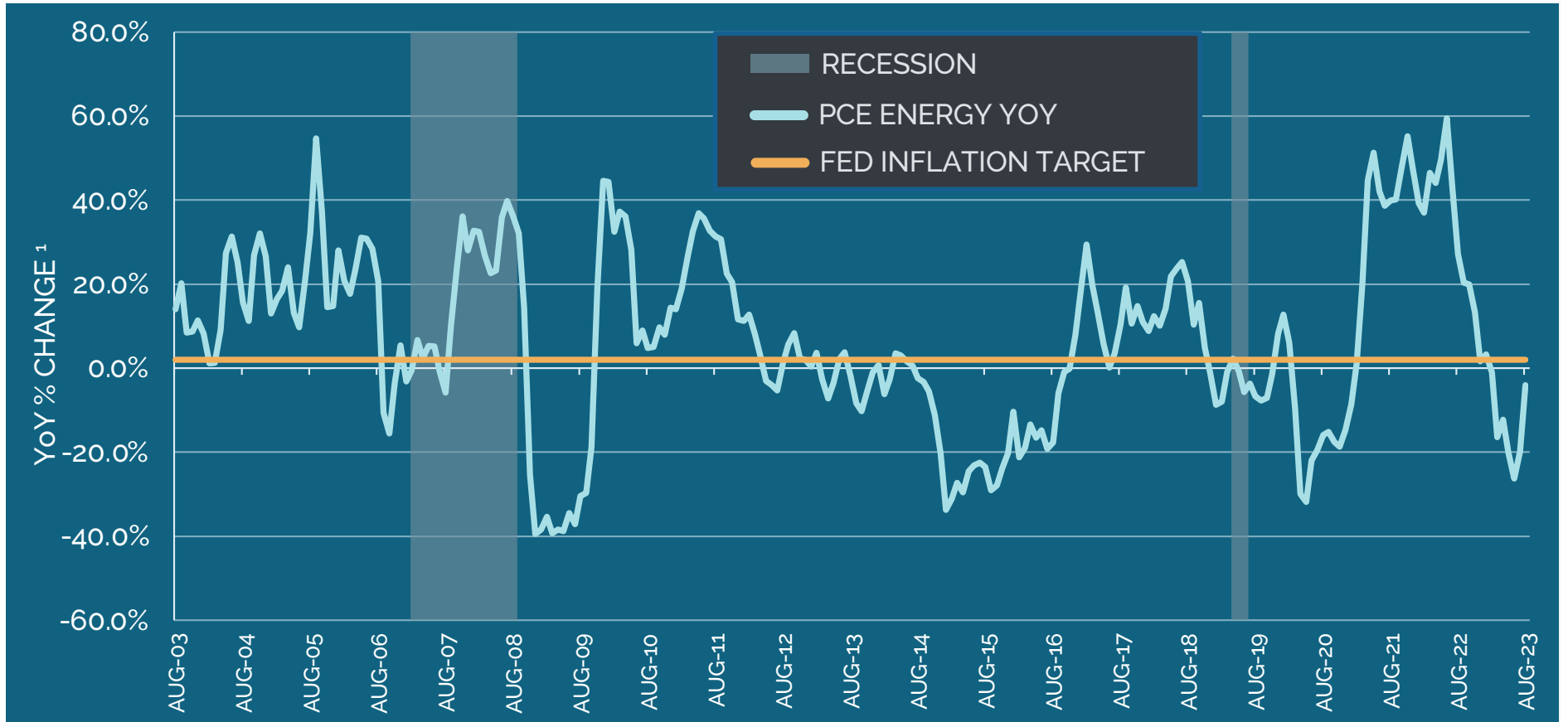


# INFLATION | DURABLE GOODS | AUG 2003 – AUG 2023

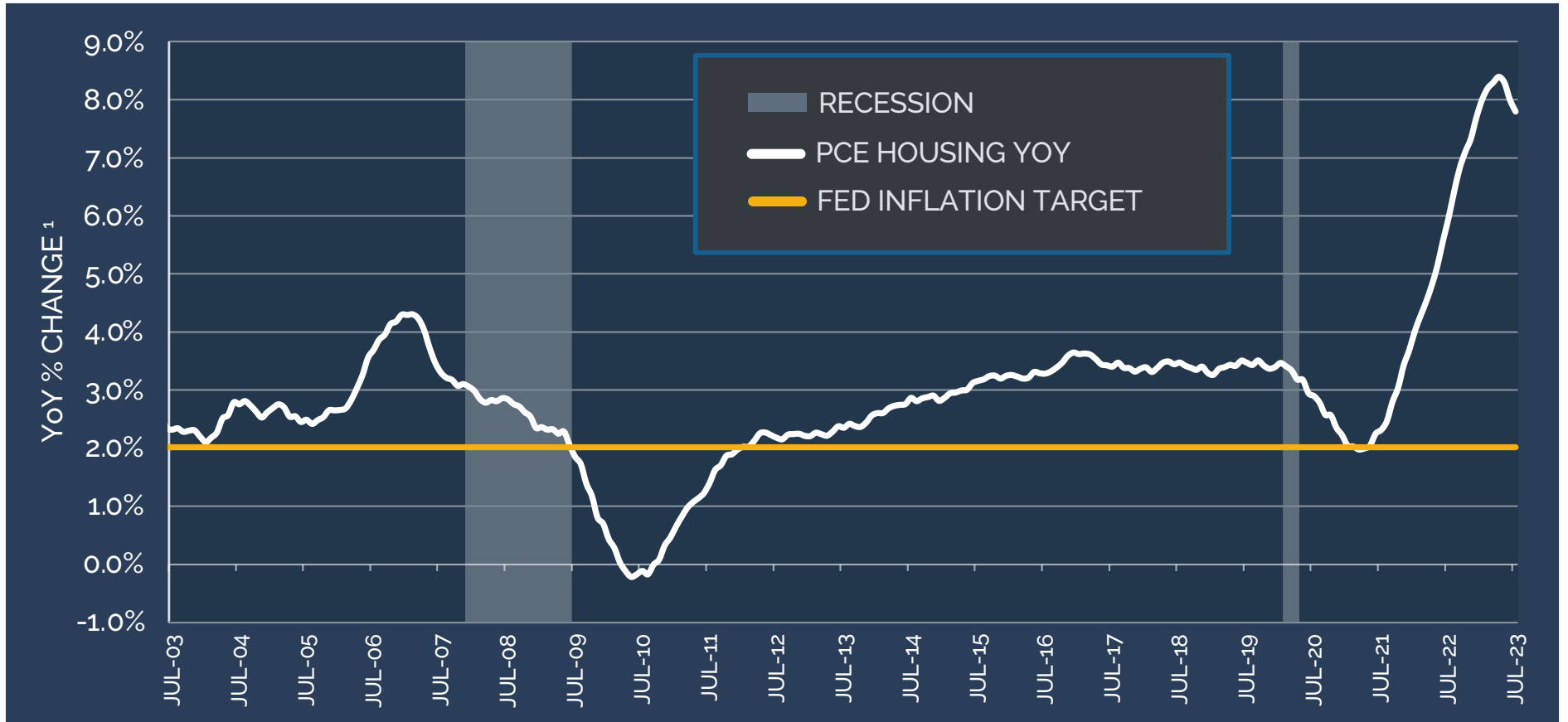


SOURCE: BLOOMBERG, PERFORMA, NBER, BEA | <sup>1</sup> PERSONAL CONSUMPTION EXPENDITURES PRICE INDEX, SA

# INFLATION | ENERGY | AUG 2003 – AUG 2023

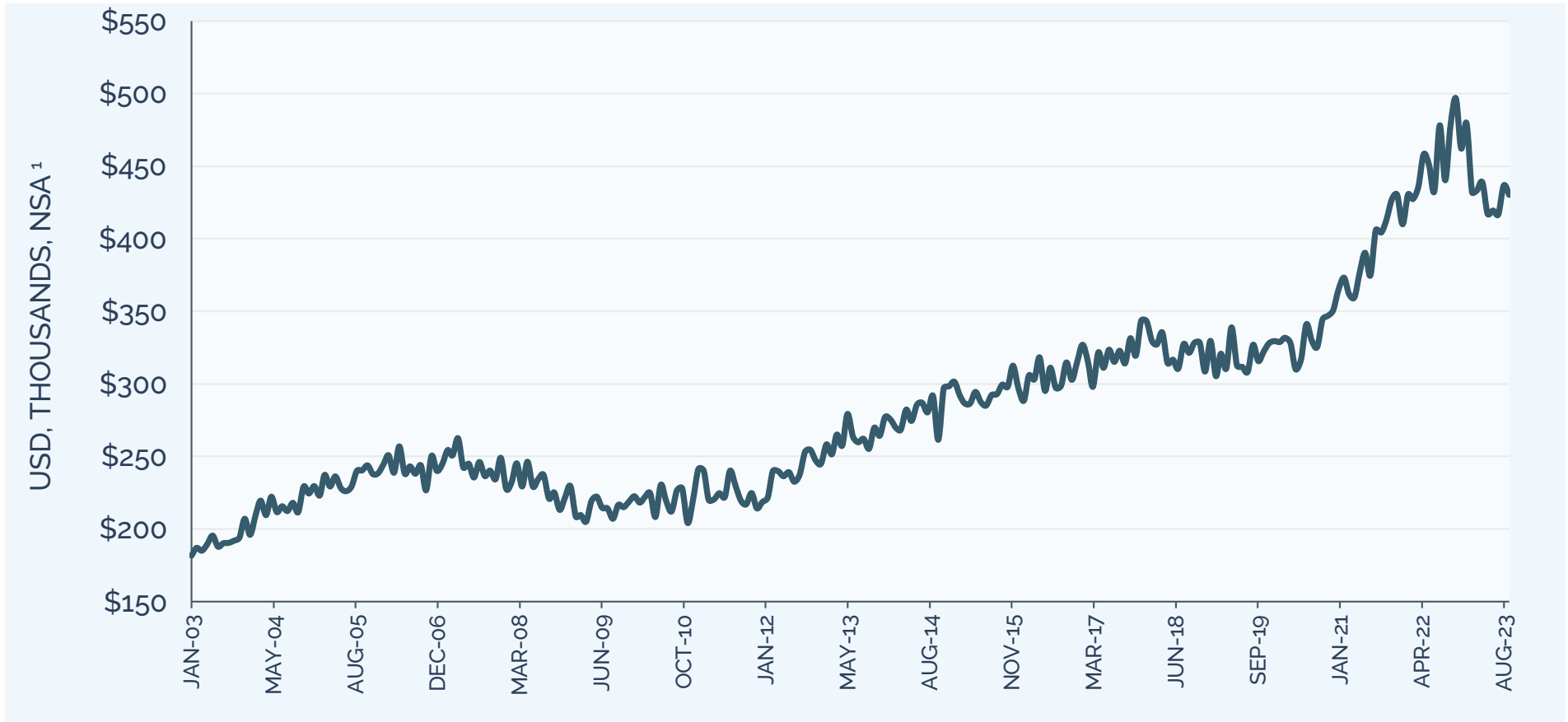


SOURCE: BLOOMBERG, PERFORMA, NBER, BEA | <sup>1</sup> PERSONAL CONSUMPTION EXPENDITURES PRICE INDEX, SA



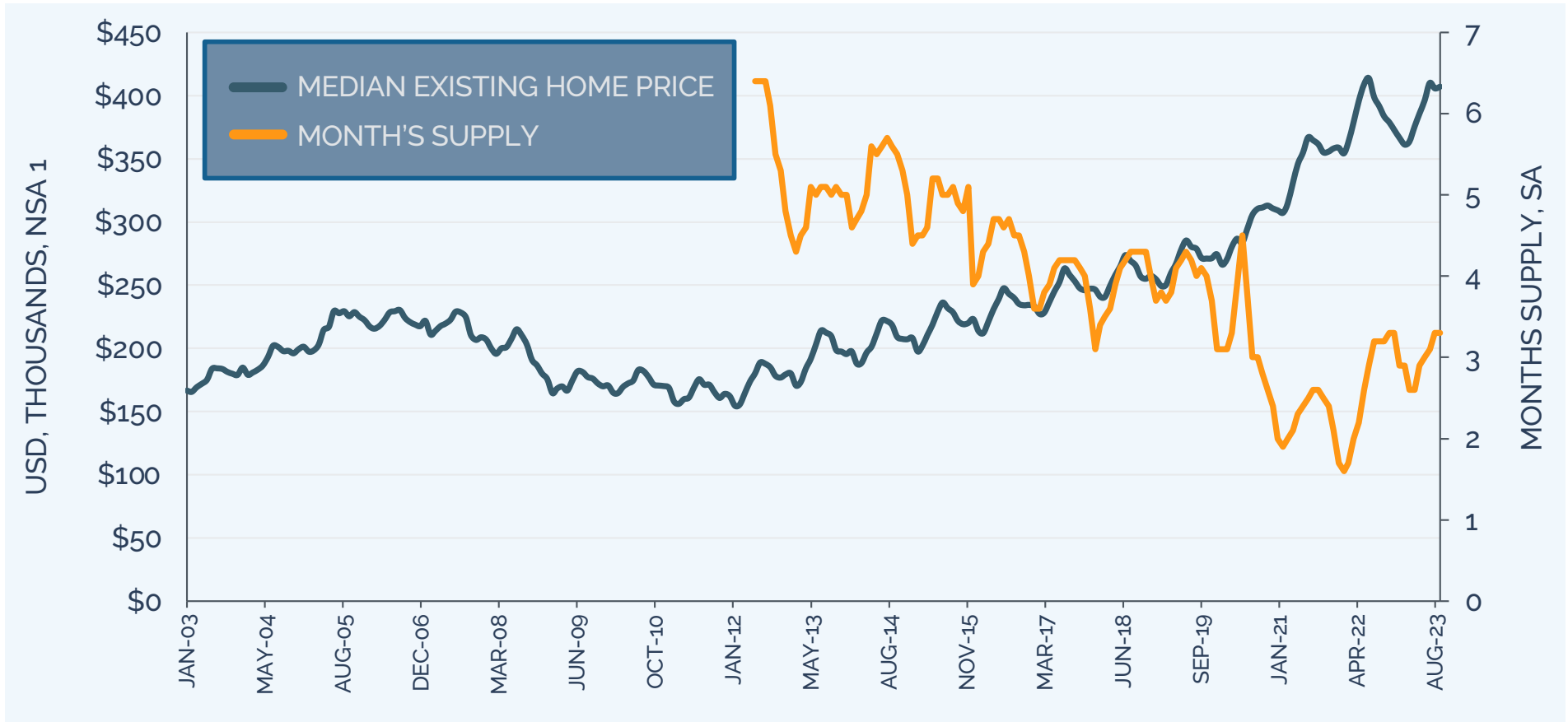
SOURCE: BLOOMBERG, PERFORMA, NBER, BEA | <sup>1</sup> PERSONAL CONSUMPTION EXPENDITURES PRICE INDEX, SA

# INFLATION | NEW HOME SALES MEDIAN PRICE



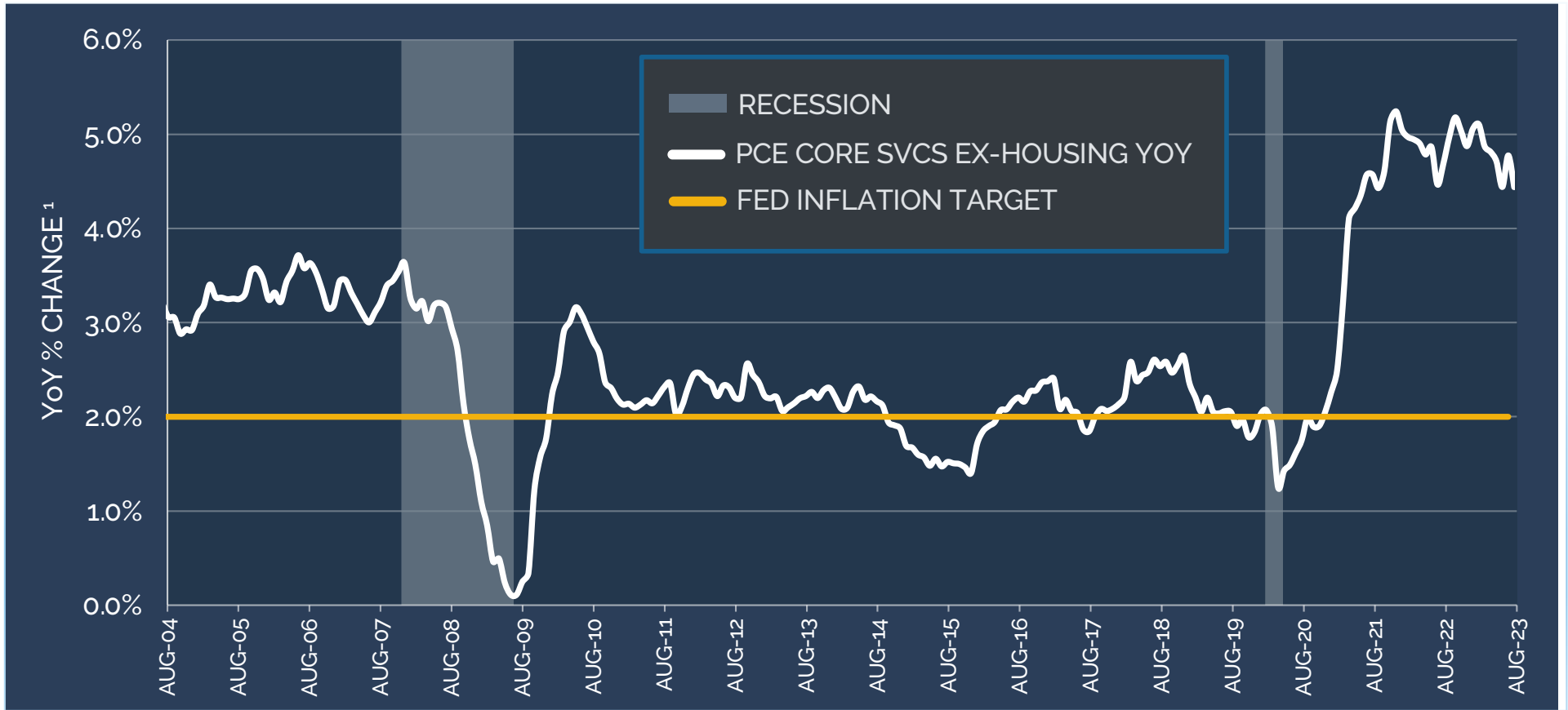
SOURCE: BLOOMBERG, U.S. CENSUS BUREAU, PERFORMA <sup>1</sup>NON-SEASONALLY ADJUSTED

# INFLATION | EXISTING HOME SALES

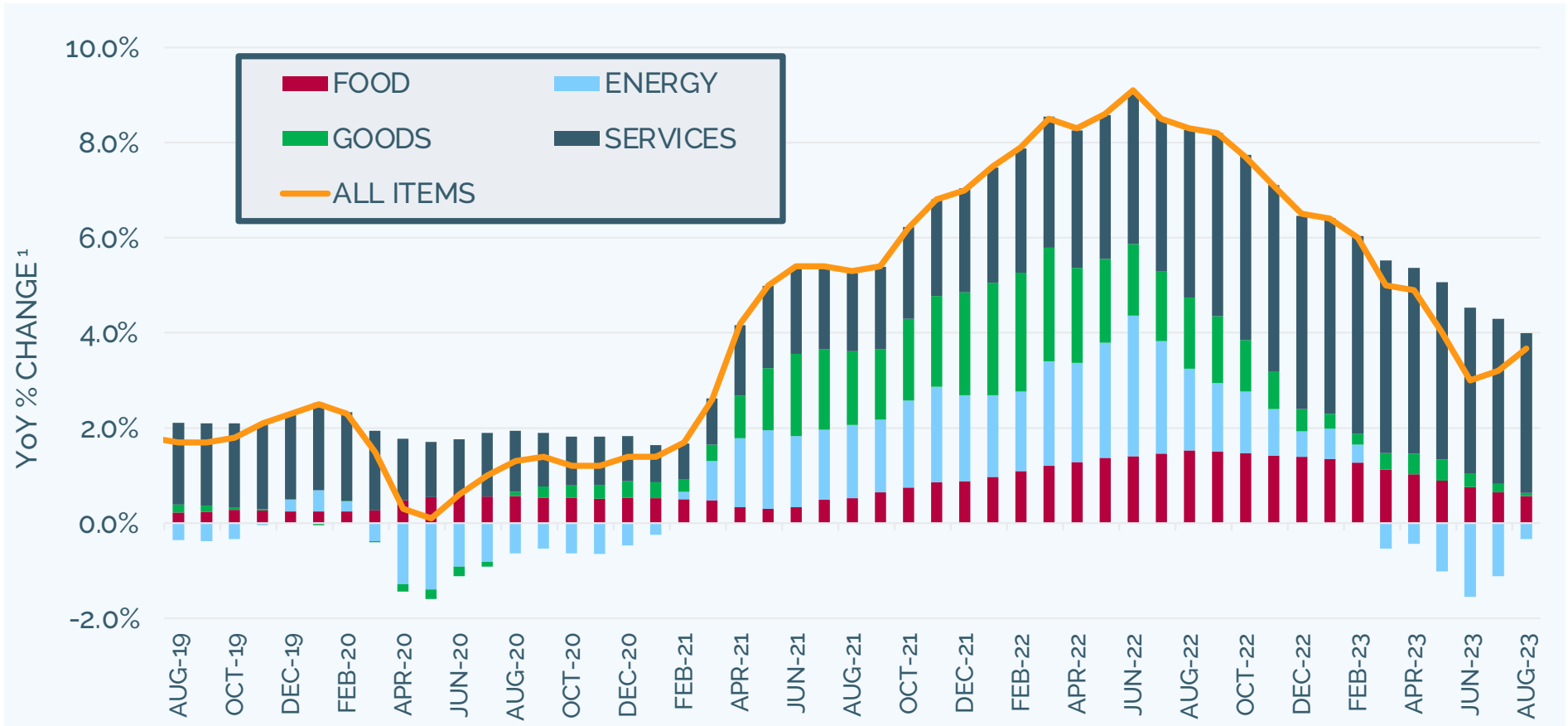


SOURCE: BLOOMBERG, NATIONAL ASSOC. OF REALTORS, PERFORMA<sup>1</sup>NON-SEASONALLY ADJUSTED

# INFLATION | CORE SERVICES EX-HOUSING | AUG 2003 – AUG 2023



SOURCE: BLOOMBERG, PERFORMA, NBER, BEA | <sup>1</sup> PERSONAL CONSUMPTION EXPENDITURES PRICE INDEX, SA



SOURCE: BLOOMBERG, PERFORMA, BLS | <sup>1</sup> CONSUMER PRICE INDEX, YEAR OVER YEAR, NON SEASONALLY ADJUSTED (NSA)



WE ARE STARTING TO SEE SOME REAL PROGRESS - INDICATORS THAT DEFINED COVID ERA IMBALANCES ARE STARTING TO NORMALIZE.



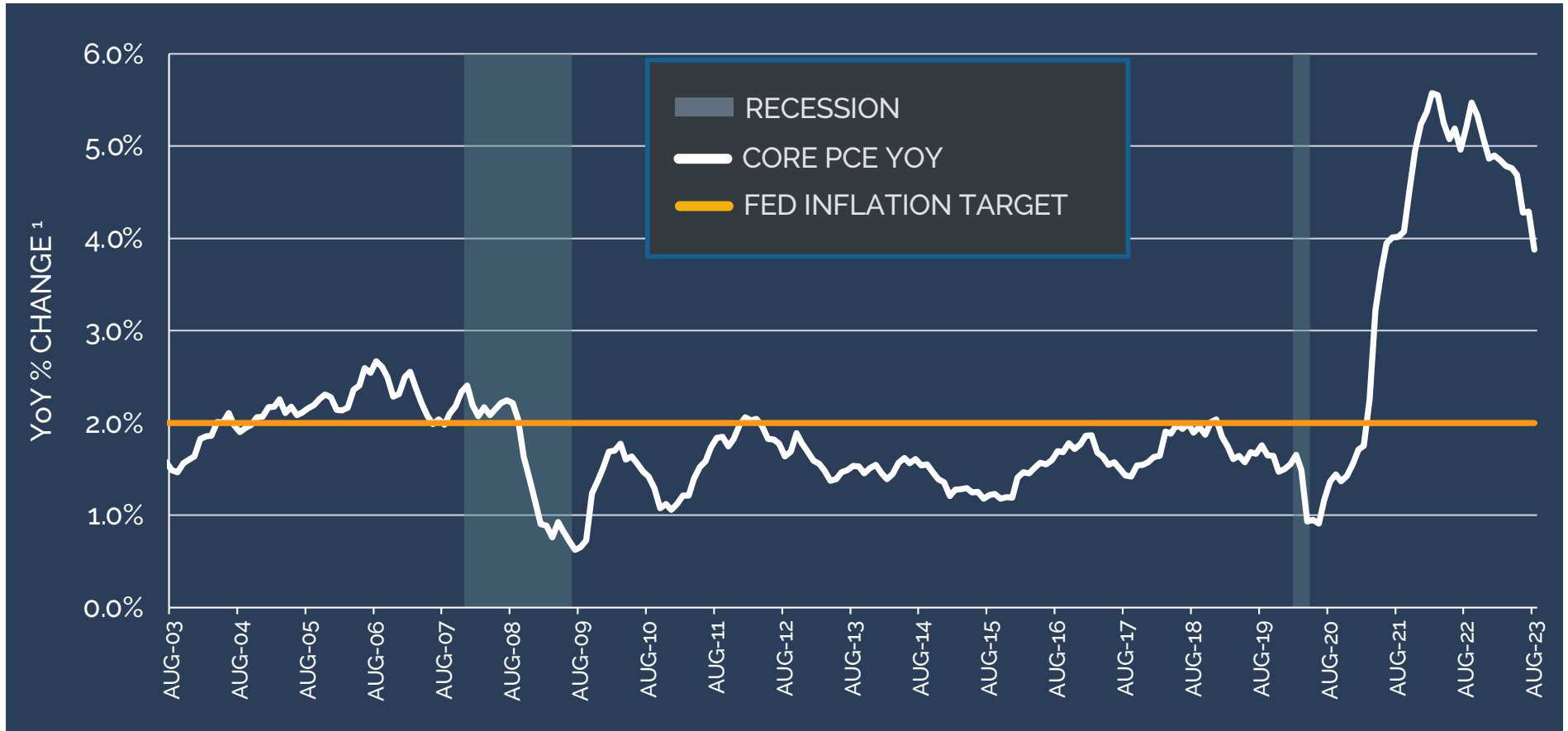
LAGGING RENT PRICES ARE PROPPING UP INFLATION METRICS; THE GOOD NEWS IS THAT WE HAVE SEEN A CLEAR AND OBVIOUS SLOWING IN HOUSING ACTIVITY. WE JUST HAVEN'T SEEN ENOUGH SUPPLY TO DRIVE DOWN PRICES.



THE FED WILL BE THE FIRST TO TELL YOU THAT THEIR JOB ISN'T DONE AND THAT, WHILE RISKS REMAIN, PROGRESS IS BEING MADE.



# INFLATION | CORE INFLATION | AUG 2003 – AUG 2023

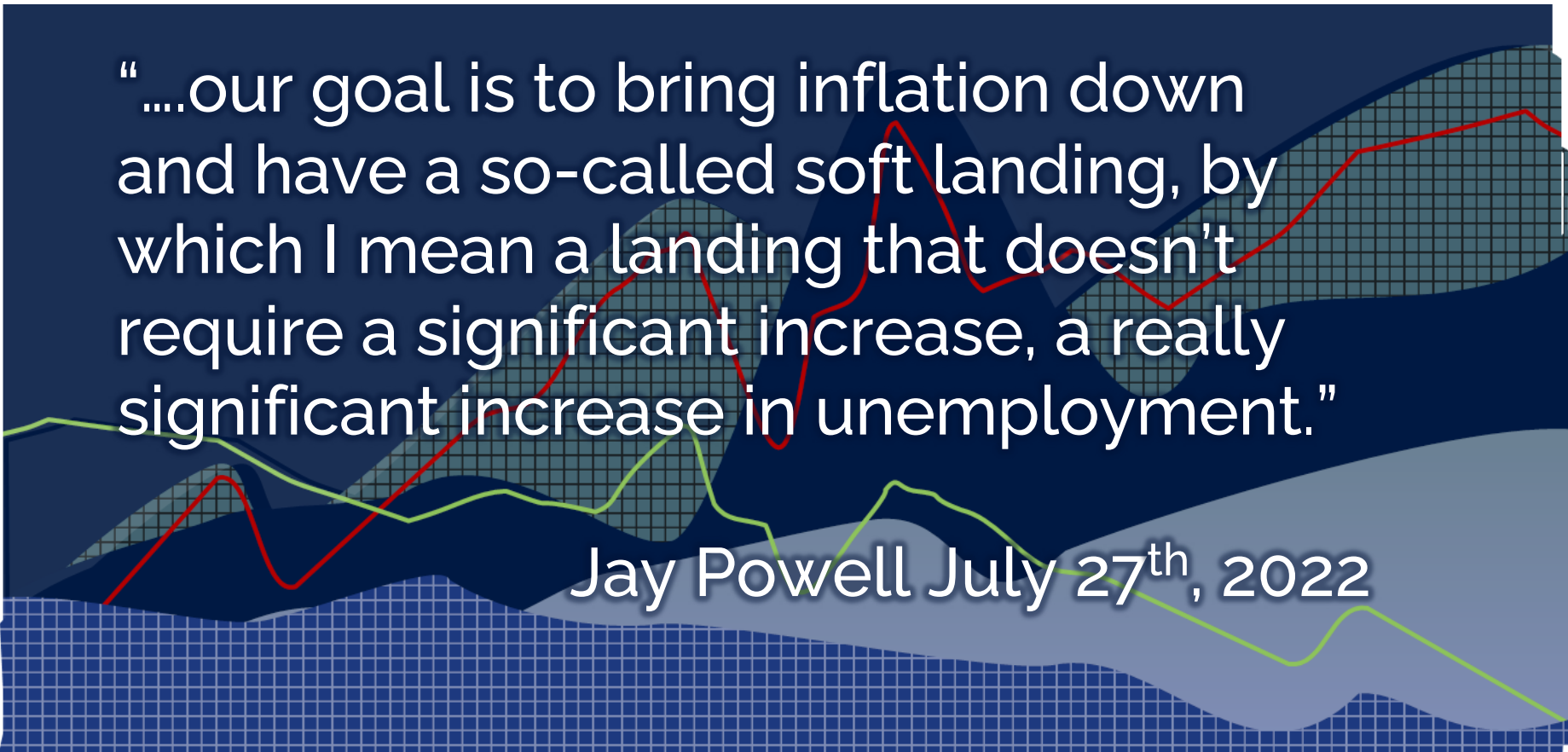


SOURCE: BLOOMBERG, PERFORMA, NBER, BEA | <sup>1</sup> PERSONAL CONSUMPTION EXPENDITURES PRICE INDEX, SA

## SECTION 3

# WHAT TYPE OF LANDING?





“...our goal is to bring inflation down and have a so-called soft landing, by which I mean a landing that doesn't require a significant increase, a really significant increase in unemployment.”

Jay Powell July 27<sup>th</sup>, 2022



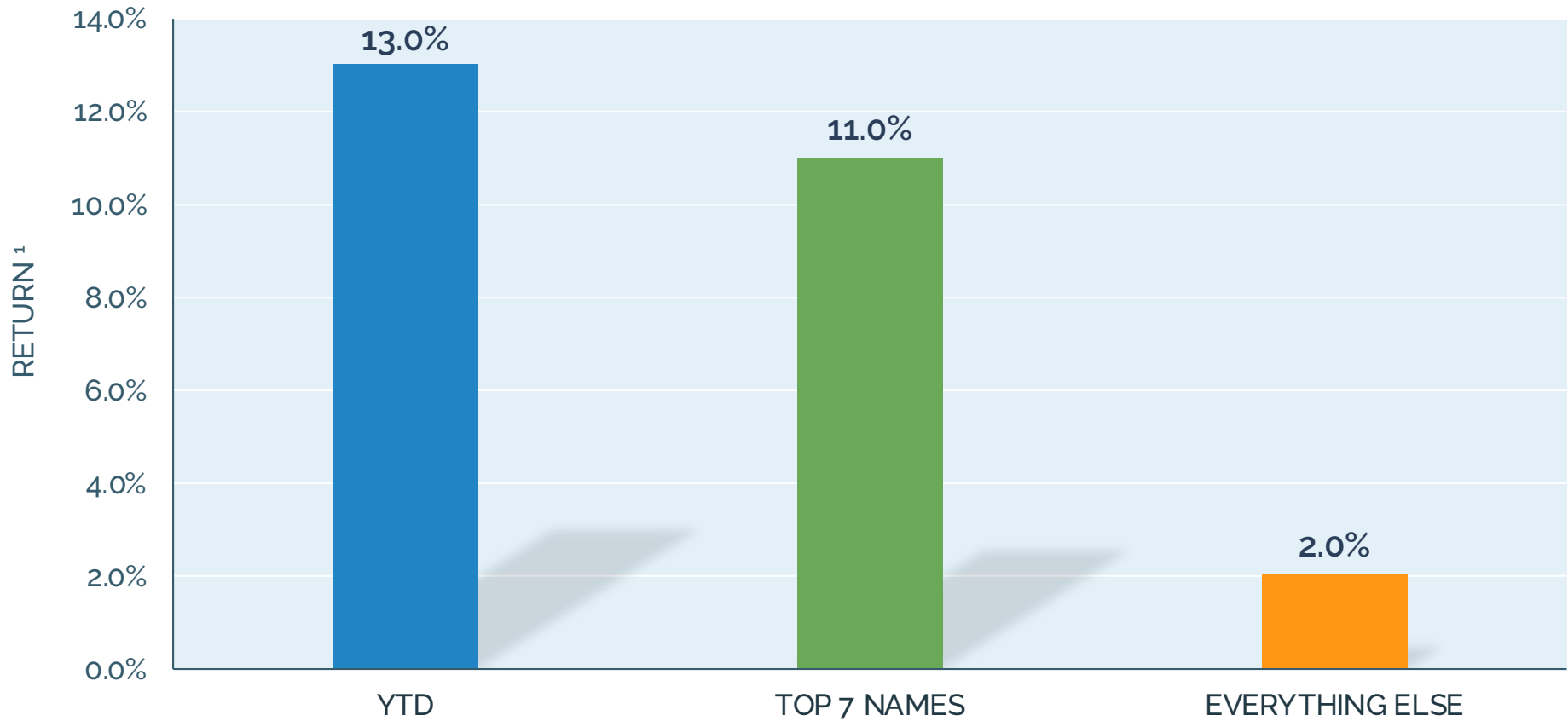




# OUTLOOK | ALWAYS UNCERTAIN | ONE THING ISN'T HOWEVER



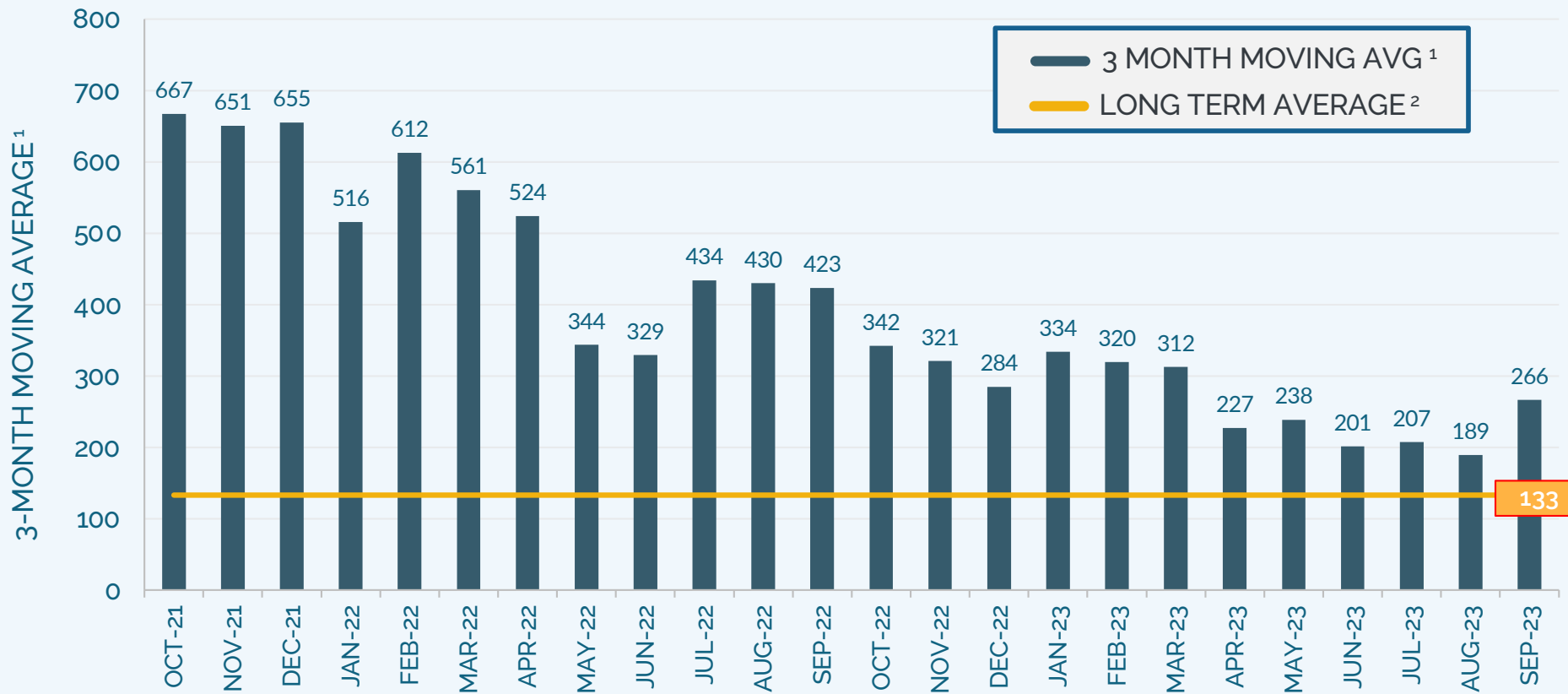
SOURCE: BLOOMBERG



SOURCE: PERFORMA, BLOOMBERG | <sup>1</sup>RETURNS FOR SPY ETF THROUGH 9/30/2023

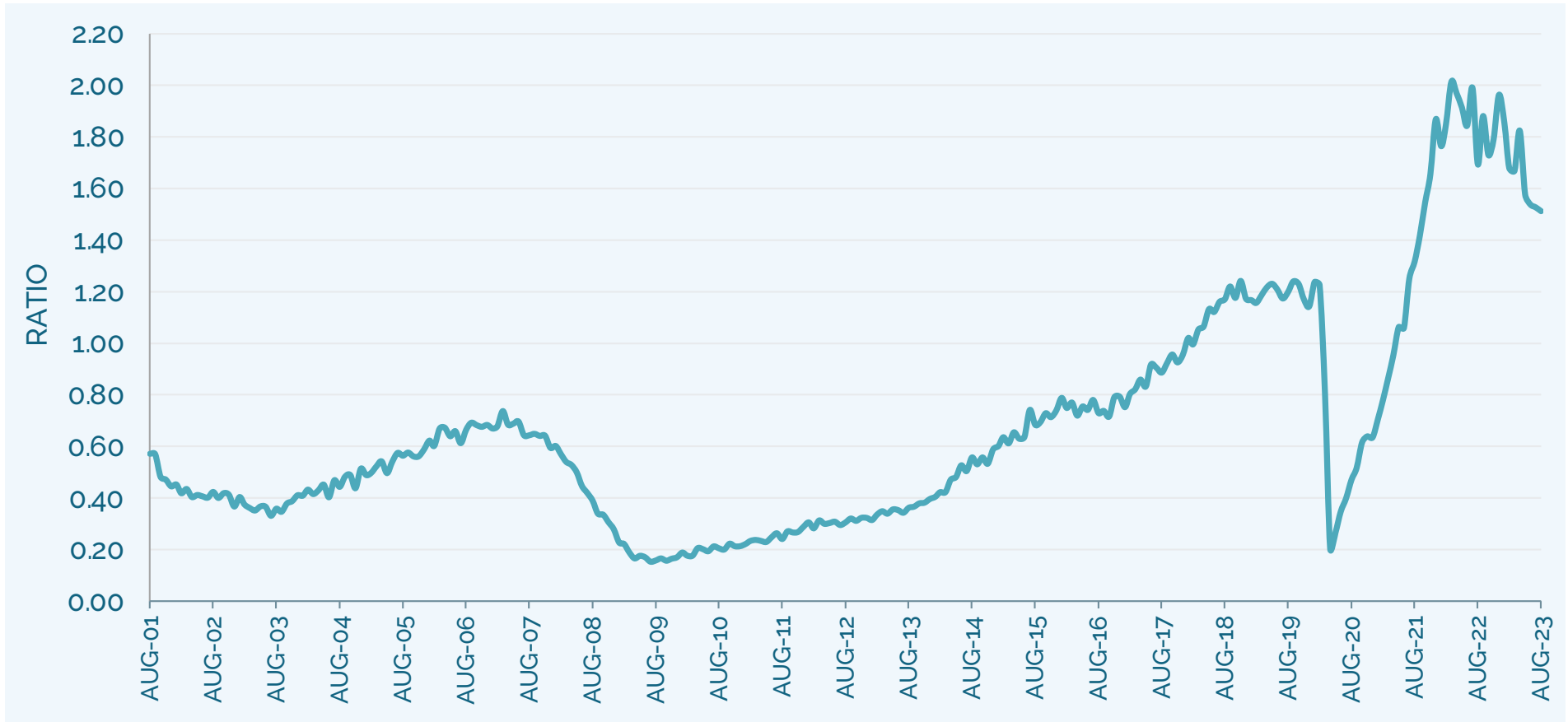


# OUTLOOK | LABOR MARKET | MONTHLY JOB CREATION

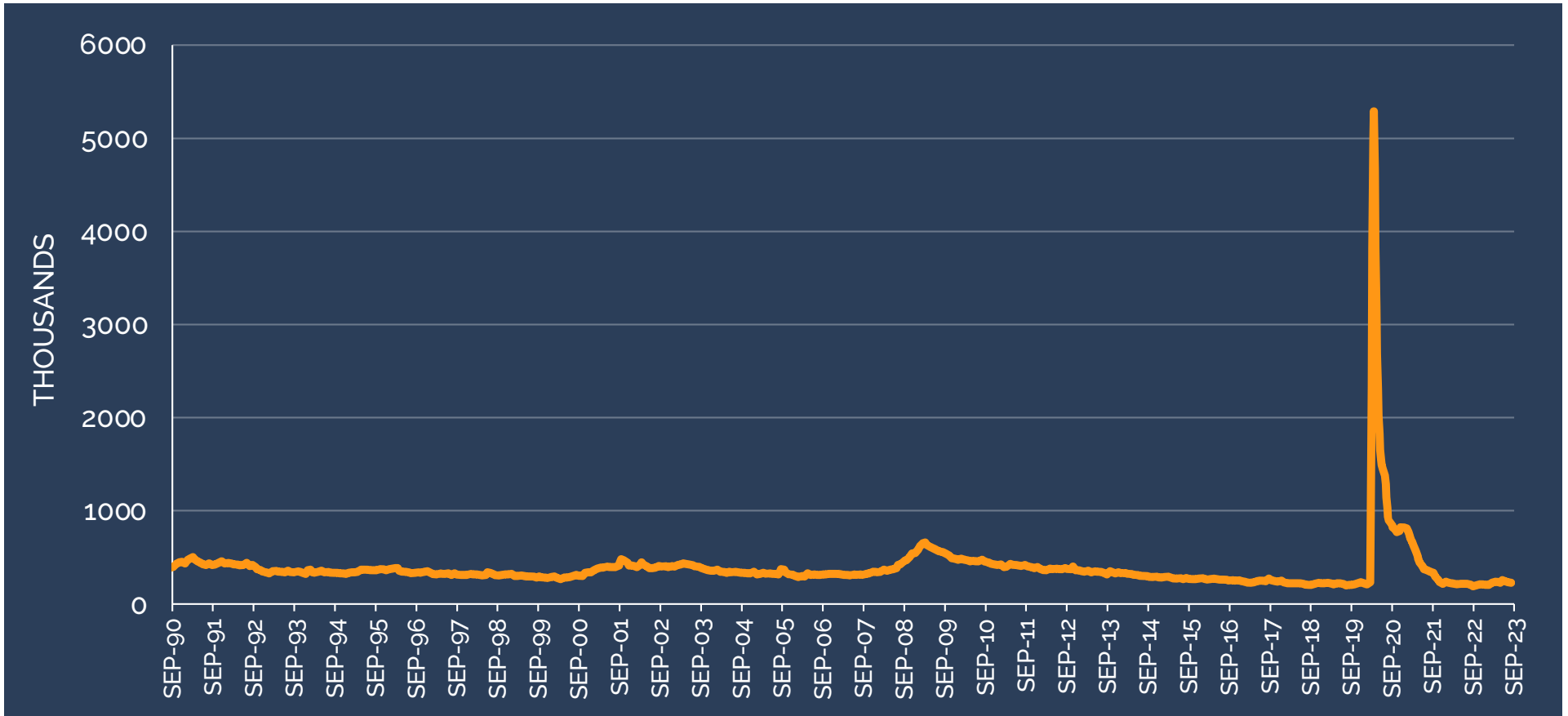


SOURCE: PERFORMA, BLOOMBERG, BLS | <sup>1</sup>3-MONTH MOVING AVERAGE OF NON-FARM PAYROLLS, SEASONALLY ADJUSTED, THOUSANDS, <sup>2</sup>AVERAGE SINCE 1/30/1970

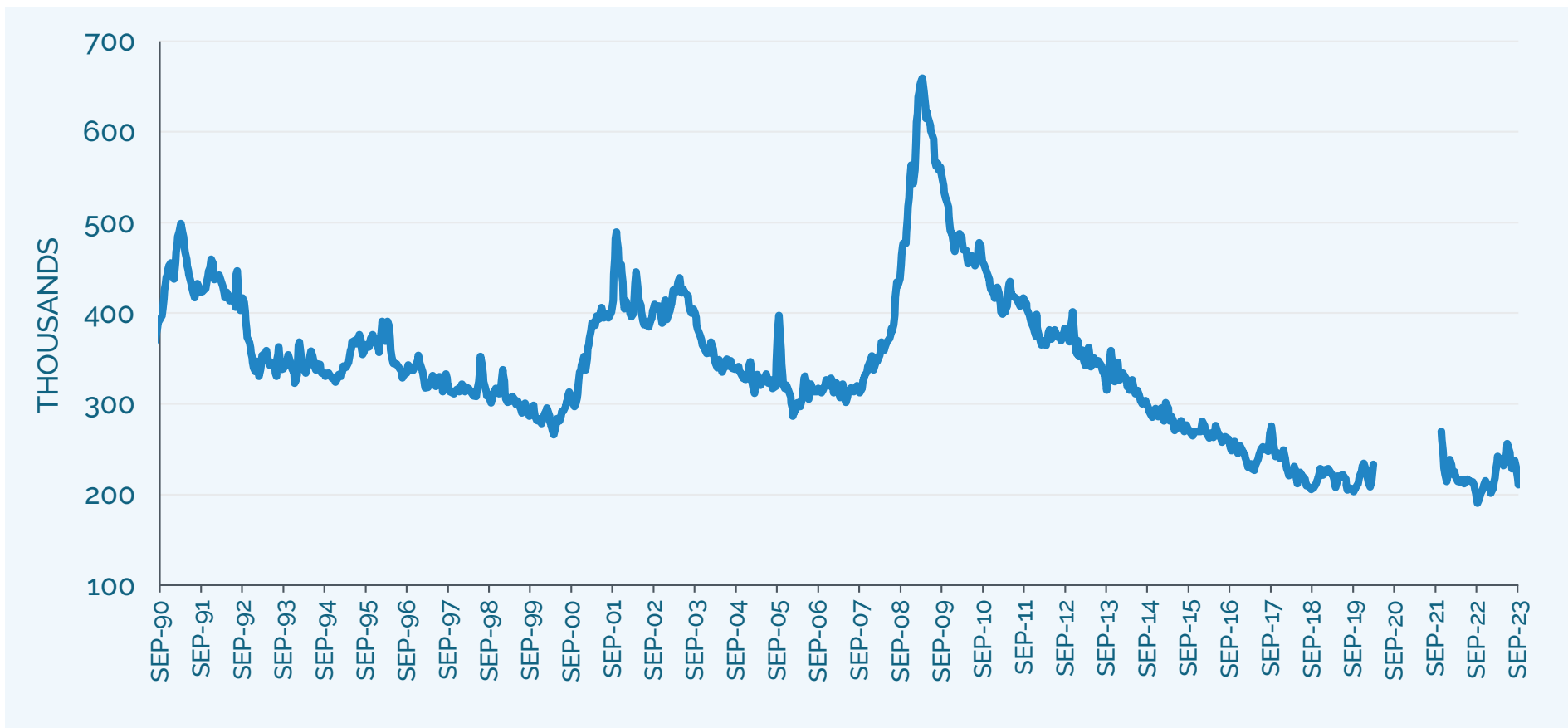
# OUTLOOK | LABOR MARKET | JOB OPENINGS TO UNEMPLOYED



SOURCE: BLOOMBERG, BUREAU OF LABOR STATISTICS, PERFORMA

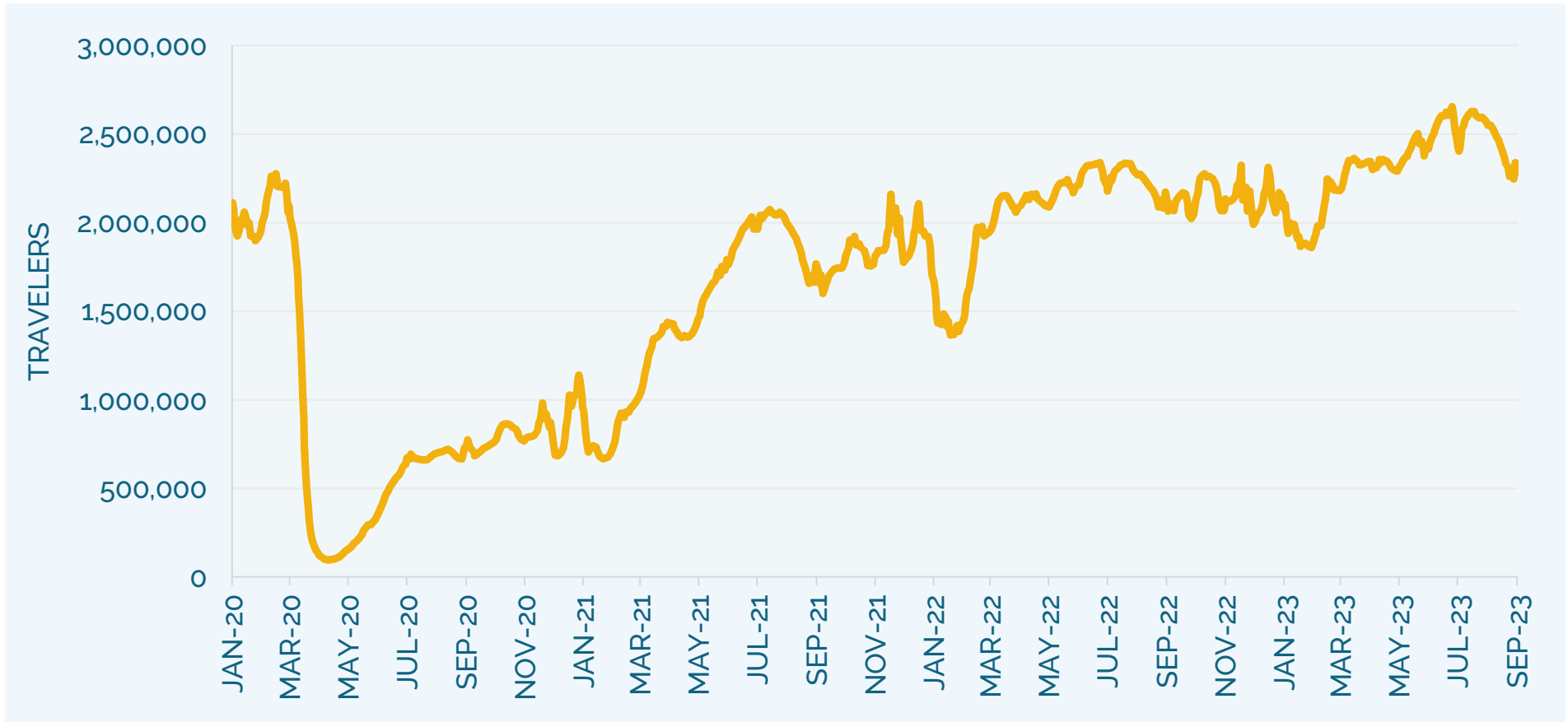


SOURCE: BLOOMBERG, DEPARTMENT OF LABOR, PERFORMA



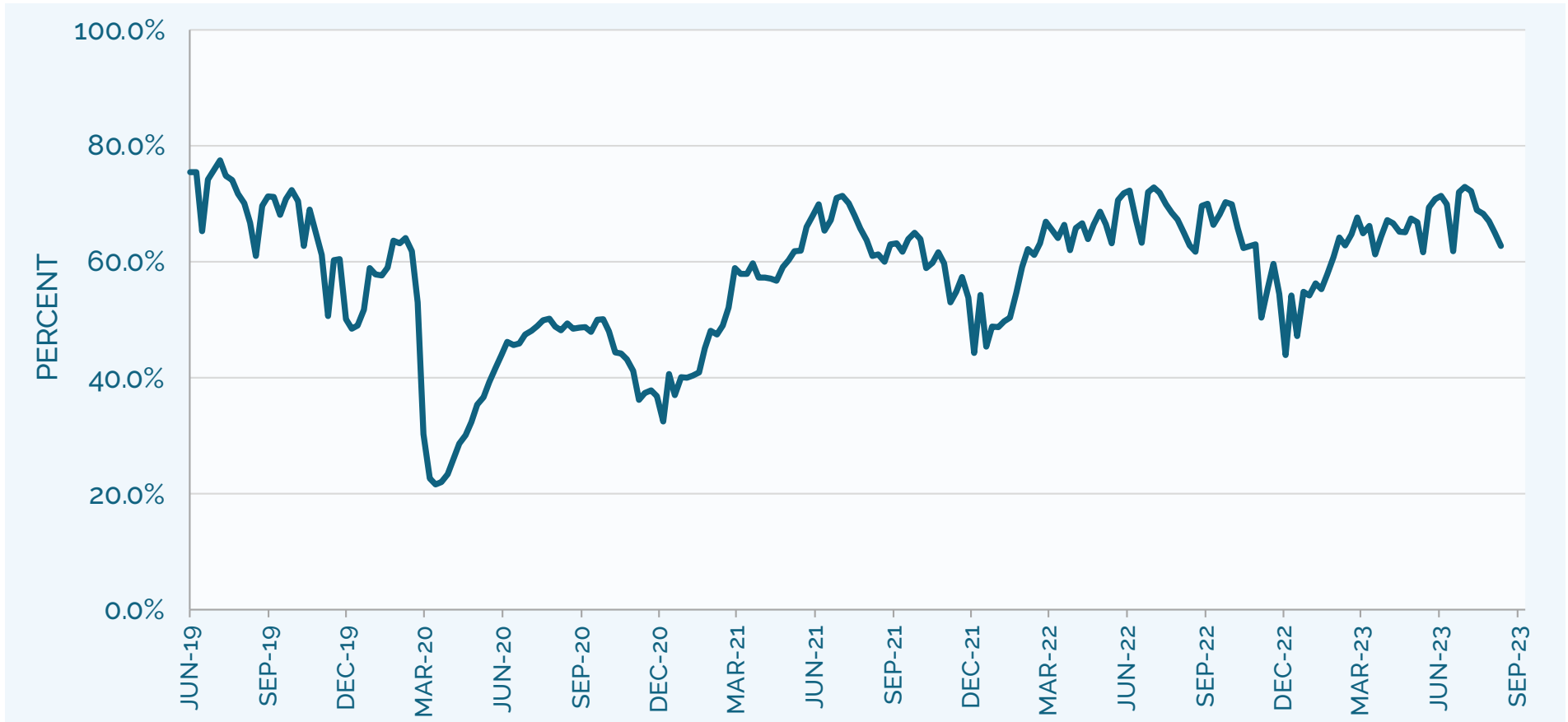
SOURCE: BLOOMBERG, DEPARTMENT OF LABOR, PERFORMA

# OUTLOOK | TSA THROUGHPUT



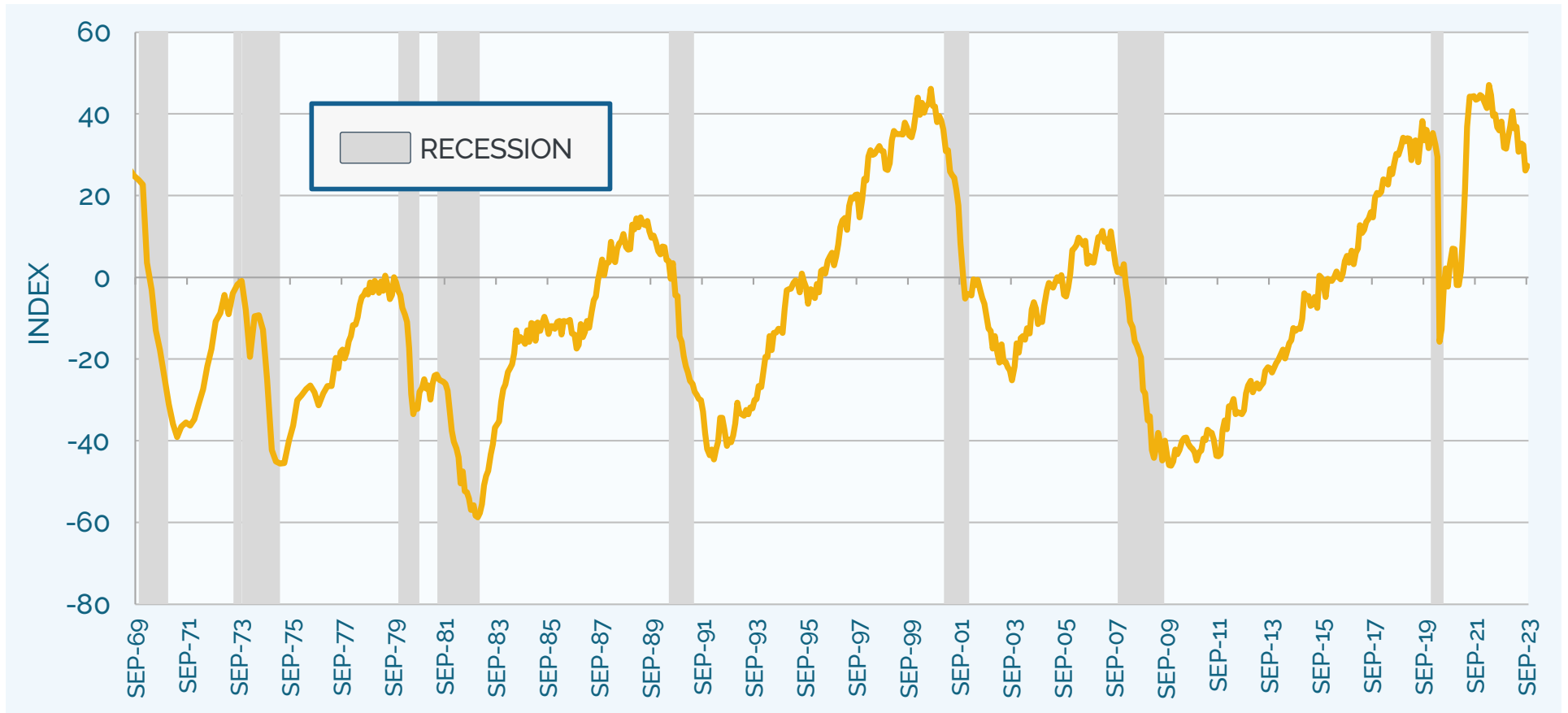
SOURCE: PERFORMA, BLOOMBERG, TRANSPORTATION SAFETY AUTHORITY, 7 DAY MOVING AVERAGE

# OUTLOOK | HOTEL OCCUPANCY



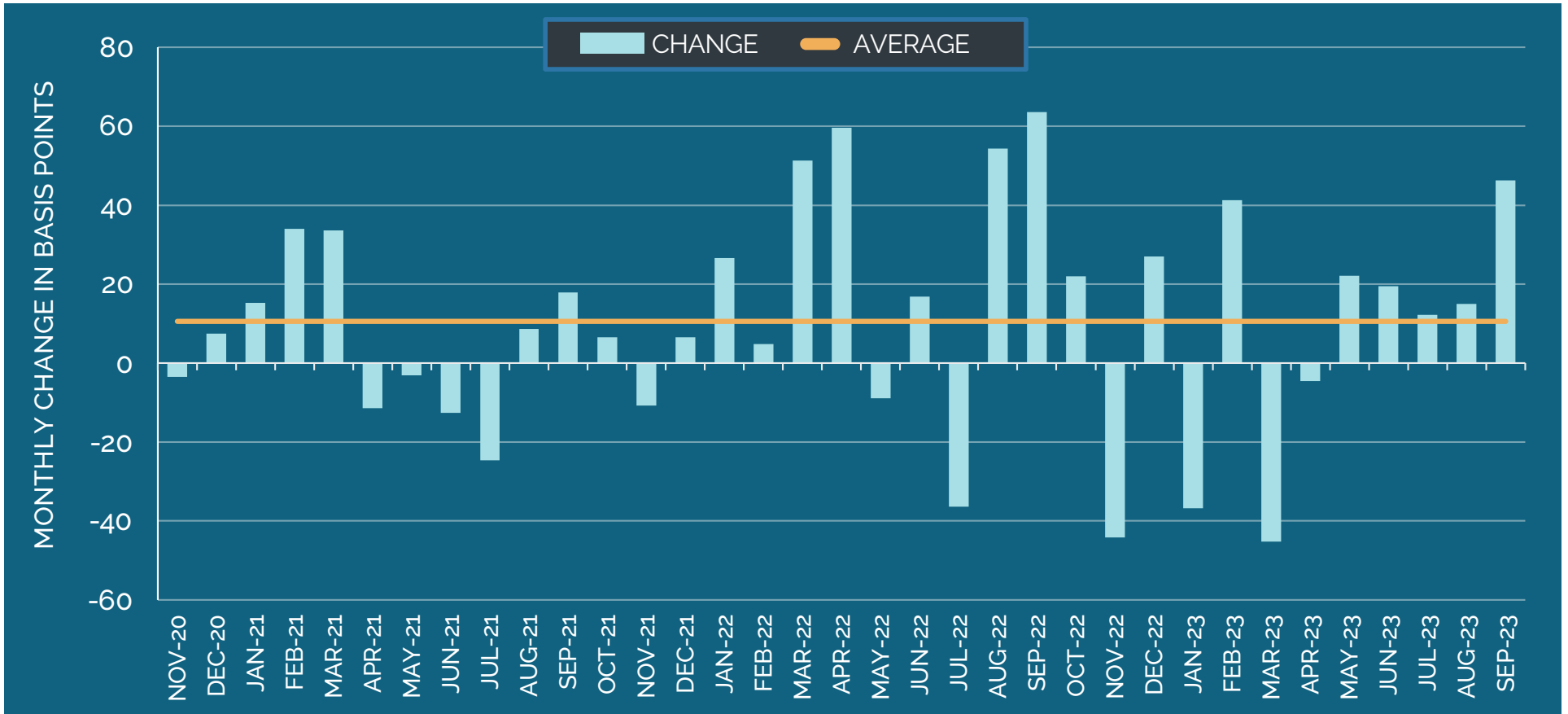
SOURCE: PERFORMA, BLOOMBERG, SMITH TRAVEL RESEARCH





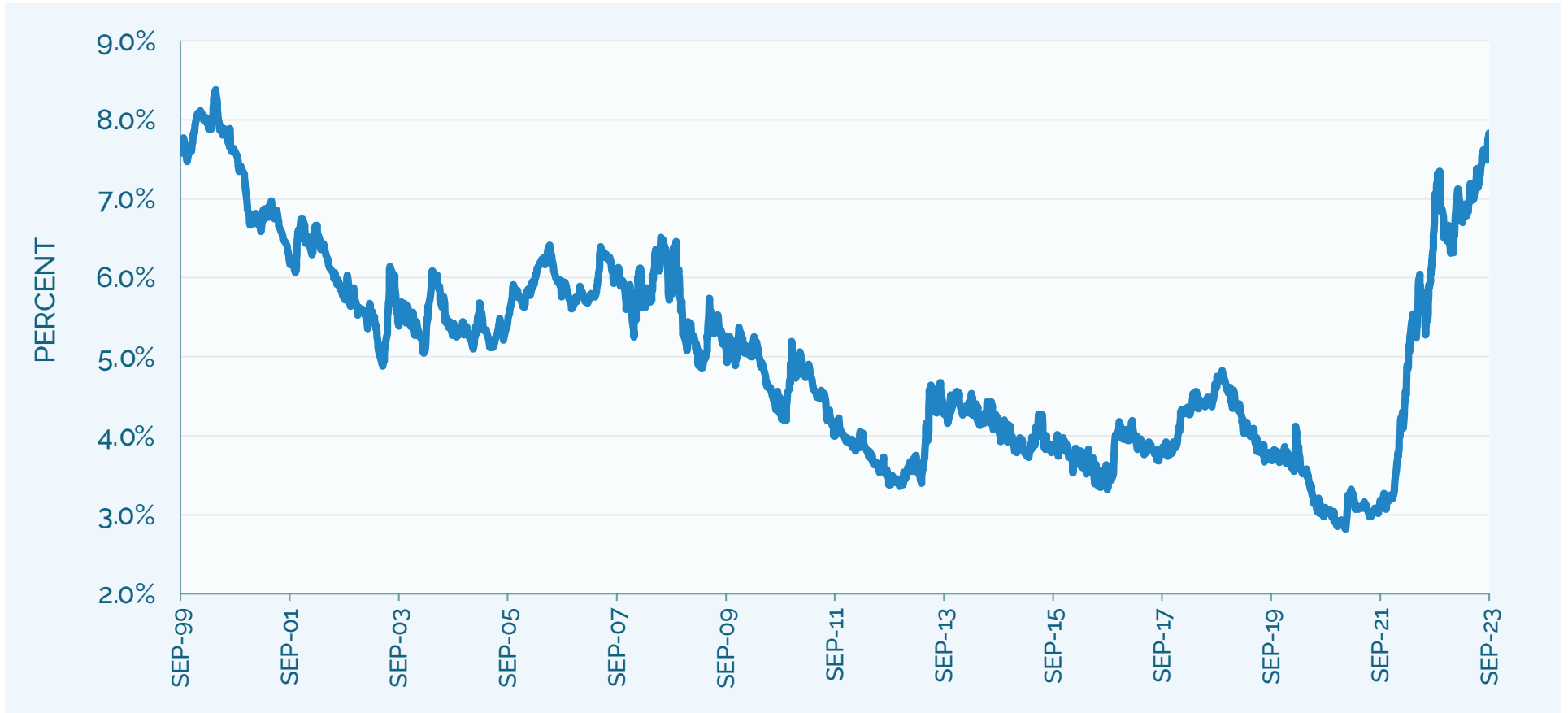
SOURCE: CONFERENCE BOARD CONSUMER CONFIDENCE SURVEY, BLOOMBERG, NBER, PERFORMA





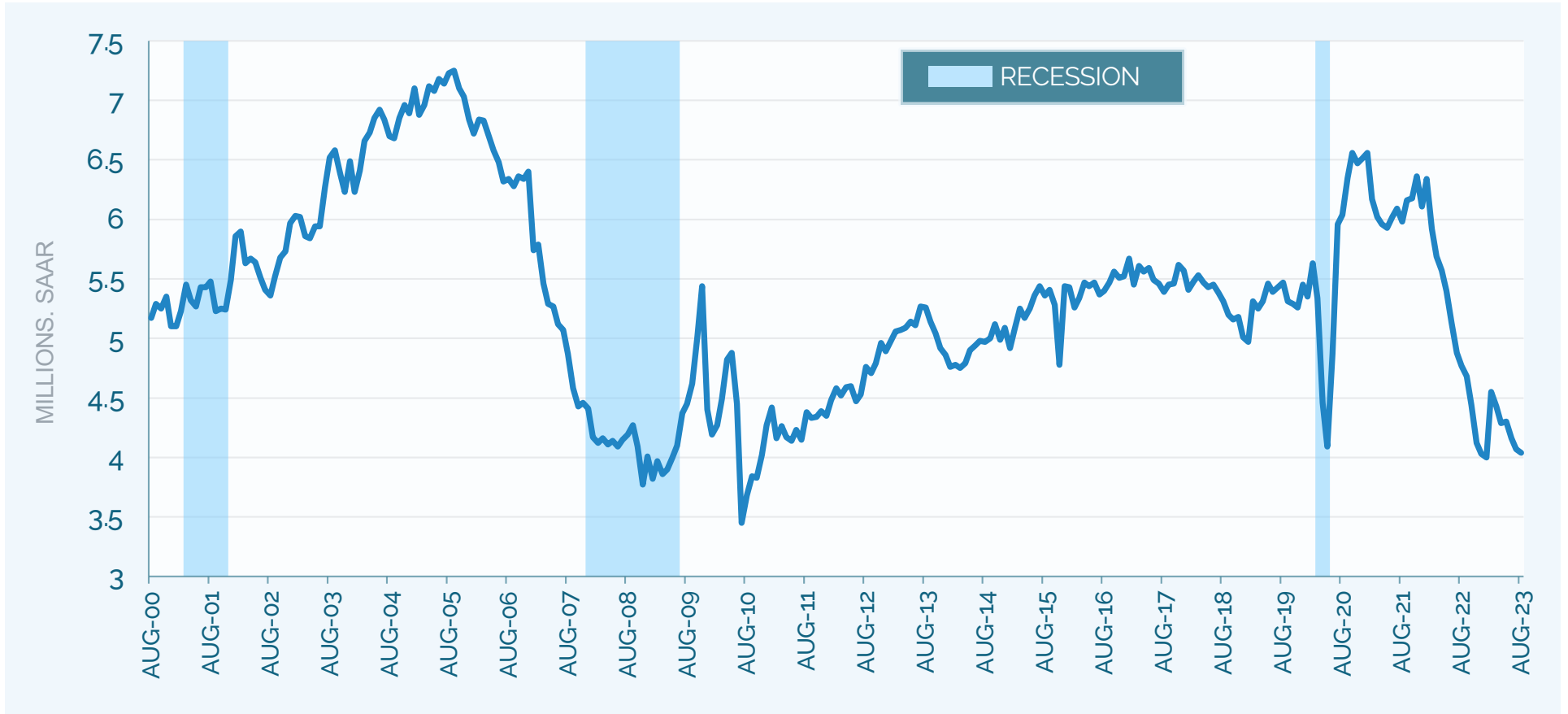
SOURCE: BLOOMBERG, PERFORMA

# OUTLOOK | SPIKE IN MORTGAGE RATES



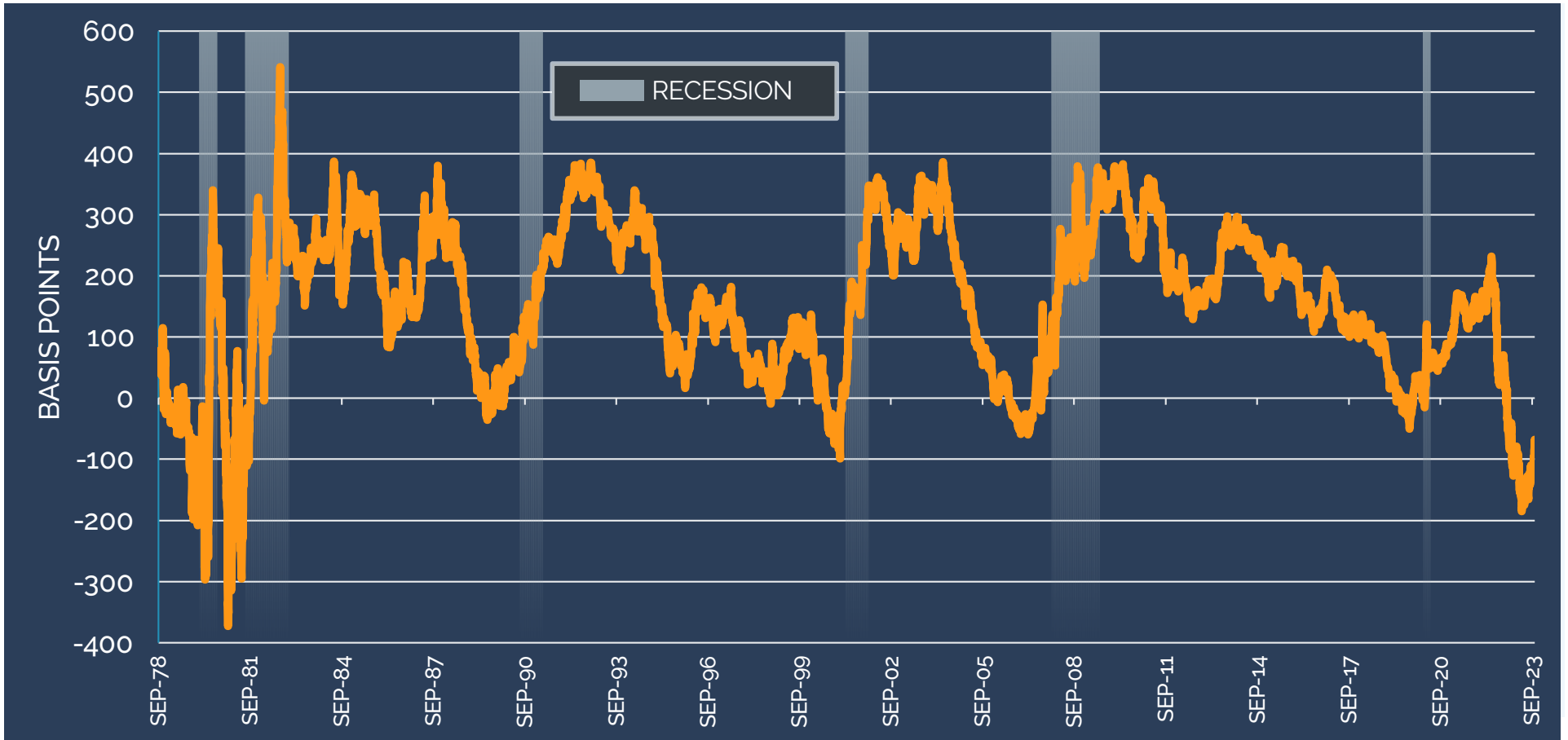
SOURCE: BLOOMBERG, PERFORMA, BANKRATE U.S. HOME MORTGAGE 30 YEAR FIXED NATIONAL AVG

# OUTLOOK | DISMAL EXISTING HOME SALES



SOURCE: BLOOMBERG, NBER, PERFORMA, NATIONAL ASSOC. OF REALTORS

# OUTLOOK | SPREAD BETWEEN 10YR UST AND 3MON BILLS



SOURCE: BLOOMBERG, NBER, PERFORMA

## SECTION 4

# A RESILIENT CAPTIVE INVESTMENT PORTFOLIO



## CONSIDERATIONS WHEN ESTABLISHING A CAPTIVE INVESTMENT PROGRAM...

- INVESTMENT POLICY → DEFINE PURPOSE, OBJECTIVES & RISK TOLERANCE
- FOCUS ON CAPITAL PRESERVATION, INCOME & LIQUIDITY
- CAPTIVE STRUCTURE / REGULATORY ENVIRONMENT
- LIABILITY & CASH FLOW PROFILE
- COLLATERAL ARRANGEMENTS
- FIND THE RIGHT PARTNER
- PUT YOUR CAPTIVE'S ASSETS TO WORK!



### ONGOING MAINTENANCE OF YOUR INVESTMENT PROGRAM...

- INVESTMENT RISK SHOULD DOVETAIL WITH UNDERWRITING RISK
- PROACTIVE COMMUNICATION WITH INVESTMENT MANAGER(S)
- PROGRAM CHANGES → LINES OF COVERAGE, DIVIDENDS, ETC.
- PERFORMANCE EVALUATION & PROPER BENCHMARKING
- REPORTING & SERVICE PROVIDER PARTNERSHIPS
- PROACTIVE COMPLIANCE MONITORING
- DON'T "SET IT & FORGET IT"

REGARDLESS OF STRUCTURE, SIZE, COMPLEXITY OR STAGE OF THE CAPTIVE THE LIFE CYCLE, MAKE SURE YOU:



1

REGULARLY RE-EVALUATE YOUR APPROACH TO ENSURE GOALS ARE BEING ACHIEVED & TWEAK AS NEEDED



2

ENSURE YOUR CAPTIVE'S INVESTMENT PORTFOLIO IS GETTING THE ATTENTION IT DESERVES





HAS BEEN A POSITIVE START TO THE YEAR WITH FIXED INCOME AND EQUITY MARKETS UP NICELY AFTER A DISMAL 2022.



FINALLY STARTING TO SEE SOME IMPROVEMENT IN INFLATION METRICS; MEANWHILE THE LABOR MARKET REMAINS SURPRISINGLY RESILIENT.



WILL BE IMPORTANT TO REMEMBER THAT ONE DATA POINT DOESN'T MAKE A TREND; THINK ABOUT THINGS THEMATICALLY.

## REQUIREMENTS FOR SUCCESS

- LONG-RUN FOCUS
- DISCIPLINE
- THE LITTLE THINGS



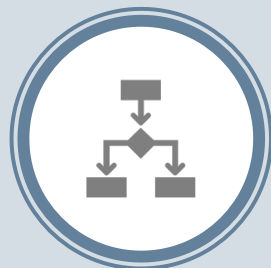
MARKET TIMING  
**IS NOT A**  
WINNING STRATEGY





ALLOCATING  
NEW MONEY

ALLOCATE TO  
LONG-TERM TARGETS



ASSET  
ALLOCATION

CAUTIOUS - LOOK TO  
TRIM ORGANIC  
OVERWEIGHTS



FIXED INCOME  
STRATEGIES

MOVED DURATION TO  
NEUTRAL FROM SHORT



**QUESTIONS?**



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