



2024 Annual Conference

Texas Captives: Empowering Texas Business

THE ECONOMIC LANDSCAPE AND YOUR CAPTIVE'S PORTFOLIO

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THE ECONOMIC LANDSCAPE

AGENDA

- I. SEARCHING FOR ANSWERS
- II. MARKET UPDATE
- III. HOUSING MARKET REMAINS FROZEN
- IV. LOOKING AHEAD
- V. A RESILIENT CAPTIVE INVESTMENT PORTFOLIO

SECTION 1

SEARCHING FOR ANSWERS

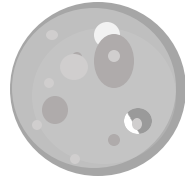
SEARCHING FOR ANSWERS

THE PATH OF TOTALITY



SEARCHING FOR ANSWERS

NOW THIS MAY SEEM LIKE A STRETCH



POSIT:
THE ECLIPSE...
...AS A KEY
FACTOR DRIVING
MARKETS

SEARCHING FOR ANSWERS

A MOVIE IS WORTH A MILLION WORDS



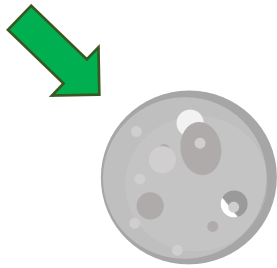
SEARCHING FOR ANSWERS

A MOVIE IS WORTH A MILLION WORDS



SEARCHING FOR ANSWERS

ALWAYS HARD TO PROVE CAUSALITY



AS ALWAYS, IT'S HARD
TO PROVE CAUSALITY...

- BUT, BASED ON THESE
VIDEOS, IT SEEMS THE
ECLIPSE IS A KEY
EXPLANATORY
VARIABLE



SEARCHING FOR ANSWERS

A MOVIE IS WORTH A MILLION WORDS



SECTION 2

MARKET UPDATE

MARKET UPDATE

OVERVIEW

I.

RISK APPETITE

INSATIABLE

II.

THE FED/RATES

EASING HAS BEGUN

III.

INFLATION

LACK OF PROGRESS → PROGRESS

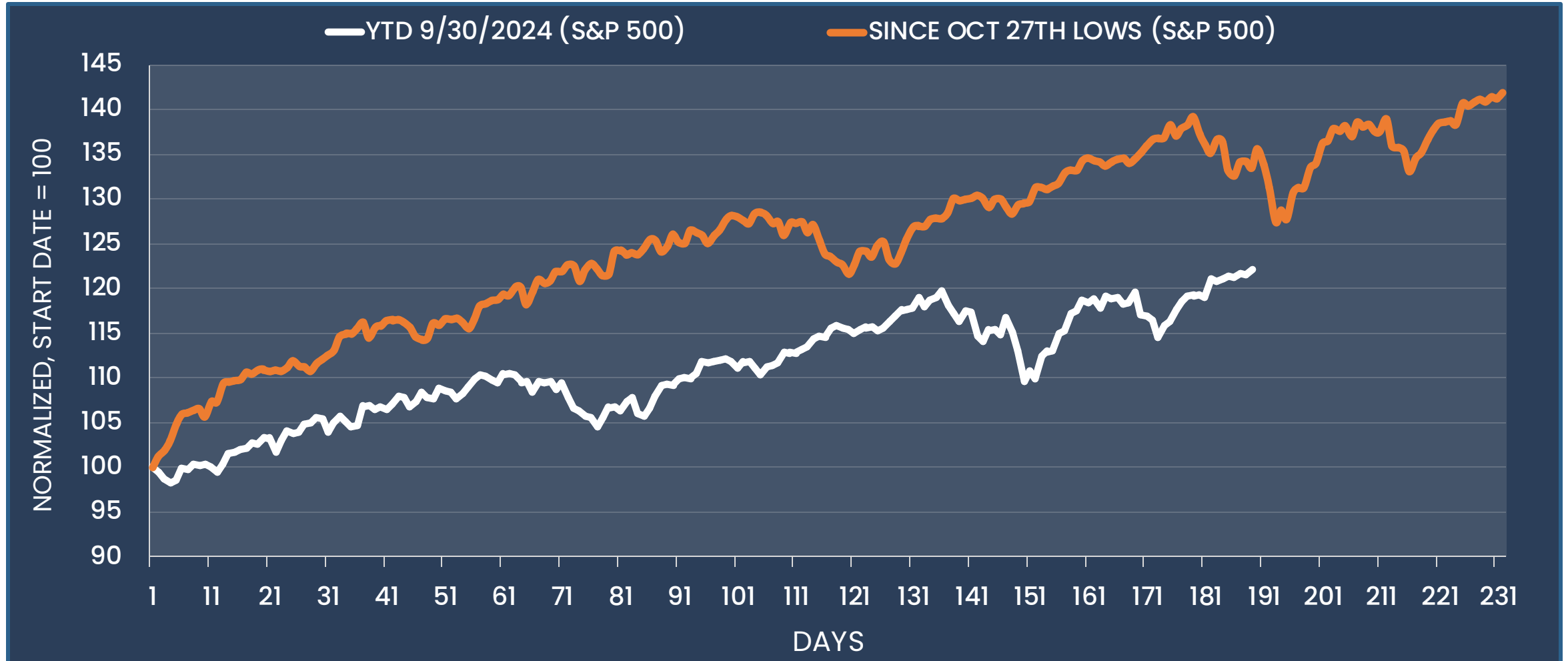
IV.

LABOR MARKET

SOFTER BUT REMAINS TIGHT

MARKET UPDATE

RISK APPETITE | INSATIABLE



MARKET UPDATE

THE FED/RATES | EASING HAS BEGUN



MARKET UPDATE

THE FED/RATES | AUGUST 23RD COMMENTS FROM POWELL

I.

"WE DO NOT SEEK OR WELCOME FURTHER COOLING IN LABOR MARKET CONDITIONS."

II.

"THE UPSIDE RISKS TO INFLATION HAVE DIMINISHED & THE DOWNSIDE RISKS TO EMPLOYMENT HAVE INCREASED."

III.

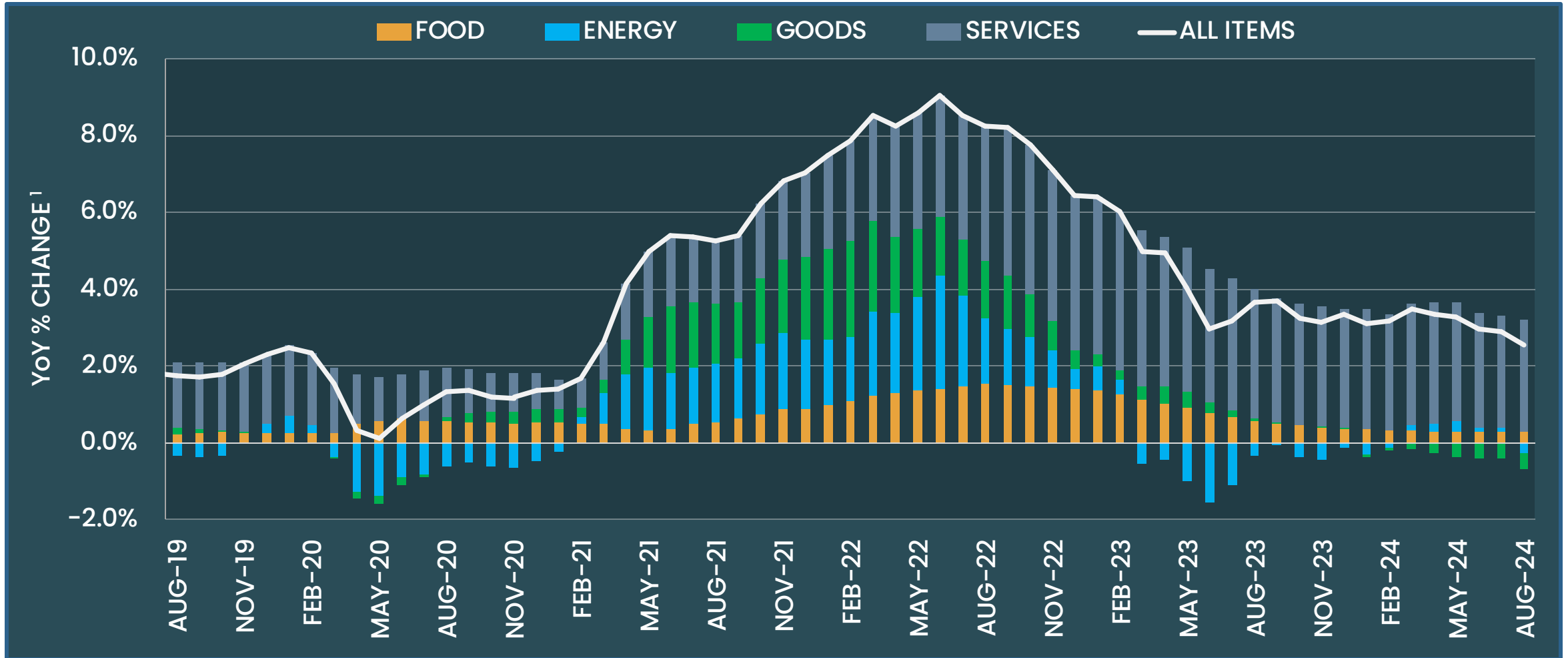
"THE TIME HAS COME FOR POLICY TO ADJUST."

IV.

"WITH AN APPROPRIATE DIALING BACK OF POLICY RESTRAINT, THERE IS GOOD REASON TO THINK THAT THE ECONOMY WILL GET BACK TO 2 PERCENT INFLATION WHILE MAINTAINING A STRONG LABOR MARKET."

MARKET UPDATE

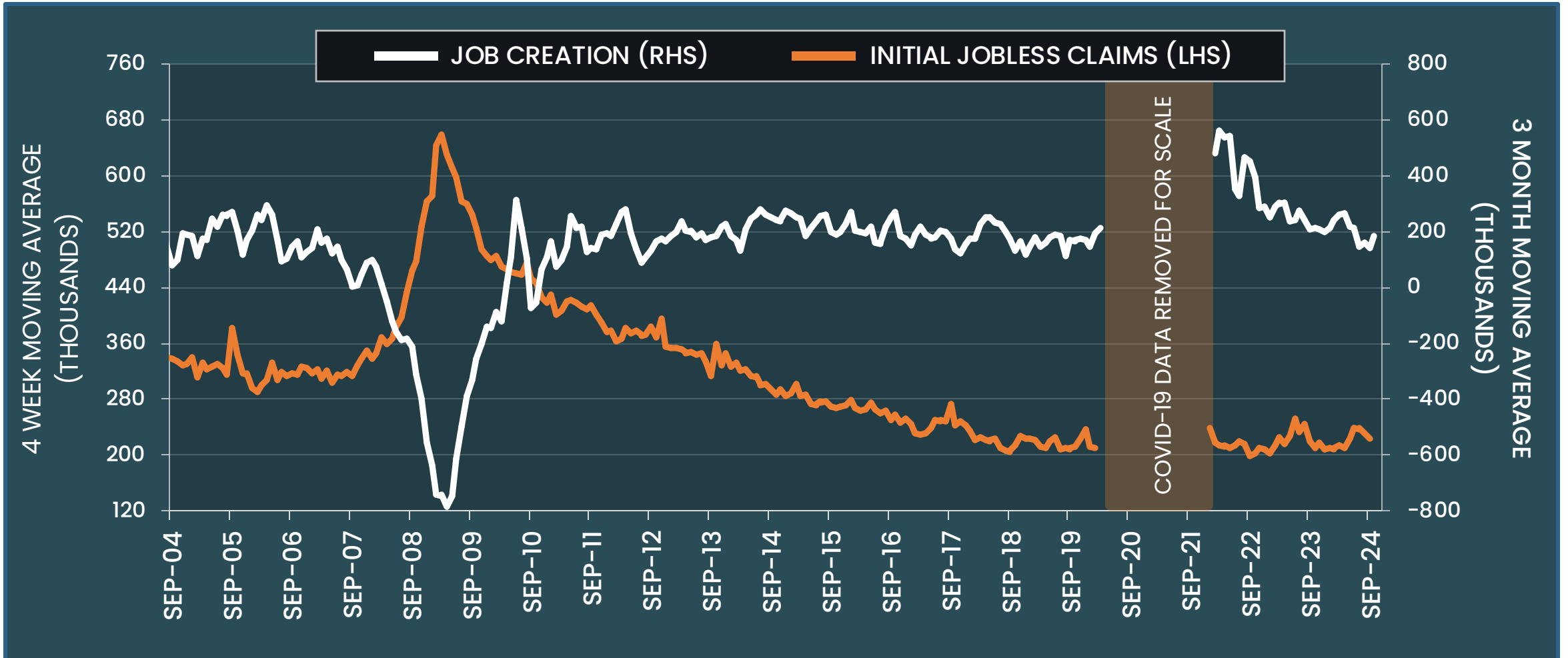
INFLATION | LACK OF PROGRESS → PROGRESS



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

MARKET UPDATE

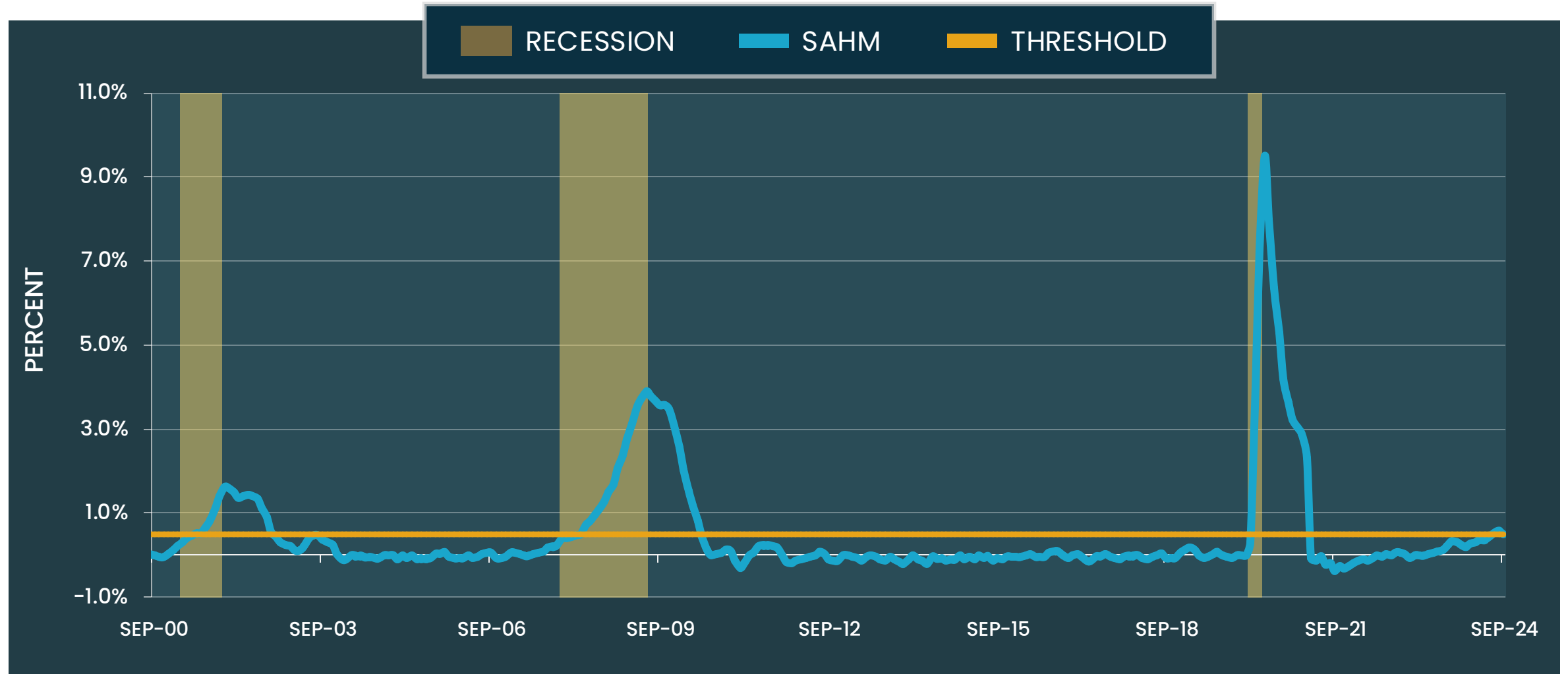
LABOR MARKET | SOFTER BUT REMAINS TIGHT



SOURCE: BLOOMBERG, DEPARTMENT OF LABOR, BLS, PERFORMA

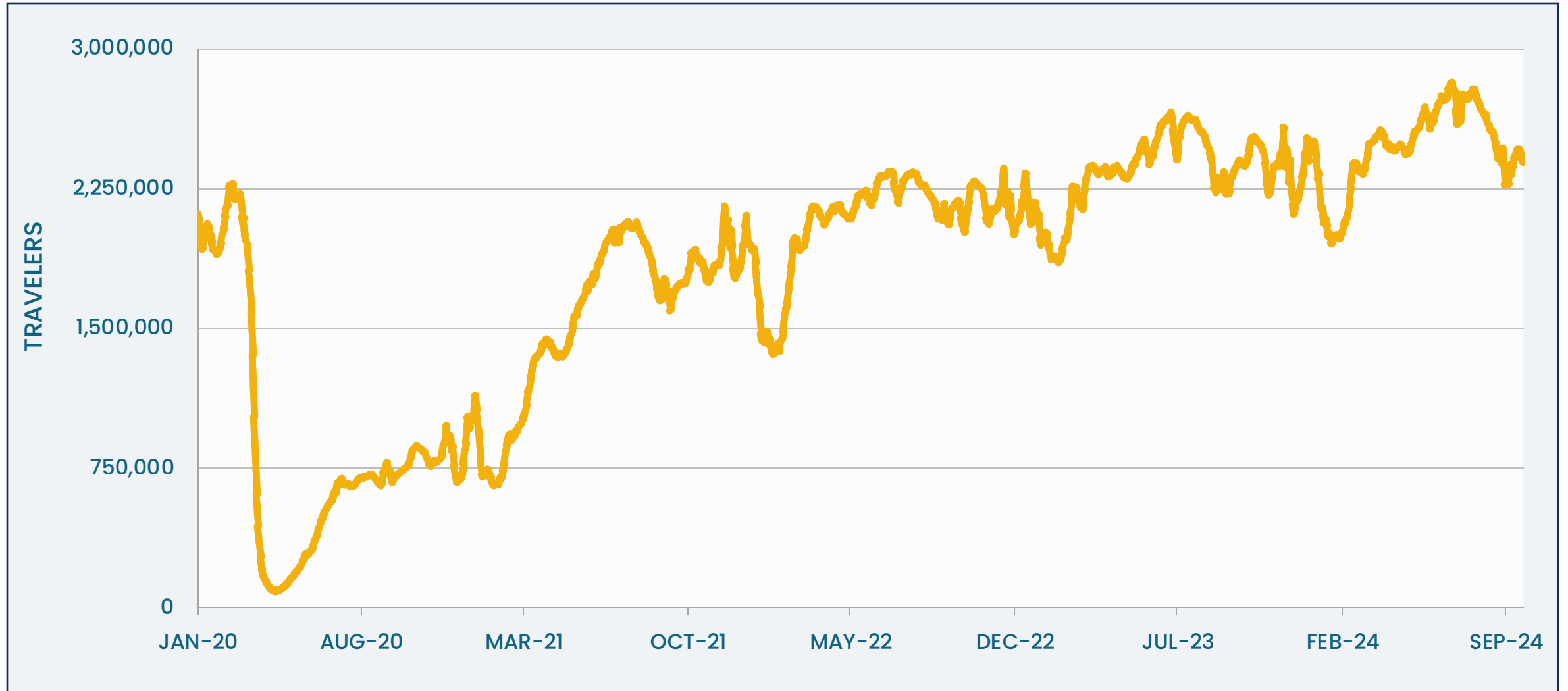
MARKET UPDATE

RECESSION? | THE SAHM RULE HAS REIGNITED RECESSION WORRIES



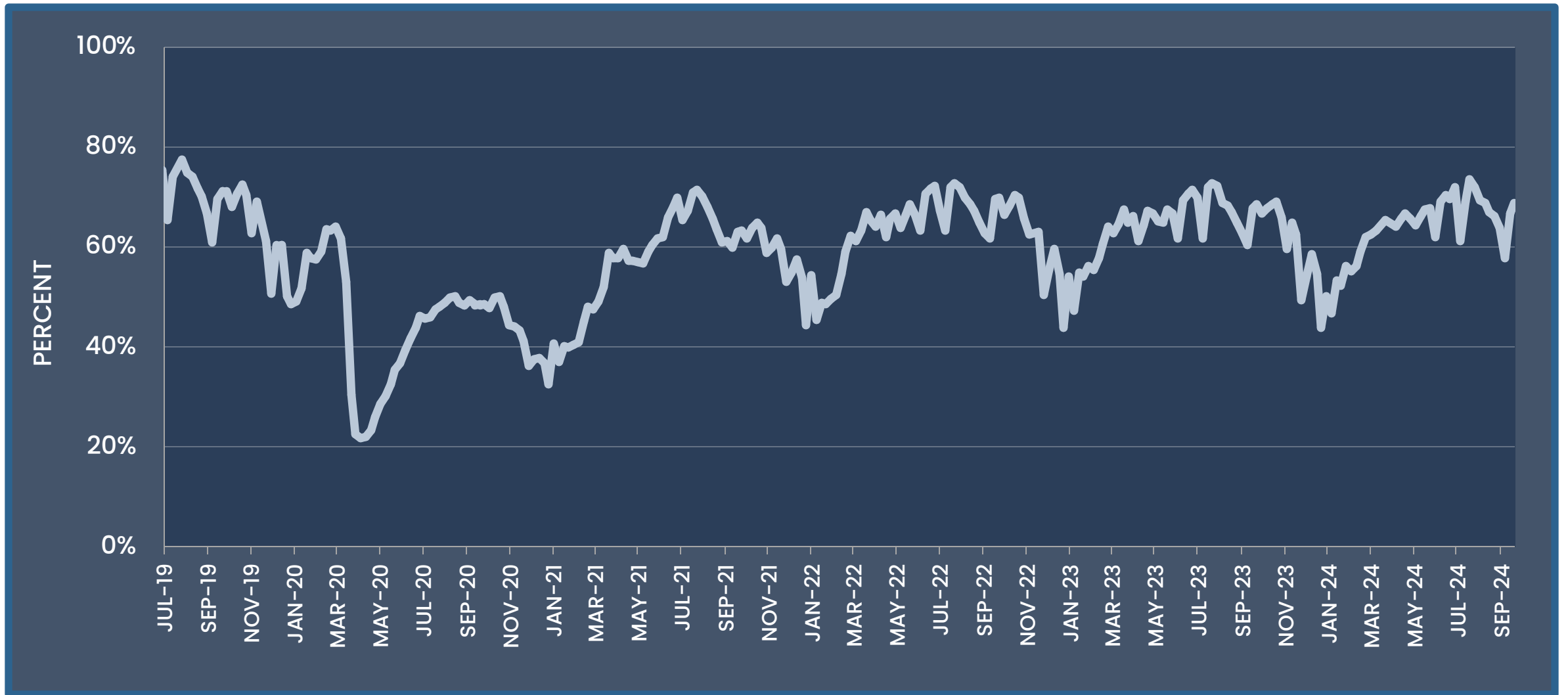
MARKET UPDATE

HIGH FREQUENCY DATA | TSA THROUGHPUT



MARKET UPDATE

HIGH FREQUENCY DATA | HOTEL OCCUPANCY

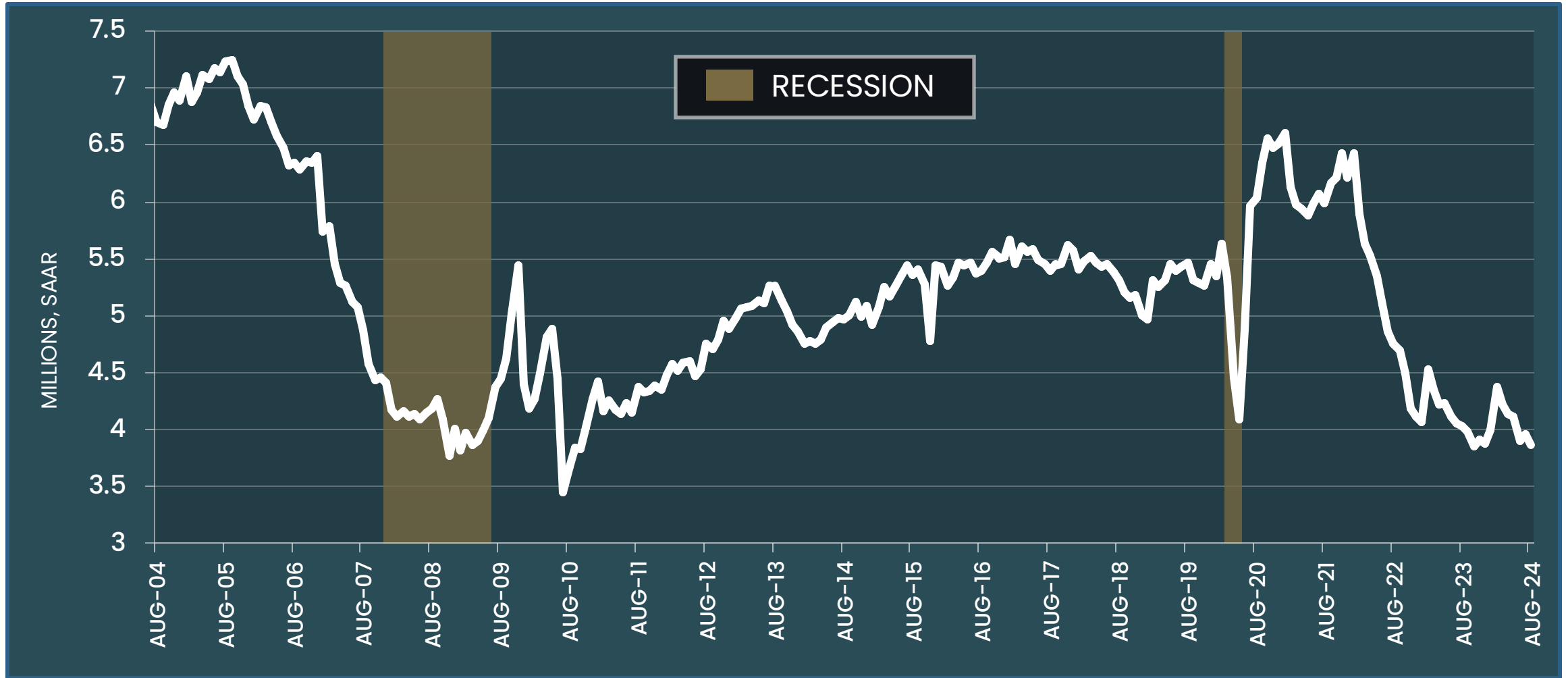


SECTION 3

THE HOUSING SECTOR REMAINS FROZEN

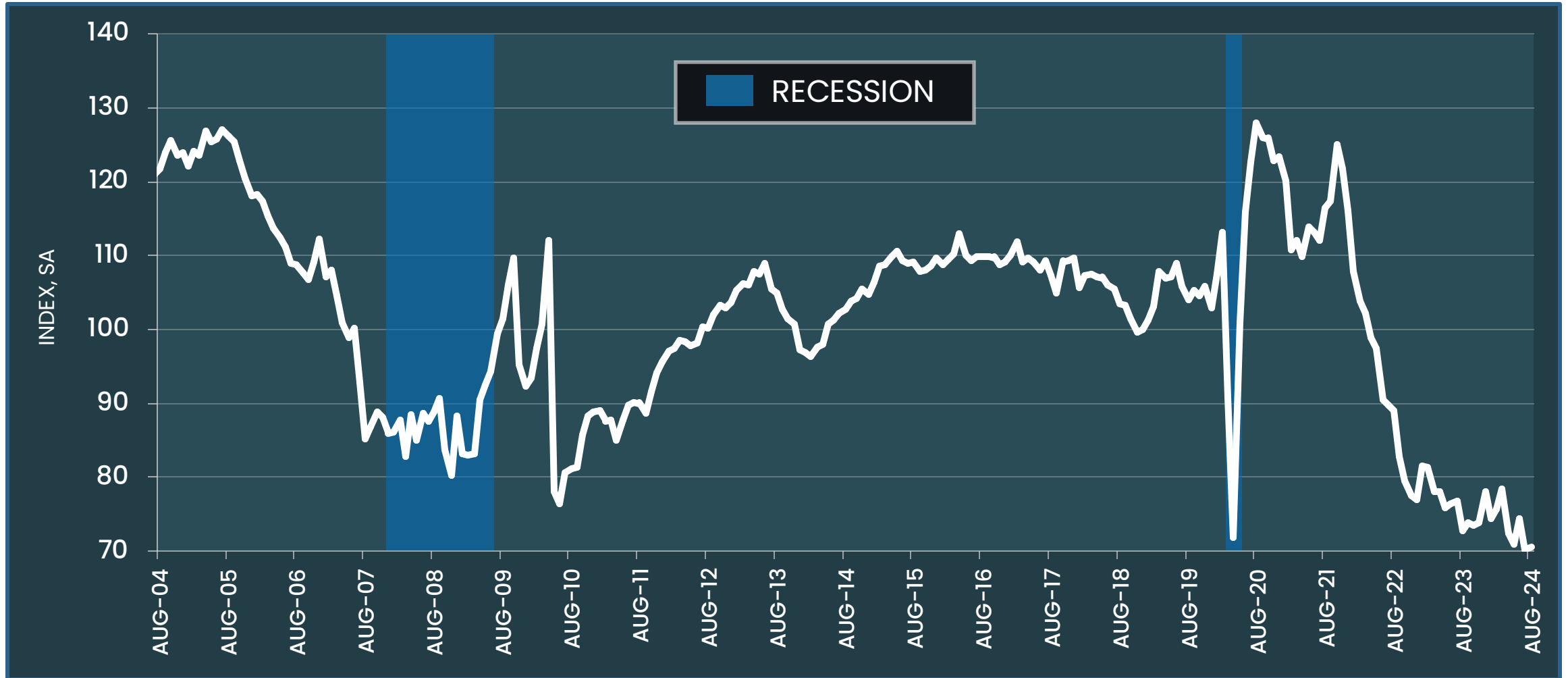
THE HOUSING MARKET REMAINS FROZEN

EXISTING HOME SALES



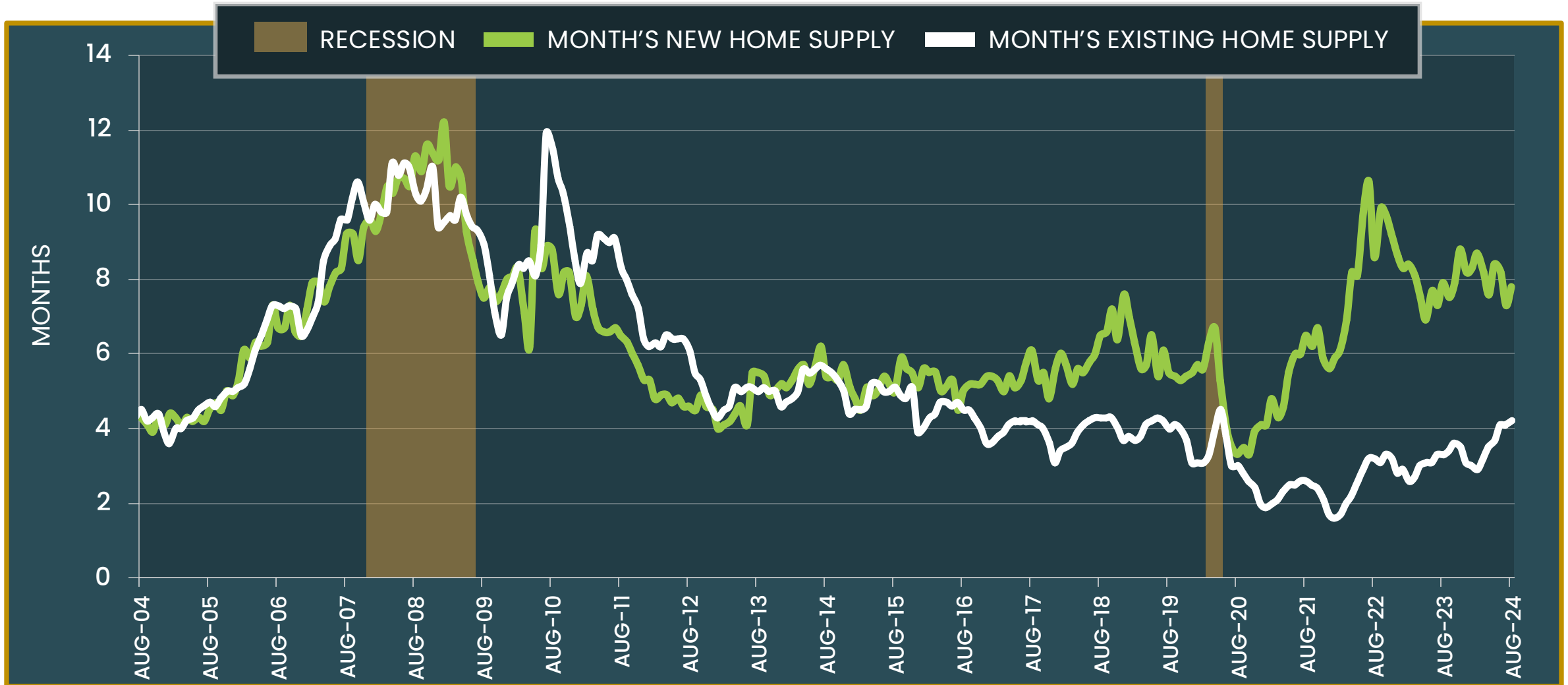
THE HOUSING MARKET REMAINS FROZEN

PENDING HOME SALES



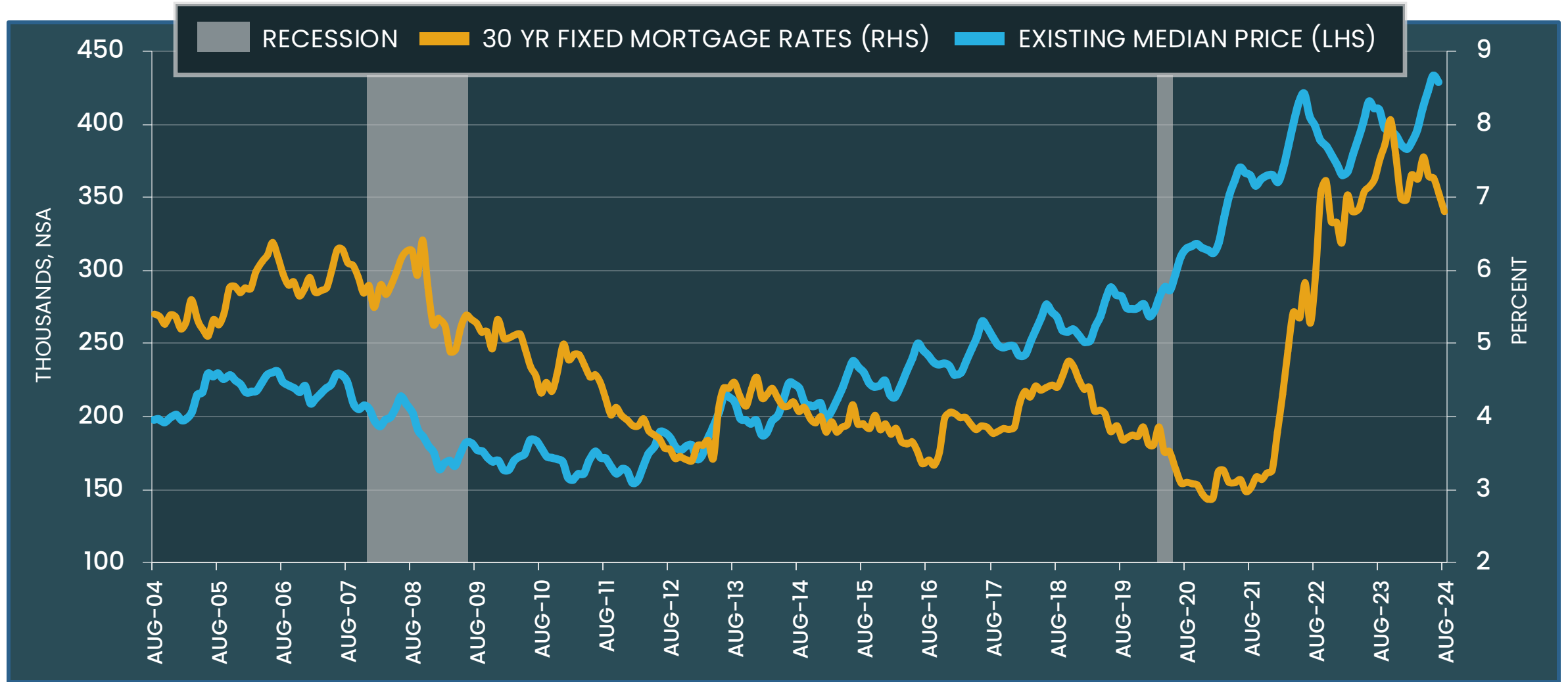
THE HOUSING MARKET REMAINS FROZEN

SUPPLY



THE HOUSING MARKET REMAINS FROZEN

RATES & PRICES



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

SECTION 4

LOOKING AHEAD

LOOKING AHEAD

WHAT COMES NEXT?

IS GOLDBLOCKS GETTING SLEEPY?

- THUS FAR, THE FED HAS ACHIEVED EXACTLY WHAT IT SET OUT TO DO IN MARCH OF 2022. NAMELY TO RESTORE PRICE STABILITY WITHOUT DESTROYING THE LABOR MARKET AND TIPPING THE ECONOMY INTO RECESSION

THINGS TO WATCH

- OIL PRICES, GIVEN THE IMPACT ON HEADLINE INFLATION
- LABOR MARKET: WE HAVE SEEN A FEW EXAMPLES WHERE RATES HAVE SHOWN AN OUTSIZED WILLINGNESS TO RALLY ON SOFT LABOR MARKET DATA
- HIGH FREQUENCY INDICATORS FOR ANY EVIDENCE OF SLOWING U.S. CONSUMER DEMAND
- US PRESIDENTIAL ELECTION

SECTION 5

A RESILIENT CAPTIVE INVESTMENT PORTFOLIO

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!

INVESTMENT PROGRAM



CAPTIVE'S
OVERALL
HEALTH

A RESILIENT CAPTIVE INVESTMENT PORTFOLIO

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"

A RESILIENT CAPTIVE INVESTMENT PORTFOLIO

BEST PRACTICES

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



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



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

A RESILIENT CAPTIVE INVESTMENT PORTFOLIO

TAKE A HOLISTIC APPROACH

REQUIREMENTS FOR SUCCESS

- LONG-RUN FOCUS
- DISCIPLINE
- THE LITTLE THINGS

MARKET TIMING
IS NOT A
WINNING STRATEGY

QUESTIONS

OPEN QUESTIONS



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EXTRA SLIDE

PRESIDENTIAL ELECTION | TRUMP VICTORY

I.

TARIFFS

II.

DEPORTATIONS/LESS IMMIGRATION

III.

TAX CUTS

...IT SOUNDS INFLATIONARY