

Private Placements

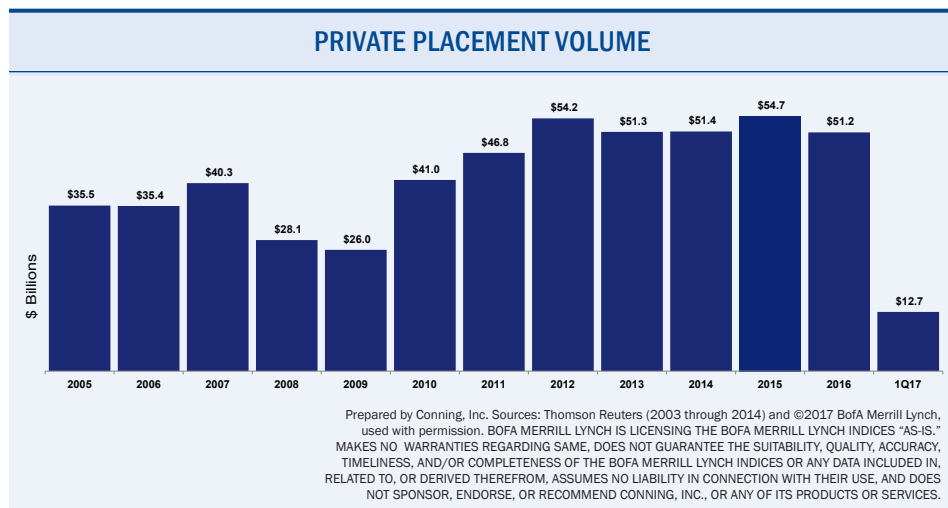
MARCH 2017

Background

A private placement is a security that is not registered with the SEC for public distribution and is sold by the issuing company directly to accredited institutional investors. Issuers of private placements range from publicly traded, multi-national, "household name" corporations to smaller, privately-owned, niche companies.

For the 1Q17, approximately \$13 billion of debt was placed in the traditional private placement market in 47 transactions with an average deal size of \$269 MM.

Investment Rationale



Name Diversification. Private placement bonds serve as an additional source of quality issuers that can be added to an insurer's portfolio, as many do not issue debt in the public market. A renewed appreciation for the benefits of name diversification within a portfolio developed during the last credit downturn.

Covenant Protection. Private placement bonds include financial covenants that are designed to limit future actions by issuers that could introduce significant additional risk for investors. Of special importance in the current environment are the event risk protection covenants found in many privates.

STRATEGY TEAM

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Chief Investment Officer
40 years of experience

David Miller, FSA
Portfolio Manager
47 years of experience

Vi R. Smalley, Esq.
General Counsel
22 years of experience

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Private Placement Analyst
36 years of experience

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ABOUT CONNING®

Conning (www.conning.com) is a leading global investment management firm with almost \$113 billion in global assets under management as of March 31, 2017.* With a long history of serving the insurance industry, Conning supports institutional investors, including pension plans, with investment solutions and asset management offerings, award-winning risk modeling software, and industry research. Founded in 1912, Conning has offices in Boston, Cologne, Hartford, Hong Kong, London, New York, and Tokyo.

*As of March 31, 2017, represents the combined global assets under management for the affiliated firms under Conning Holdings Limited, and Cathay Securities Investment Trust Co., Ltd. ("SITE"). SITE reports internally into Conning Asia Pacific Limited, but is a separate legal entity under Cathay Financial Holding Co., Ltd. which is the ultimate controlling parent of all Conning entities.

Incremental Spread. Private placements typically offer between 10 and 40 basis-points plus premium over comparably rated public bonds, with the premium increasing to 100 basis points or more for more structured transactions. Supply / demand conditions may alter the illiquidity premium.

Investment Philosophy

We believe that an allocation to privates can provide insurance companies with access to potentially attractive opportunities that are not found in the public corporate bond market.

A certain amount of marketability has been introduced into the private market by the creation of secondary private placement trading desks at a number of major investment banks. However, we view privates primarily as an asset whose value can best be realized on an income-generating, buy-and-hold approach versus an active trading or liquidity management approach.

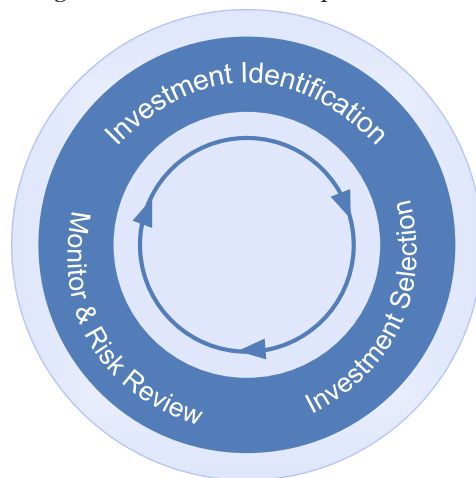
Investment Process

Conning employs a dedicated, experienced team responsible for identifying, assessing and monitoring private placement bonds. Our private placement investment professionals possess extensive experience in the market and therefore, have created and maintained close relationships with investment banker deal sources. These relationships are especially important in accessing private placement deal flow and ensuring that we are fully current on the many issues brought to market.

Private placement opportunities that meet our fundamental credit requirements, possess solid structures and covenants, and offer good relative value are presented to the Portfolio Manager to determine if the investment is appropriate for each client’s objectives and risk tolerances. Once an investment is made, our private placement team maintains a thorough monitoring and risk review process that includes continued access to the management of issuers and ongoing review of relevant financial documents.

Risks of Investing in Private Placements

- Increase in corporate bond defaults
- Poor underwriting may result in higher default and loss experience
- Lack of liquidity



**CONNING
PRIVATE PLACEMENT AUM
AT MARCH 31, 2017**

\$775 MILLION

ORGANIZATION

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