CELEBRATING 25 YEARS SCHOOLCARE HEALTH BENEFIT PLANS
of the New Hampshire School Health Care Coalition

Finance-Audit Committee Meeting

October 12, 2020
SCHOOLCARE Office
Manchester, NH
3:00 p.m. via Microsoft Team Meeting

A. Adoption of Agenda

B. Approval of April 23, 2020 Committee Minutes *(enclosure)*

C. Report from Independent Auditors *(enclosure)*
Joe Pieksza and Heather Gagnon, Crowe LLC
- Presentation of FY 2020 Draft

D. Discussion/Reporting from Investment Advisor *(enclosures)*
Dan Smereck, Strategic Asset Alliance
- Review of Quarterly Investments through September 30, 2020
- Investment Policy Statement (IPS) Annual Review
  - High Yield Fixed Income

E. Set Next Committee Meeting Date

F. Adjournment

370 Harvey Rd Suite 4, Manchester, NH 03103 | Phone: (603) 836-5031 | Fax: (603) 782-4079 | www.schoolcare.org

RETURN TO AGENDA

Fiscal Q4 2019-2020 Investment Review

July 21, 2020

Presented by: **Dan Smereck**
Managing Director & Principal

STRATEGIC ASSET ALLIANCE
THE INSURANCE INVESTMENT SPECIALIST

We have performed a detailed review of the investment performance for NH SchoolCare. This report is based upon results submitted by the investment managers and NH SchoolCare. This report reflects all of the information currently received and analyzed. Any changes or corrections to that information may impact the conclusions of this review.

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Summary Capital Market Commentary – 2nd Quarter 2020

- **The easing of Covid-19 lockdowns and early signs of economic recovery saw risk appetite return rapidly in Q2, supporting equity and credit markets. As June ended, cases were rising across the world and economic recovery expectations remain wildly volatile. And, the US presidential election is about four months away…**
- GLOBAL FINANCIAL MARKETS – EQUITIES & COMMODITIES
  - US equities rebounded in Q2 and outperformed (value underperformed growth across large and small cap stocks) other major equity markets as improving jobs and retail sales data provided cause for optimism. However, investor optimism was tempered by a subsequent rise in Covid-19 cases that has prompted some states to rethink or reversing the easing of lockdown measures. US-wide, the trend of new cases accelerated rapidly into the end of June potentially impacting the perceived pace of economic recovery.
  - Eurozone shares posted strong gains in Q2 as lockdown restrictions were eased. Another source of support was news of EU plans for post-Covid-19 recovery with the European Commission proposing a €750 billion fund. This would be in addition to a €540 billion rescue package agreed in April. The European Central Bank also offered support, expanding its pandemic emergency purchase program to €1.35 trillion.
  - Japanese shares gained, supported by the improved global picture. Stocks sensitive to the economic cycle tended to fare best while domestic-focused stocks underperformed.
  - Emerging market (EM) equities advanced amid global monetary and fiscal stimulus. However, there was an acceleration in the number of new daily cases of Covid-19 in some EM countries.
  - In commodities, the energy component rallied as oil-producing countries agreed temporary production cuts.
- GLOBAL FINANCIAL MARKETS – FIXED INCOME
  - Broadly, government bond yields saw a degree of divergence over the quarter. The US and Germany's 10-year yields were little changed, but those countries are more sensitive to risk sentiment declined (meaning prices rose). The US 10-year yield remained in a narrow range and finished one basis point lower. It sold off in early June following a stronger-than-expected US labor market data release, though the move reversed later in the month.
    - The US 10-year yield dropped from 0.67% to 0.66% over the quarter, while the two-year yield dropped from 0.25% to 0.15%.
    - U.S. corporate bonds performed strongly, outpacing government bonds, as they benefited from stronger risk appetite, which caused spreads to tighten sharply on the heels of strong fiscal and monetary policy responses from the Federal Reserve and Congress, respectively.

Source: Schroders & SAA

Capital Markets' Performance

Index	Asset Class	Apr-20	May-20	Jun-20	2nd QTR	YTD	Trailing 1 Yr	Trailing 3 Yr	Trailing 5 Yr
Alerian MLP	**Master Limited Partnerships**	49.62%	8.95%	-7.87%	**50.18%**	-35.71%	-41.43%	-16.79%	-12.85%
S&P Composite 1500 Growth	**U.S. Equity**	14.37%	6.11%	3.95%	**26.15%**	6.62%	16.06%	15.72%	13.94%
BofA Merrill Lynch US Convertibles	**U.S. Convertible Bond**	11.09%	6.75%	4.69%	**24.15%**	7.25%	15.34%	11.68%	9.22%
S&P MidCap 400	**U.S. Equity**	14.18%	7.31%	1.26%	**24.07%**	-12.78%	-6.70%	2.39%	5.22%
S&P SmallCap 600	**U.S. Equity**	12.70%	4.31%	3.73%	**21.94%**	-17.85%	-11.29%	0.56%	4.48%
S&P Composite 1500	**U.S. Equity**	12.89%	4.89%	1.99%	**20.77%**	-4.08%	6.08%	9.91%	10.20%
S&P 500	**U.S. Equity**	12.82%	4.76%	1.99%	**20.54%**	-3.08%	7.51%	10.73%	10.73%
MSCI World Index	**World Equity**	10.98%	4.90%	2.69%	**19.54%**	-5.48%	3.40%	7.29%	7.50%
Dow Jones Industrial Average	**U.S. Equity**	11.22%	4.66%	1.82%	**18.51%**	-8.43%	-0.54%	9.08%	10.62%
MSCI EM (Emerging Markets)	**International Equity**	9.18%	0.79%	7.40%	**18.18%**	-9.67%	-3.05%	2.27%	3.24%
MSCI World Ex. US Index	**World Equity**	7.06%	4.32%	3.47%	**15.55%**	-11.20%	-4.98%	1.35%	2.53%
MSCI EAFE Index	**International Equity**	6.54%	4.42%	3.44%	**15.08%**	-11.07%	-4.73%	1.30%	2.54%
MSCI EAFE (Net)	**International Equity**	6.46%	4.35%	3.40%	**14.88%**	-11.34%	-5.13%	0.81%	2.05%
S&P Composite 1500 Value	**U.S. Equity**	10.98%	3.29%	-0.72%	**13.81%**	-16.11%	-5.54%	3.19%	5.66%
S&P GSCI Commodities	**U.S. Equity**	-9.67%	16.37%	5.09%	**10.47%**	-36.31%	-33.90%	-8.71%	-12.54%
Barclays Capital U.S. Corporate High Yield	**U.S. Fixed Income**	4.51%	4.41%	0.98%	**10.18%**	-3.80%	0.03%	3.33%	4.79%
S&P/LSTA US Leveraged Loan Index	**U.S. Fixed Income**	4.50%	3.80%	1.14%	**9.70%**	-4.61%	-1.99%	2.07%	2.89%
Dow Jones U.S. Select REIT	**U.S. Real Estate**	7.83%	-0.63%	1.84%	**9.11%**	-22.01%	-17.71%	-1.99%	2.45%
Barclays Capital U.S. Corporate Investment Grade	**U.S. Fixed Income**	5.24%	1.56%	1.96%	**8.98%**	5.02%	9.50%	6.34%	5.83%
Barclays U.S. Treasury: U.S. TIPS	**U.S. Fixed Income**	2.78%	0.30%	1.12%	**4.24%**	6.01%	8.28%	5.05%	3.75%
Barclays U.S. Government/Credit	**U.S. Fixed Income**	2.23%	0.58%	0.87%	**3.71%**	7.21%	10.02%	5.87%	4.74%
Citigroup WorldBIG Index	**World Fixed Income**	1.69%	0.64%	0.91%	**3.27%**	3.61%	4.83%	4.01%	3.70%
Barclays Capital U.S. Aggregate	**U.S. Fixed Income**	1.78%	0.47%	0.63%	**2.90%**	6.14%	8.74%	5.32%	4.30%
Barclays Intermediate U.S. Government/Credit	**U.S. Fixed Income**	1.41%	0.76%	0.62%	**2.81%**	5.28%	7.12%	4.43%	3.46%
Barclays Capital Municipal Bond	**U.S. Fixed Income**	-1.26%	3.18%	0.82%	**2.72%**	2.08%	4.45%	4.22%	3.93%
S&P GSCI Crude Oil	**U.S. Equity**	-40.69%	54.98%	9.59%	**0.74%**	-66.60%	-64.72%	-23.00%	-26.02%
10-Year US Treasury	**U.S. Treasury**	0.70%	-0.02%	-0.01%	**0.67%**	12.68%	14.21%	7.05%	4.87%
5-Year US Treasury	**U.S. Treasury**	0.18%	0.20%	0.17%	**0.55%**	7.25%	8.44%	4.68%	3.21%
Merrill Lynch US Treasury Master	**U.S. Fixed Income**	0.41%	-0.31%	0.11%	**0.20%**	9.02%	10.76%	5.72%	4.22%
Citigroup 3-month T-bill	**Cash/Cash Equivalent**	0.08%	0.04%	0.01%	**0.14%**	0.52%	1.56%	1.72%	1.15%

❖ **KEY THEME – The support of herculean monetary and fiscal stimuli worldwide helped global markets recovery even though the uncertainty from COVID-19 remains unabated.**

Indices sorted high/low by Q2-2020 performance.

U.S. Equity Market – Beneath the "Recovery"

- **KEY THEME – Reduced technology sector index weightings yield materially different perspectives on the US equity market's "recovery" from the initial COVID-19 shock in March.**
  - **NASDAQ 100 – 55% Technology (RED)**
  - **S&P 500 – 28% Technology (WHITE)**
  - **S&P 500 Equal Weighted – 15% Technology (GREEN)**
  - **S&P 500 Ex-Technology (BLUE)**

Source: Bloomberg

Fixed Income Yields

Index YTW	12/31/2018	12/31/2019	3/31/2020	6/30/2020	Chg Prior QTR
Aggregate	**3.28%**	**2.31%**	**1.59%**	**1.25%**	**-0.34%**
Intermediate Aggregate	**3.13%**	**2.14%**	**1.33%**	**0.97%**	**-0.36%**
U.S. Treasury	2.61%	1.80%	0.58%	0.50%	-0.08%
U.S. 2-Yr Treasury	2.50%	1.56%	0.15%	0.15%	0.00%
U.S. 5-Yr Treasury	2.51%	1.68%	0.38%	0.29%	-0.09%
U.S. 10-Yr Treasury	2.69%	1.91%	0.70%	0.65%	-0.05%
U.S. 30-Yr Treasury	3.02%	2.38%	1.35%	1.41%	0.06%
U.S. Agency MBS	3.39%	2.54%	1.34%	1.36%	0.02%
ABS	3.44%	2.05%	2.40%	0.85%	-1.55%
CMBS	3.06%	2.48%	2.37%	1.72%	-0.65%
U.S. Credit	4.09%	2.79%	3.23%	2.05%	-1.18%
A-Rated Corporates	3.89%	2.64%	2.94%	1.81%	-1.13%
BBB-Rated Corporates	4.69%	3.19%	4.55%	2.68%	-1.87%
Municipal Bond	2.69%	1.78%	2.01%	1.50%	-0.51%
U.S. High Yield	7.95%	5.19%	9.44%	6.87%	-2.57%
Global Aggregate (USD)	2.03%	1.45%	1.22%	0.95%	-0.27%
U.S. Agg. vs. Global Agg.	**1.25%**	**0.86%**	**0.37%**	**0.30%**	**-0.07%**
UST 2yr-10yr Spread (bps)	**19.0**	**35.0**	**55.0**	**50.0**	

❖ **KEY THEME – Given the sharp decline in UST yields due to Federal Reserves policy actions, fixed income Investment portfolios will face investment income erosion due to lower reinvestment yields for the foreseeable future. Shorter maturity portfolios will see this impact much sooner then longer maturity portfolios.**

Source: Bloomberg Barclays & ICE Fixed Income Indices

US Financial Condition Index – 7/8/2020

The Bloomberg U.S. Financial Conditions Index tracks the overall level of financial stress in the U.S. money, bond, and equity markets to help assess the availability and cost of credit. A positive value indicates accommodative financial conditions, while a negative value indicates tighter financial conditions relative to pre-crisis norms.

All of the indicators included in the composite BFCIUS index are normalized by subtracting the mean and dividing by the standard deviation for each series. The mean and standard deviation are calculated from observations during the pre-crisis period, which is defined as the period from 1994 to July 1, 2008. The normalized values are then combined into the composite BFCIUS index, which is itself normalized relative to its pre-crisis values. As such, the BFCIUS index is a Z-Score that indicates the number of standard deviations by which current financial conditions deviate from normal (pre-crisis) levels.

- **KEY THEME – For the time being, unprecedented monetary and fiscal stimulus measures continue to bolster confidence across the U.S. capital markets. Although capital markets are forward looking and anticipate an abysmal short/intermediate term outlook, expect financial conditions' volatility to continue as the markets absorb/react to fast moving information flows regarding COVID-19.**

Source: Bloomberg

Euro-Zone Financial Condition Index – 7/8/2020

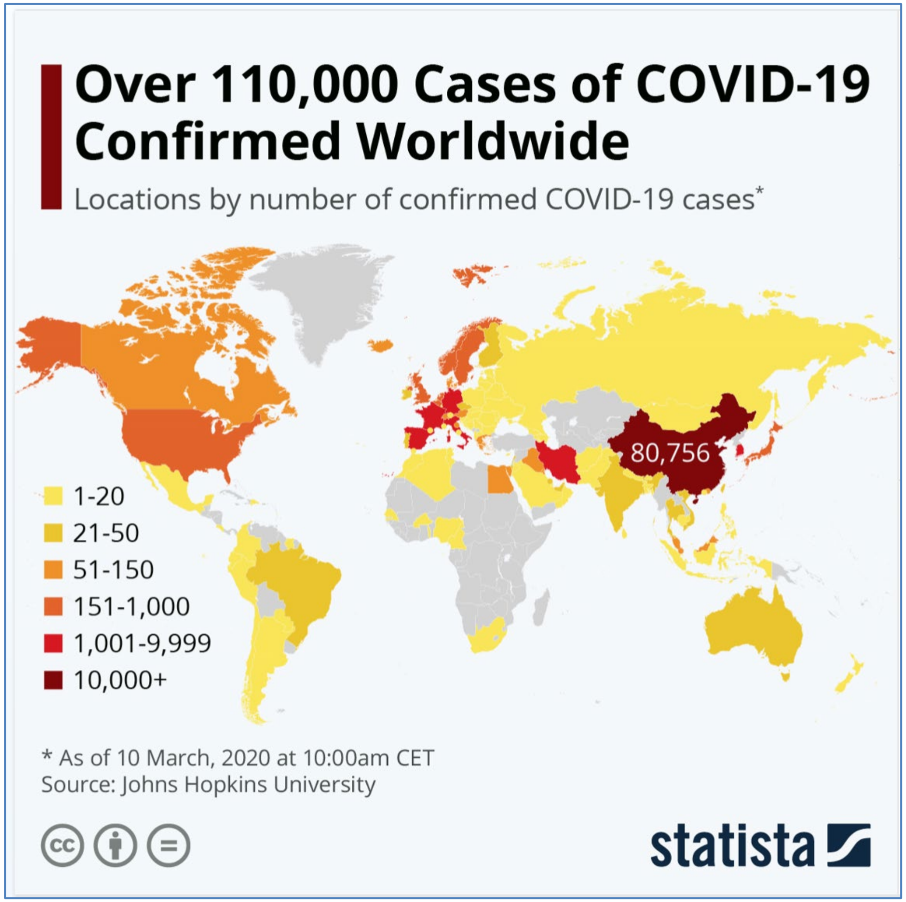
The Bloomberg Euro Area Financial Conditions Index tracks the overall level of financial stress in Euro area money, bond, and equity markets to help assess the availability and cost of credit. A positive value indicates accommodative financial conditions, while a negative value indicates tighter financial conditions relative to pre-crisis norms.

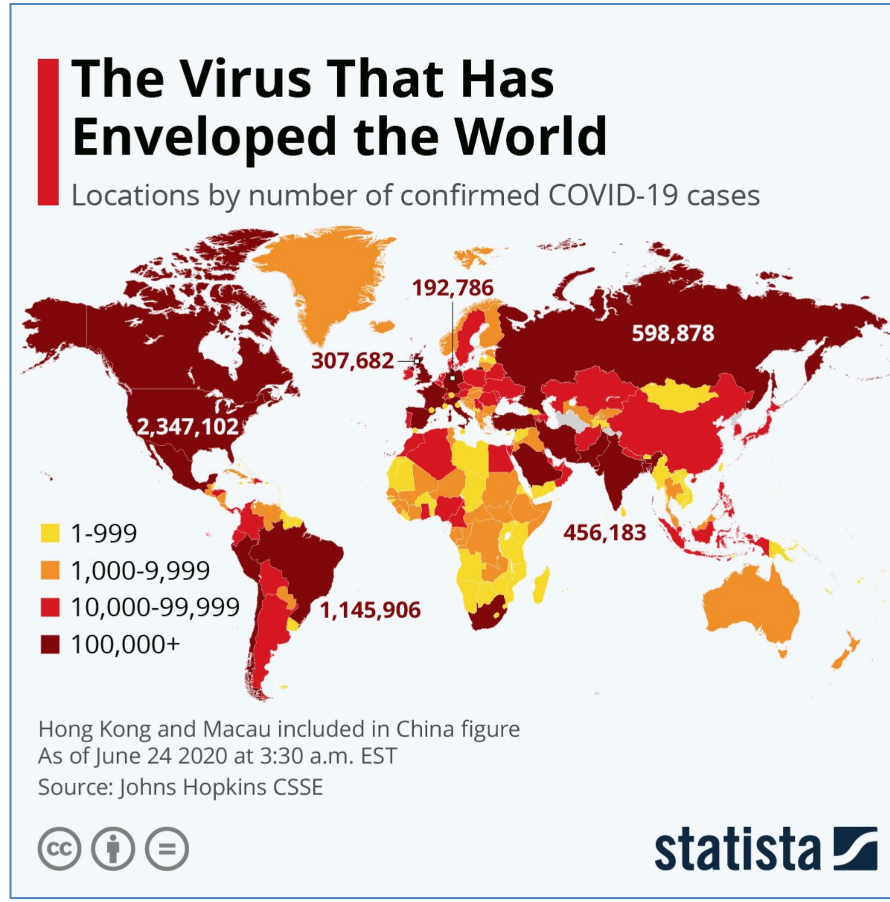
All of the indicators included in the composite BFCIEU index are normalized by subtracting the mean and dividing by the standard deviation for each series. The mean and standard deviation are calculated from observations during the pre-crisis period, which is defined as the period from 1999 to July 1, 2008. The normalized values are then combined into the composite BFCIEU index, which is itself normalized relative to its pre-crisis values. As such, the BFCIEU index is a Z-Score that indicates the number of standard deviations by which current financial conditions deviate from normal (pre-crisis) levels.

❖ **<u>KEY THEME</u> – For the time being, unprecedented monetary and fiscal stimulus measures continue to bolster confidence across the U.S. capital markets. Although capital markets are forward looking and anticipate an abysmal short/intermediate term outlook, expect financial conditions' volatility to continue as the markets absorb/react to fast moving information flows regarding COVID-19.**

Source: Bloomberg

Coronavirus Pandemic

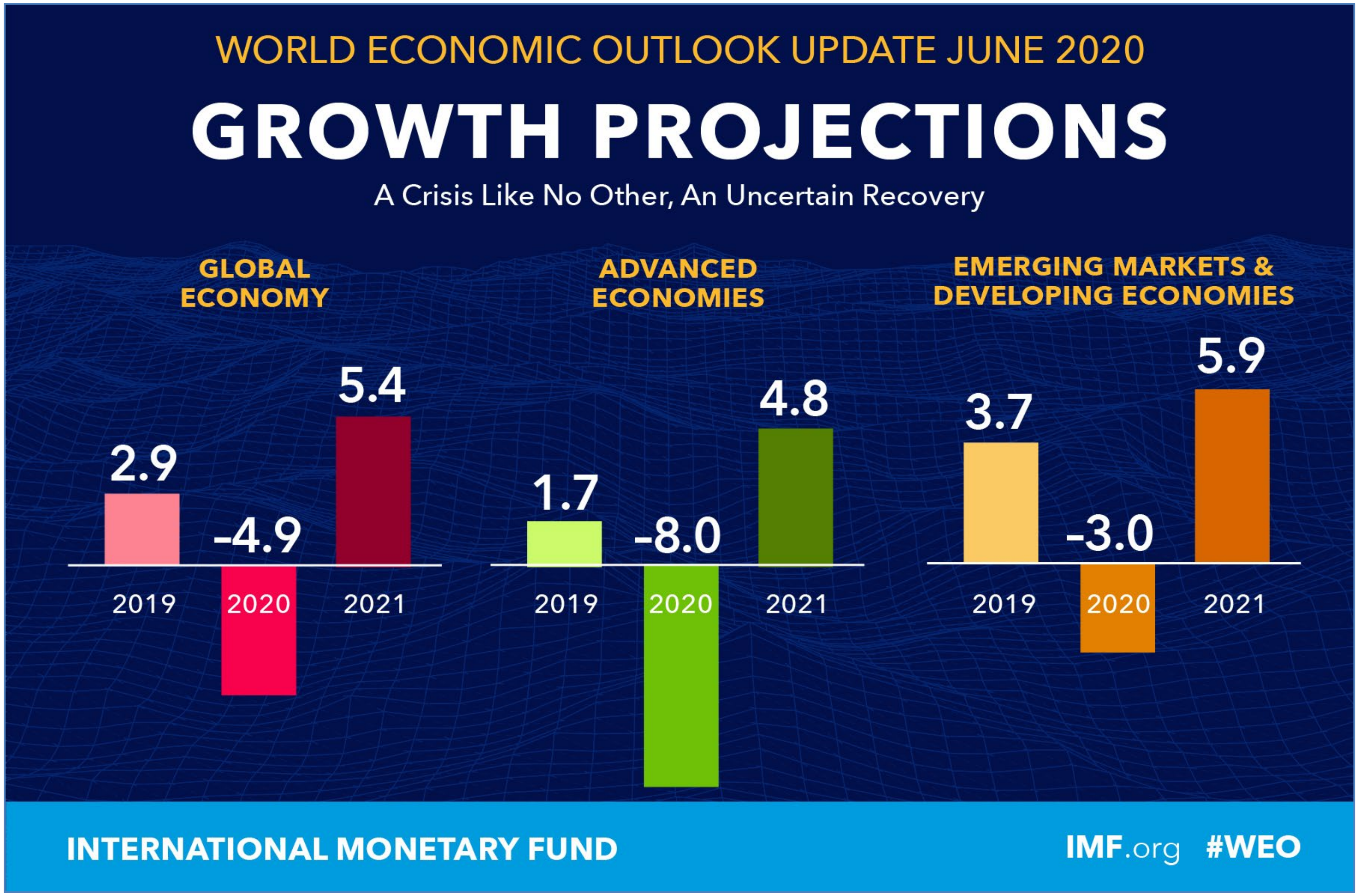




March 10, 2020 **June 24, 2020**

❖ **<u>KEY THEME</u> - A global health natural disaster that continues to evolve is the catalyst for a global financial crises, which assures that capital market and societal <u>uncertainty</u> will remain high for the next few quarters.**

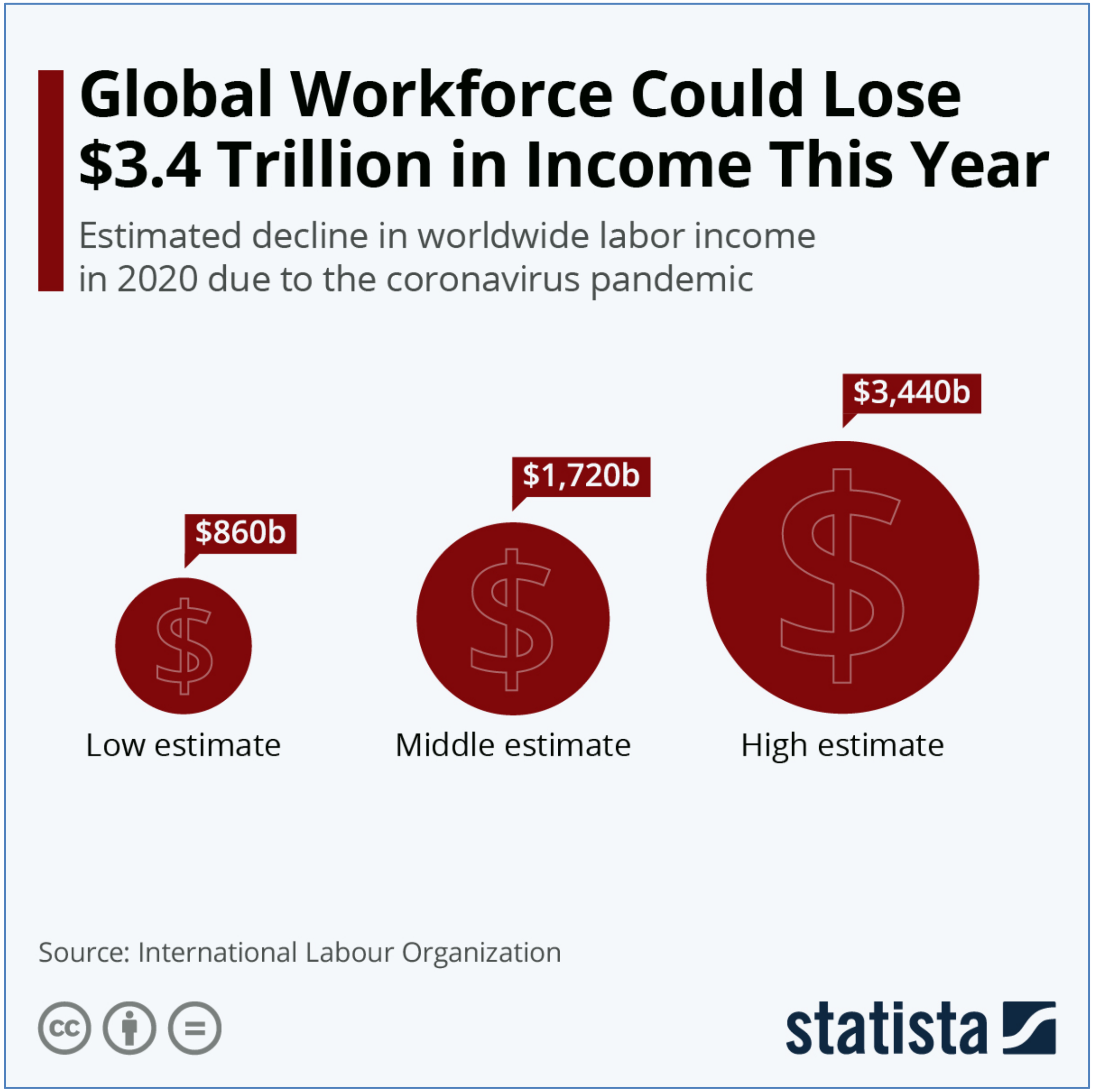
World Economic Outlook (Base Case)



❖ **<u>KEY THEME</u> – In SAA's opinion, until a vaccine and/or a proven regimen of care for supporting better outcomes for severe COVID-19 cases is/are developed, the uncertainty for economic projections will be subject to continued downside risk.**

Source: IMF

Global Labor Income – Financial System Implications

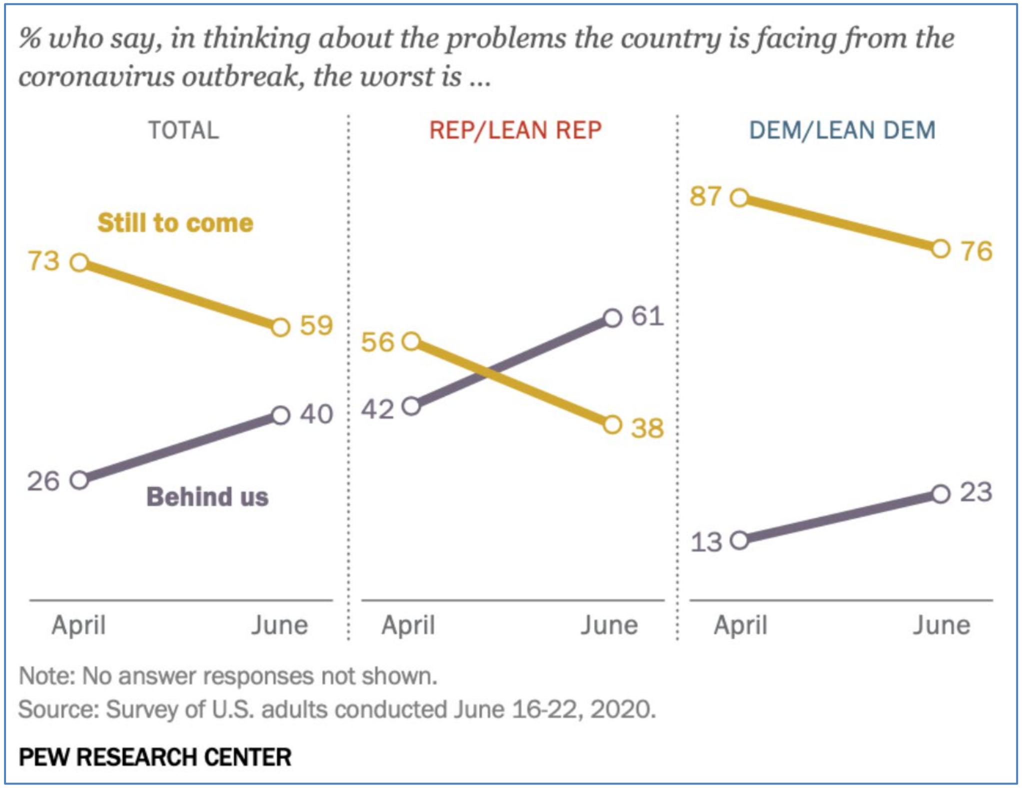


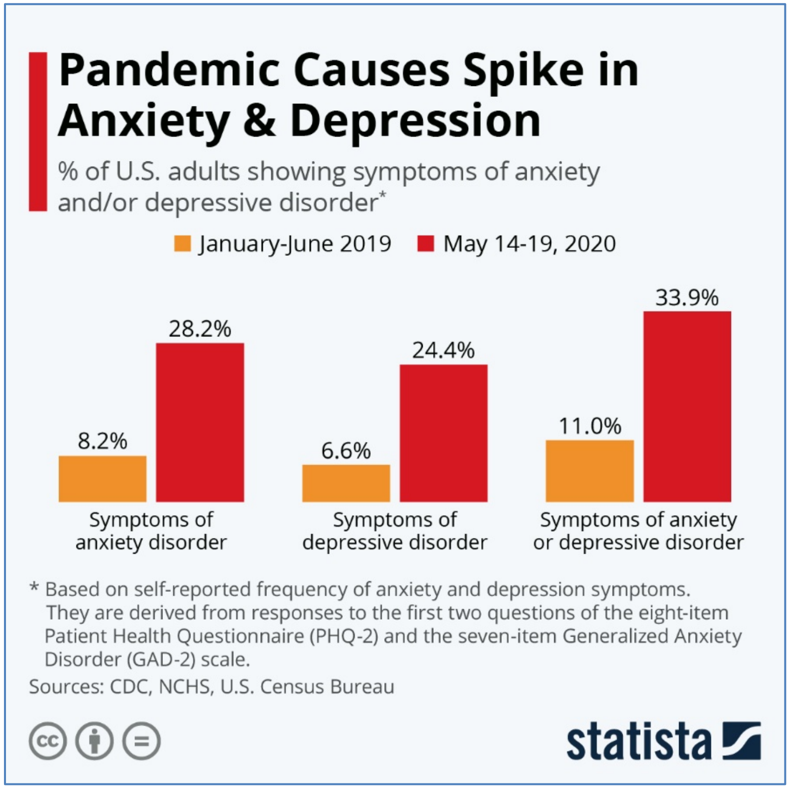
- **According to a preliminary assessment by the International Labor Organization (ILO), the COVID-19 pandemic will have a significant effect on labor markets around the world, with unemployment rising by up to 24.7 million people compared to a baseline scenario, depending on how badly global economic activity is impacted. Assuming a 2 percent decline in global GDP for 2020, the ILO expects global unemployment to increase by 5.3 million, while a 4 percent drop in GDP would result in 13 million additional jobless people. The worst-case scenario sees global economic activity disrupted heavily, global GDP dropping by 8 percent and an increase in global unemployment of 24.7 million.**

- **KEY THEME – The range of estimates by the ILO are increasingly daunting as larger estimates have accelerating downside implications for consumer spending, consumer debt payments, real estate valuation, financial institution balance sheets, etc.**

Source: statista.com

Consumer Behavior Expectations – Politicized? Mental Health?

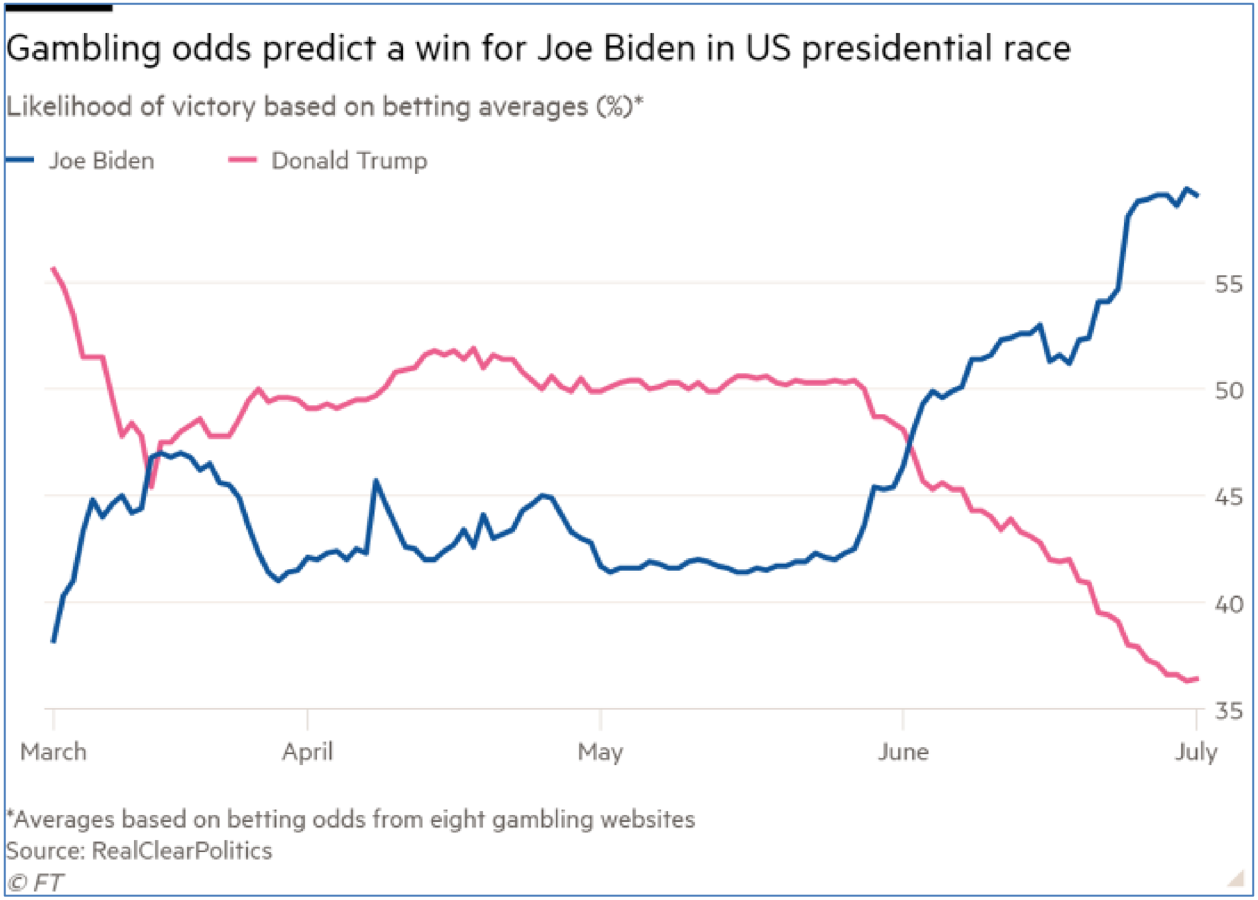




- **<u>KEY THEME</u> – In a matter of months, the entire pace and structure of day-to-day life has been upended by the coronavirus pandemic adding to the stresses people faced before COVID-19.**
- **How this affects peoples' economic behavior is rapidly evolving and influenced by many factors some of which are geographical location, family composition, cultural influences, political views, etc.**

Source: statista.com

US Presidential Election 2020



❖ <u>KEY THEME</u> – **Be always wary of polling (and gambling odds…), but it is interesting that Wall Street has actually turned towards the possibility of a Biden presidency. With the election only four months away, the markets will remain focused on COVID-19, but become more election aware as the summer progresses and poll numbers accumulate.**

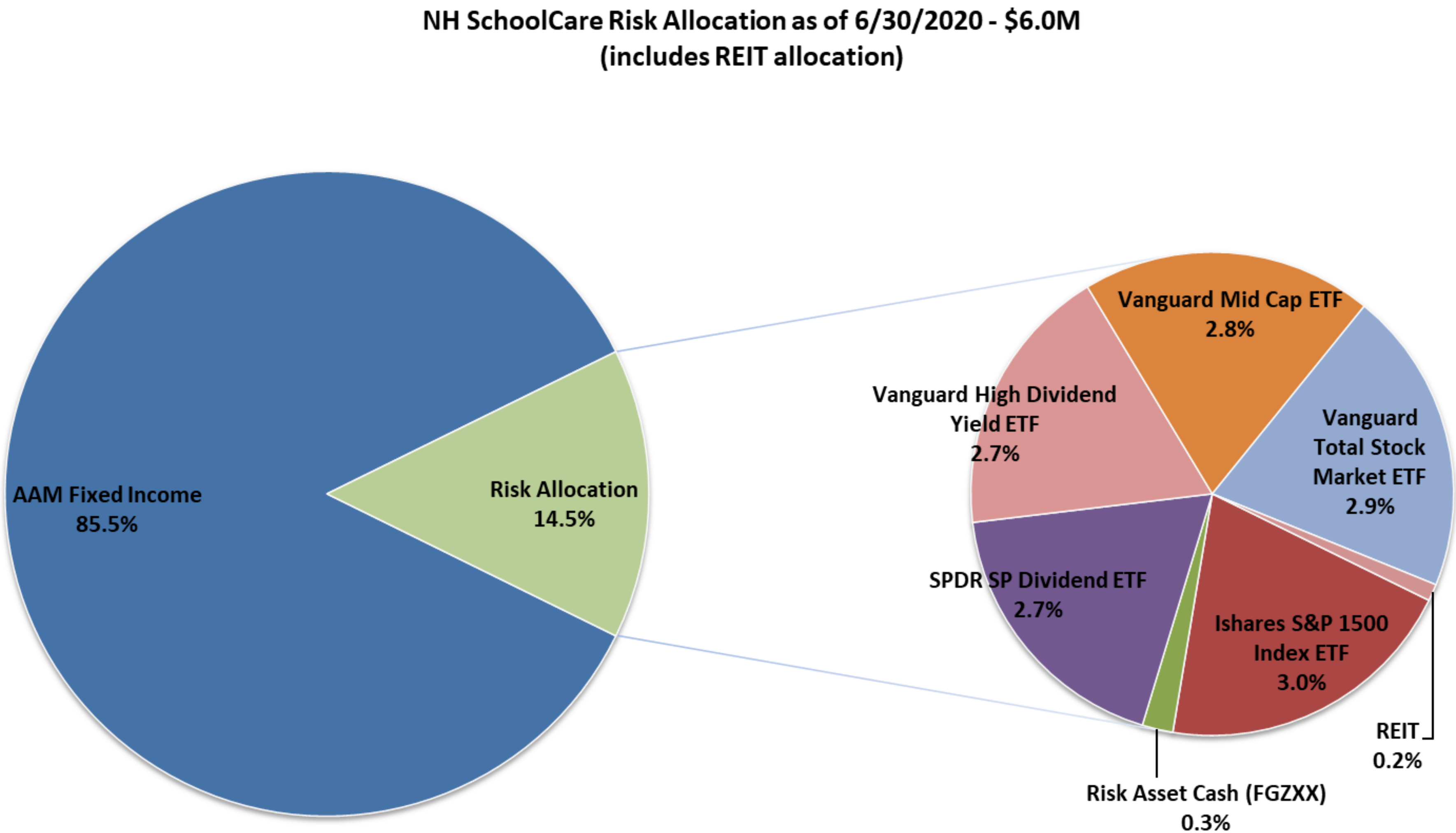
Navigating Uncertainty…Ongoing…

- **<u>Look Ahead</u>**
  - COVID-19 Containment vs. Economic Carnage
  - US Debt Growth & Monetization
    - Inflation
    - Reserve Currency Implications
  - US Tax Revenue Slowdown & Implications
  - Increasing Income Inequality
    - Geopolitics
  - Qualified Immunity Evolution (for risk pools)
  - Climate Change Issues (still here, but pushed to the back pages due to COVID 19)

- **<u>Strategic Asset Allocation & Investment Policy</u>**
  - Confirm and/or reexamine investment risk appetite and liquidity needs allowing for any potential use(s) of your organizations' surplus to support members/policyholders as a result of COVID-19 considerations.

ASSET ALLOCATION

Asset Allocation – As of 6/30/2020



- Actual risk asset allocation (equity ETFs) is 14.4%. There is one remaining REIT holding which has not been able to be liquidated to date.
- Risk assets to Net Position equals 20.5%.

*Net Position as of 6/30/2020

PERFORMANCE SUMMARY

Fixed Income and Consolidated Portfolios: As of 6/30/2020

								Annualized				
Portfolio	**Market Value**	**Unrealized Gain/Loss**	**% of MV**	**Book Yield**	**Fiscal Q4**	**Fiscal 2019/2020**	**Calendar YTD**	**1 Yr**	**2Yr**	**3Yr**	**Since Inception**	**Inception Date**
Consolidated NH SchoolCare Portfolio	**$41,859,532**	**$2,929,644**	**100.0%**	**2.43%**	**5.17%**	**5.58%**	**2.48%**	**5.58%**	**6.31%**	**4.89%**	**3.89%**	**Jul-16**
Custom Blend (Allocation Index)					4.35%	5.91%	2.81%	5.91%	6.50%	5.01%	4.01%	
Relative Performance					*0.82%*	*-0.33%*	*-0.33%*	*-0.33%*	*-0.19%*	*-0.12%*	*-0.12%*	
AAM Fixed Income	**$35,775,477**	**$1,730,830**	**85.5%**	**2.45%**	**3.15%**	**6.49%**	**4.80%**	**6.49%**	**6.54%**	**4.18%**	**4.08%**	**Jan-17**
Barclays Aggregate/Custom Benchmark			**Duration: 3.68 Years**		2.23%	6.81%	5.12%	6.81%	6.71%	4.28%	4.10%	
Relative Performance					*0.92%*	*-0.32%*	*-0.32%*	*-0.32%*	*-0.17%*	*-0.10%*	*-0.02%*	
Equity Portfolio	**$5,889,883**	**$1,198,814**	**14.1%**	**2.42%**	**18.93%**	**1.67%**	**-6.58%**	**1.67%**	**5.23%**	**7.46%**	**8.02%**	**Jul-16**
Custom Blend (Allocation Index)					18.99%	2.01%	-6.31%	2.01%	5.50%	7.66%	8.19%	
Relative Performance		***Risk Asset-to-Net Position Ratio: 20.5%***			*-0.06%*	*-0.34%*	*-0.27%*	*-0.34%*	*-0.27%*	*-0.20%*	*-0.17%*	
Equity vs. Fixed Income Performance					***15.78%***	***-4.82%***	***-11.38%***	***-4.82%***	***-1.31%***	***3.28%***		
Cash Account[2]	**$125,407**		**0.3%**									
Alternative Investment: REIT[3]	**$68,764**		**0.2%**									

Notes:
1) When SAA began tracking combined portfolios. Inception returns are not annualized for period less then one year.
2) Risk Asset Cash included in equity performance and total performance; excluded in equity market value
3) REIT included in total portfolio market value; excluded from performance; REIT as of 12/31/2019.
-- All returns net of fees
-- Fixed Income Market values include accrued income
-- For each measurement period , Green indicates outperformance, and Red indicates underperformance

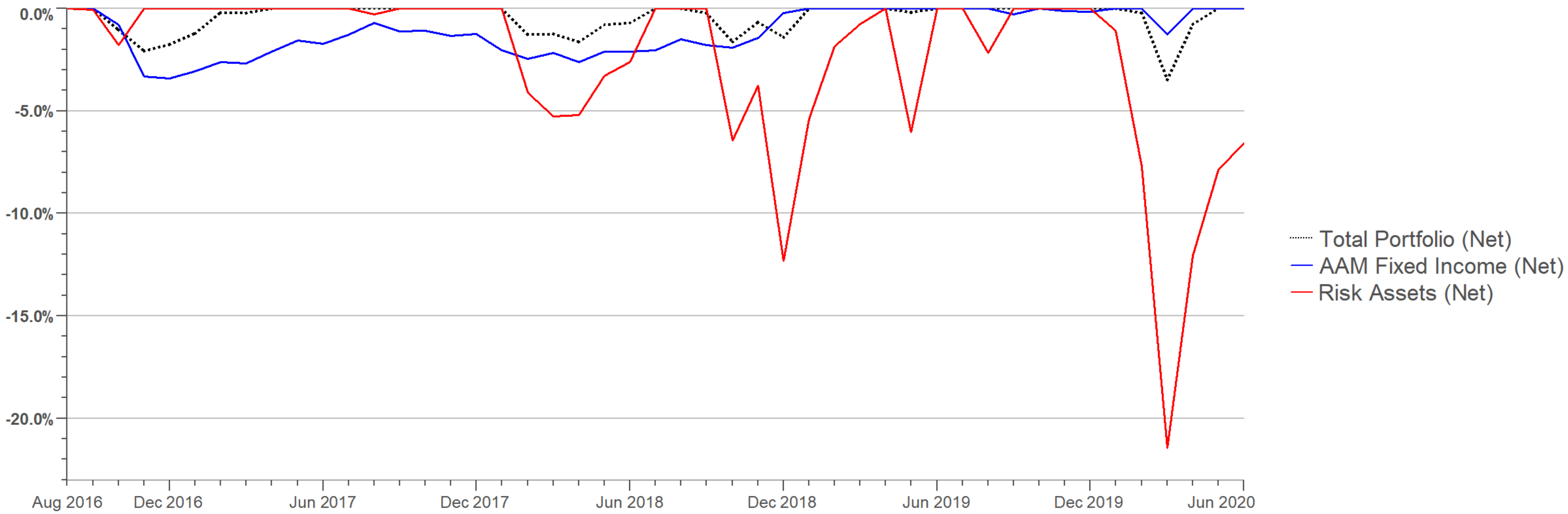
Equity Portfolio: As of 6/30/2020

						Annualized		
Portfolio	Market Value	% of MV	Book Yield	Fiscal Q4	Fiscal 2019/2020	3Yr	Since Inception	Inception Date
Equity Portfolio								
Consolidated Equity Portfolio	**$6,015,290**	**100.0%**	**2.42%**	**18.93%**	**1.67%**	**8.02%**	**8.02%**	**Jul-16**
Custom Blend (Allocation Index)				18.99%	2.01%	8.19%	8.19%	
Relative Performance				*-0.06%*	*-0.34%*	*-0.17%*	*-0.17%*	
iShares S&P 1500 Index ETF	**$1,238,115**	**20.6%**	**1.89%**	**21.87%**	**6.28%**	**10.92%**	**10.92%**	**Jul-16**
S&P Total Market Index				22.09%	7.32%	11.22%	11.22%	
Relative Performance				*-0.22%*	*-1.04%*	*-0.30%*	*-0.30%*	
SPDR S&P Dividend ETF	**$1,121,304**	**18.6%**	**3.10%**	**15.06%**	**-6.89%**	**4.94%**	**4.94%**	**Jul-16**
S&P High Yield Dividend Aristocrats Index				15.13%	-6.58%	5.30%	5.30%	
Relative Performance				*-0.07%*	*-0.31%*	*-0.36%*	*-0.36%*	
Vanguard High Dividend Yield ETF	**$1,109,695**	**18.4%**	**3.75%**	**12.53%**	**-6.64%**	**4.99%**	**4.99%**	**Jul-16**
FTSE High Dividend Yield Index				12.54%	-6.55%	5.03%	5.03%	
Relative Performance				*-0.01%*	*-0.09%*	*-0.04%*	*-0.04%*	
Vanguard Mid Cap ETF	**$1,186,217**	**19.7%**	**1.78%**	**25.01%**	**-0.19%**	**7.94%**	**7.94%**	**Jul-16**
CRSP US Mid Cap Index				24.97%	-0.20%	7.95%	7.95%	
Relative Performance				*0.04%*	*0.01%*	*-0.01%*	*-0.01%*	
Vanguard Total Stock Market ETF	**$1,234,552**	**20.5%**	**1.85%**	**21.97%**	**6.32%**	**11.01%**	**11.01%**	**Jul-16**
CRSP US Total Market Index				22.10%	6.53%	11.07%	11.07%	
Relative Performance				*-0.13%*	*-0.21%*	*-0.06%*	*-0.06%*	
Risk Asset Cash (FGZXX)	**$125,407**	**2.1%**	**1.27%**	**0.49%**	**1.74%**	**1.32%**	**1.32%**	**Jul-16**
ML 90-day T-Bill Index				0.02%	1.63%	1.45%	1.45%	
Relative Performance				*0.47%*	*0.11%*	*-0.13%*	*-0.13%*	

Notes:
1) When SAA began tracking combined portfolios. Inception returns are not annualized for period less then one year.
-- All returns net of fees
-- For each measurement period , Green indicates outperformance, and Red indicates underperformance

Drawdown Analysis

Drawdown
September 2016 - June 2020



Drawdown Table
September 2016 - June 2020: Summary Statistics

	Return	Standard Deviation	Sharpe Ratio	# of Up Periods	# of Down Periods	Average Up Return	Average Down Return	Best Period Return	Worst Period Return	Max Drawdown	Max Drawdown Length	Max Uninterrupted Loss
Total Portfolio (Net)	4.08%	3.36%	0.78	35	11	0.72%	-0.89%	2.83%	-3.26%	-3.48%	2	-3.48%
AAM Fixed Income (Net)	2.80%	2.66%	0.50	29	17	0.65%	-0.48%	1.53%	-2.54%	-3.40%	3	-3.40%
Risk Assets (Net)	8.40%	15.03%	0.46	34	12	2.62%	-4.47%	11.96%	-14.89%	-21.45%	3	-21.45%

Performance Disclosures

Performance Disclosures (Summary Page):

(1) Returns are net of fees - Overperformance is in "GREEN" and underperformance is in "RED."

(2) Fixed Income market values include accrued income

(3) Inception returns are not annualized for period less then one year. Dates reflect when SAA began tracking combined portfolios.

(4) Risk Asset Cash included in equity performance and total performance; excluded in equity market value.

(5) REIT included in total portfolio market value; excluded from performance; REIT as of 12/31/2019.

Performance Disclosures (Risk Assets Performance):

(1) Returns are net of fees - Overperformance is in "GREEN" and underperformance is in "RED."

(2) Inception returns are not annualized for period less then one year. Dates reflect when SAA began tracking combined portfolios.

(3) Equity Yields sourced from Morningstar.com using TTM Yield or "12 month yield"

COMPLIANCE

AAM – Compliance Exhibit (as of 6/30/2020)

COMPLIANCE

AS OF JUNE 30, 2020

AAM Insurance Investment Management

	--- Maximum Allowed ---		--- Current Portfolio ---		--- In Compliance ---	
Portfolio Allocation	Per Category	Per Issuer	Per Category	Per Issuer		
Asset Allocation	Target	Range	Current			
Fixed Income	80.00%	70%-90%	85.85%		Yes	
Equity	20.00%	16%-22%	14.15%		Yes	
Diversification	Max Allocation	Per Issuer	Allocation	Per Issuer	Allocation	Per Issuer
US, State & Municipal Bonds - % Fixed Portfolio	100.00%	2.00%	24.96%	1.20%	Yes	Yes
Corporate Bonds (US Only) - % Fixed Portfolio	60.00%	2.00%	32.72%	0.93%	Yes	Yes
Asset Backed Securities (ABS) - % Fixed Portfolio	25.00%	2.00%	10.96%	0.89%	Yes	Yes
Commerical Mortgage Backed Securities (CMBS) - % Fixed Portfolio	20.00%	2.00%	19.60%	0.94%	Yes	Yes
US Agency Residential Mortgage Backed Securities - % Fixed Portfolio	40.00%	2.00%	11.77%	0.88%	Yes	Yes
Mutual Fund or ETF		5.00%		2.97%	-	Yes
Quality & Duration						
Duration (+/- 20% of the Benchmark)	2.94 - 4.42		3.68		Yes	
Average Quality	AA- or better		AA		Yes	
Minimum Quality By Security	A- or better		BBB		Yes[1]	
BBB Rated Quality	No Purchases		0.15%		Yes[1]	

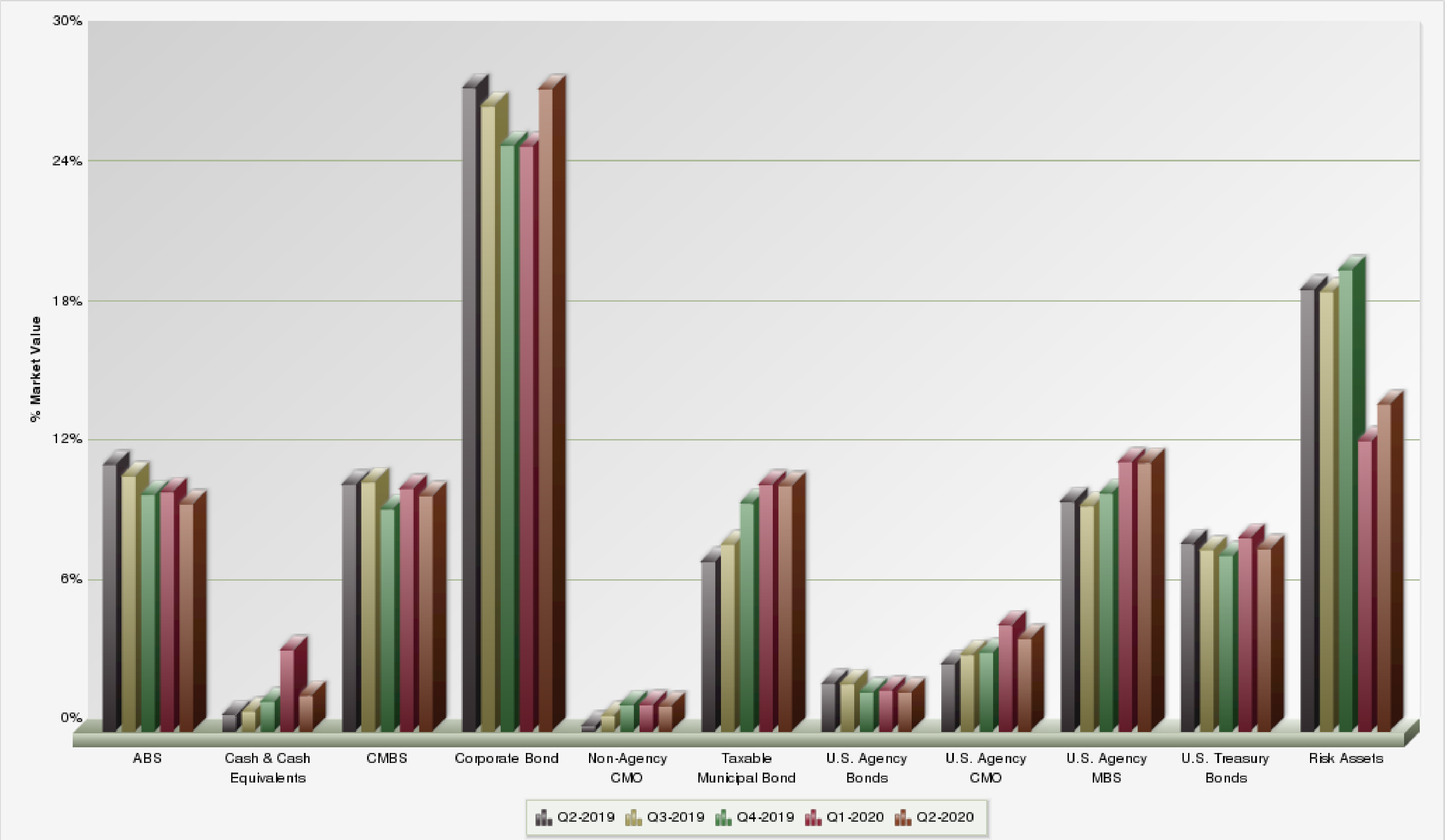
Prohibited Investments: Privately placed or other non-marketable debt, Naked options or future contracts,Direct investments in oil and gas transactions and venture capital,

[1]All securities below A- were held prior to the adoption of the current Investment Policy or have been granted approval to hold.

APPENDIX

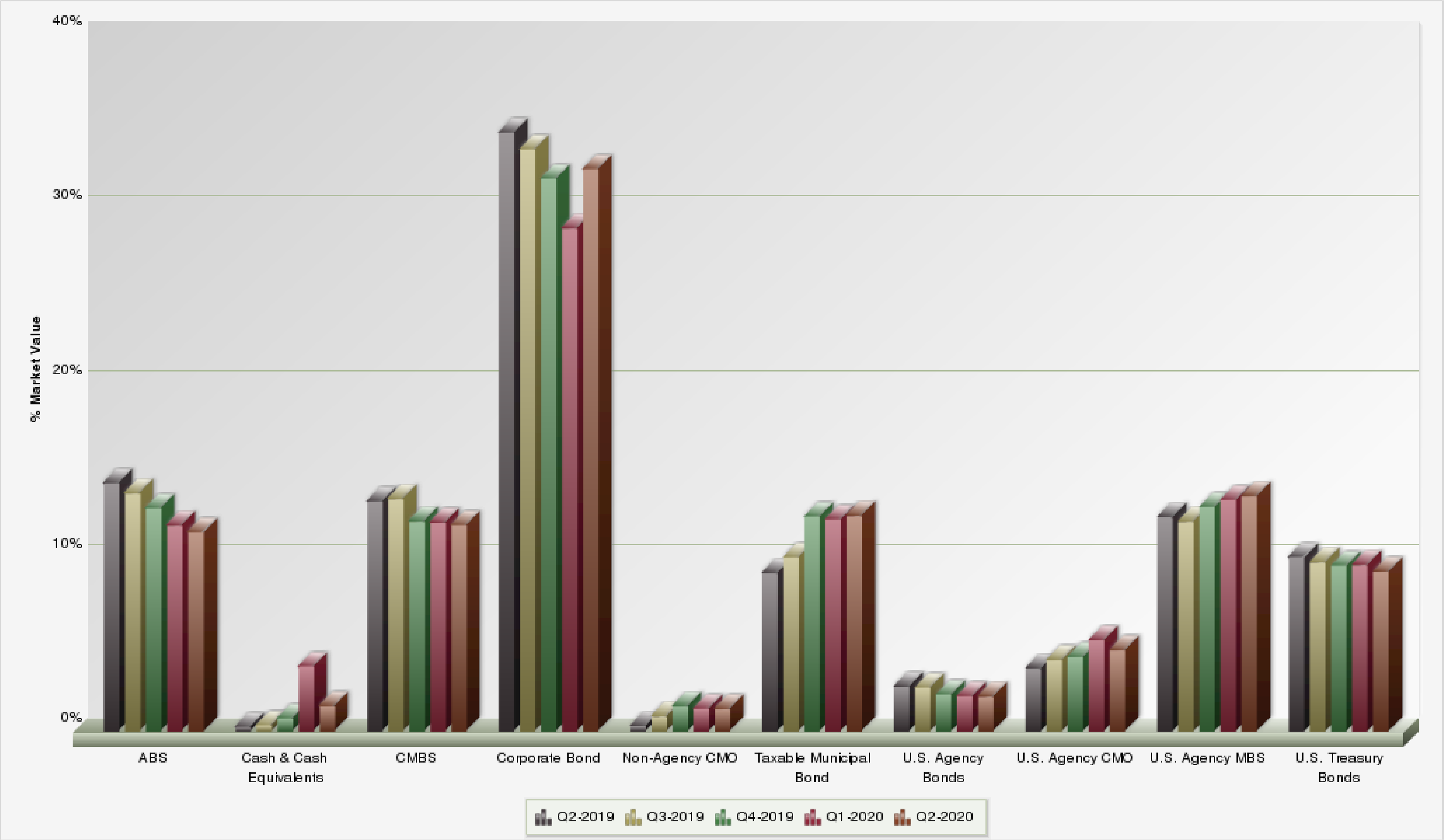
PORTFOLIO CHARACTERISTICS

Asset Allocation – Total Portfolio



	ABS	Cash & Cash Equivalents	CMBS	Corporate Bond	Non-Agency CMO	Taxable Municipal Bond	U.S. Agency Bonds	U.S. Agency CMO	U.S. Agency MBS	U.S. Treasury Bonds	Risk Assets
Q2-2019	11.49%	0.70%	10.64%	27.69%	0.25%	7.31%	2.07%	2.89%	9.88%	8.06%	19.01%
Q3-2019	10.99%	0.87%	10.73%	26.91%	0.68%	8.05%	2.04%	3.30%	9.70%	7.81%	18.92%
Q4-2019	10.19%	1.29%	9.57%	25.22%	1.14%	9.81%	1.69%	3.40%	10.24%	7.57%	19.87%
Q1-2020	10.31%	3.50%	10.46%	25.19%	1.15%	10.62%	1.77%	4.56%	11.61%	8.32%	12.51%
Q2-2020	9.79%	1.54%	10.15%	27.65%	1.09%	10.58%	1.69%	3.99%	11.56%	7.85%	14.09%

Asset Allocation – Fixed Income Portfolio



	ABS	Cash & Cash Equivalents	CMBS	Corporate Bond	Non-Agency CMO	Taxable Municipal Bond	U.S. Agency Bonds	U.S. Agency CMO	U.S. Agency MBS	U.S. Treasury Bonds
Q2-2019	14.27%	0.27%	13.22%	34.39%	0.31%	9.08%	2.57%	3.59%	12.28%	10.02%
Q3-2019	13.66%	0.36%	13.33%	33.43%	0.85%	10.00%	2.53%	4.10%	12.04%	9.70%
Q4-2019	12.83%	0.75%	12.05%	31.75%	1.44%	12.35%	2.13%	4.28%	12.90%	9.53%
Q1-2020	11.81%	3.74%	11.99%	28.87%	1.31%	12.18%	2.03%	5.23%	13.30%	9.54%
Q2-2020	11.44%	1.45%	11.85%	32.30%	1.28%	12.36%	1.98%	4.66%	13.51%	9.17%

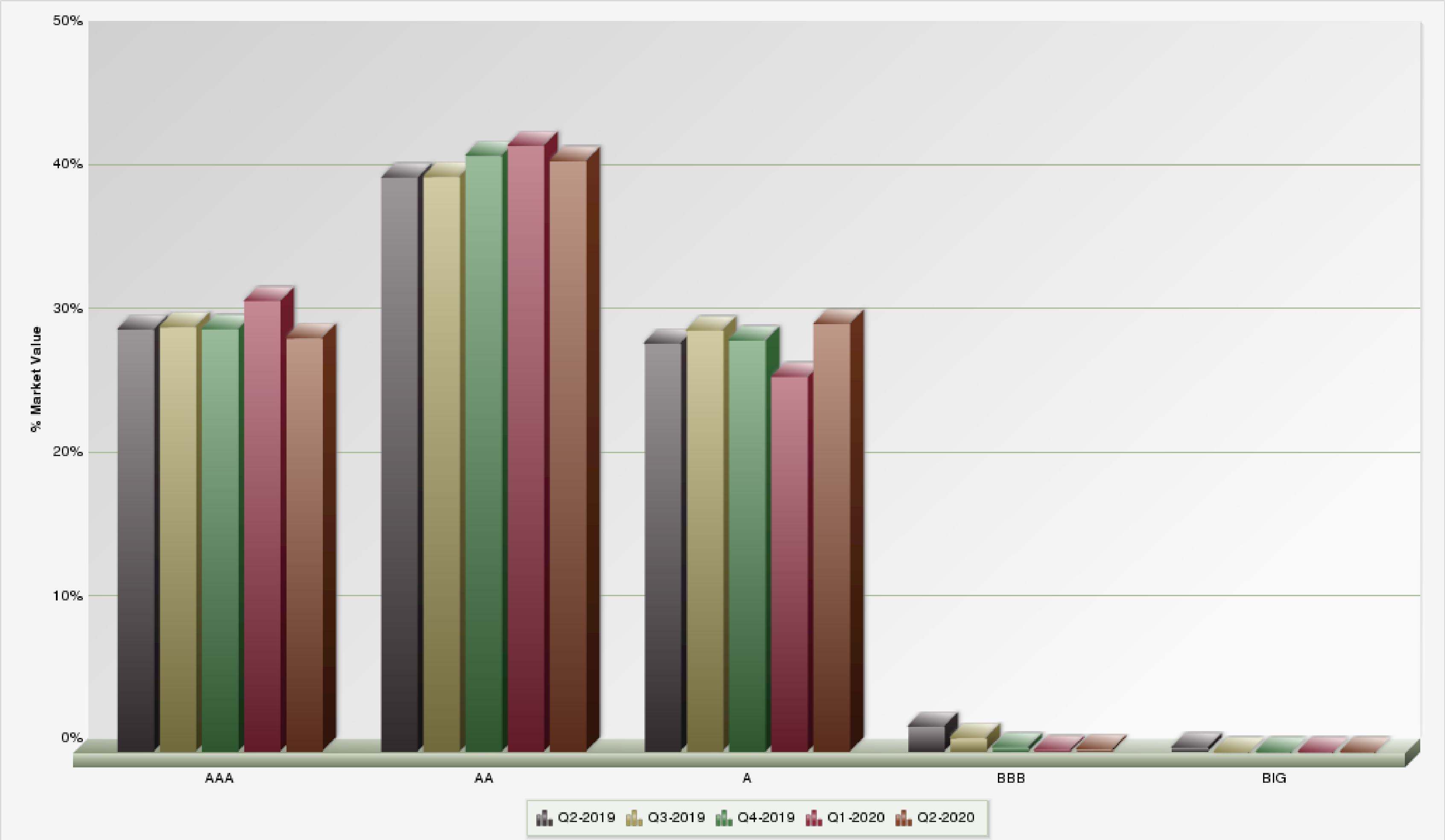
Sector Analysis – AAM Fixed Income

Sector	% of Portfolio (MV)	Average Life	Duration	Convexity	Market Yield	Book Yield	Rating	Book Value	Market Value	Market Value + Accrued
Corporate	32.72%	4.66	4.29	0.28	1.01	2.69	A	10,978,713	11,651,662	11,726,050
Commercial MBS	12.45%	4.05	3.67	0.21	1.69	2.80	AAA	4,225,317	4,433,297	4,444,912
Taxable Municipal	12.35%	5.65	4.85	0.36	1.04	2.70	AA+	4,130,003	4,397,870	4,422,870
Asset Backed Securities	10.96%	1.65	1.55	0.07	0.94	2.30	AAA	3,830,985	3,902,759	3,920,066
U.S. Treasury	9.18%	5.78	5.41	0.39	0.38	2.08	AA+	2,987,961	3,269,928	3,282,251
Agency CMBS	7.15%	3.54	3.27	0.21	0.92	2.10	AA+	2,442,372	2,544,803	2,550,514
MBS Passthrough	6.78%	3.55	1.94	-0.51	1.33	1.80	AA+	2,383,973	2,413,420	2,420,541
CMO	4.99%	4.11	2.84	-0.91	1.59	2.82	AA+	1,709,920	1,777,194	1,781,365
U.S. Agency	1.97%	2.63	2.51	0.09	0.29	1.94	AA+	672,420	701,563	708,210
Cash & Money Market	1.46%	0.00	0.00	0.00	0.06	0.06	AAA	518,699	518,699	518,699
Consolidated Fixed Income	**100%**	**4.19**	**3.68**	**0.14**	**1.05**	**2.45**	**AA**	**33,880,363**	**35,611,194**	**35,775,477**

Credit Exposure – Top 10 Fixed Income Holdings

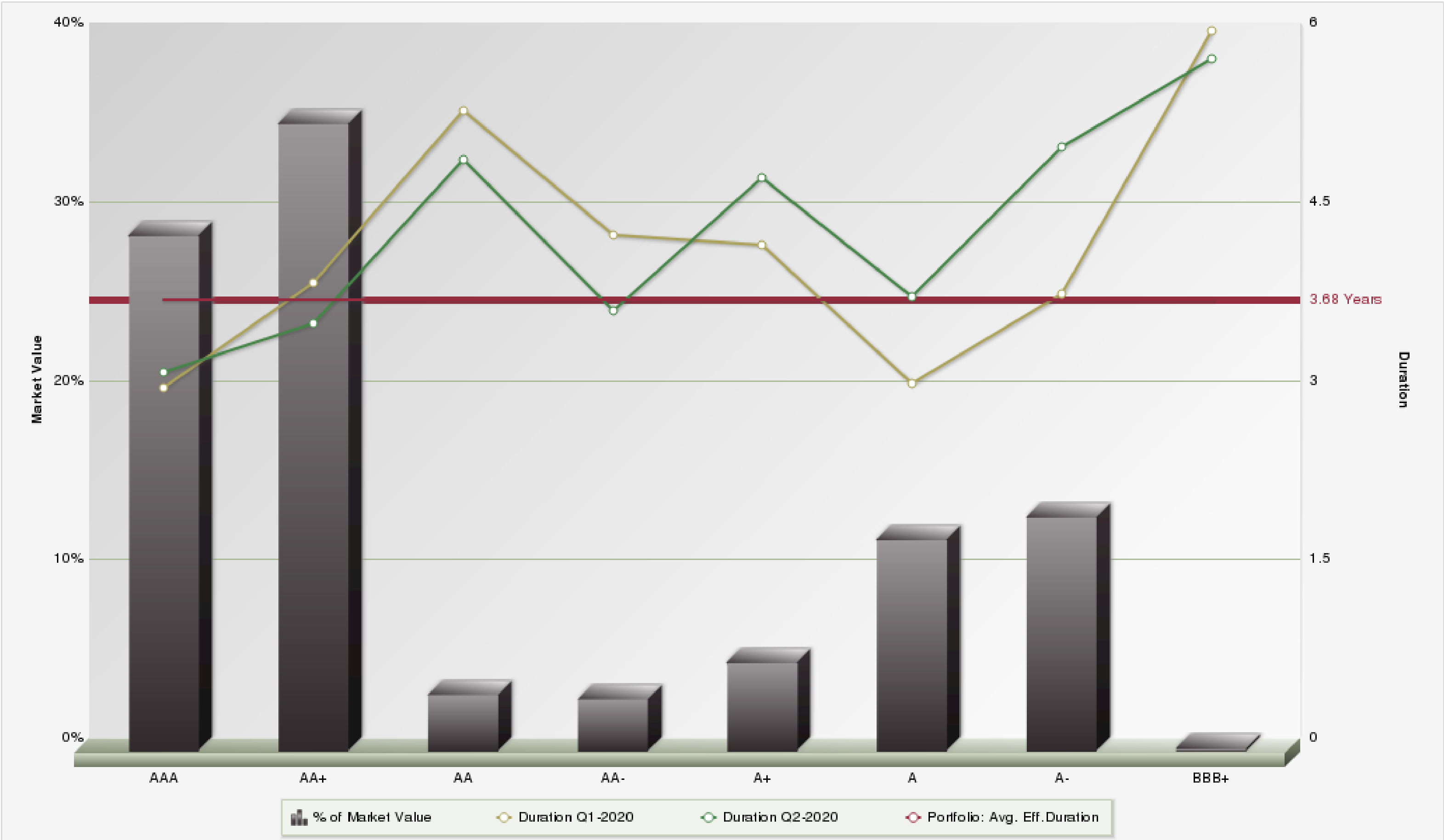
Bond #	Cusip	AssetType	Issuer	Par	Market Value	% of Port MV	Book Value	CR	Duration	Maturity
1	06427DAS	CMBS	BACM 17BNK3 A4	300,000	335,832	0.94%	314,661	AAA	5.774	-
2	90276CAE	CMBS	UBSCM 17C2 A4	300,000	332,226	0.93%	304,369	AAA	6.196	08/15/2050
3	983919AK	Corporate Bond	XILINX INC	320,000	330,234	0.93%	322,413	A-	8.712	06/01/2030
4	94989KAV	CMBS	WFCM 2015-C29 A4	300,000	325,032	0.91%	303,184	AAA	4.460	06/15/2048
5	254683CD	ABS	DCENT 181 A	300,000	319,968	0.90%	305,922	AAA	2.525	-
6	375558BF	Corporate Bond	GILEAD SCIENCES INC	275,000	314,119	0.88%	274,609	A-	4.927	03/01/2026
7	17305EFM	ABS	Citibank Credit Card Issuance Trust CCCIT 2014-A1 A1	300,000	304,234	0.85%	302,385	AAA	0.552	01/21/2021
8	46647PAV	Corporate Bond	JPMORGAN CHASE & CO	255,000	299,409	0.84%	265,686	A-	6.845	07/23/2029
9	12503MAA	Corporate Bond	CBOE HOLDINGS INC	250,000	280,275	0.79%	250,650	A-	5.592	01/12/2027
10	87612EBD	Corporate Bond	TARGET CORP	250,000	279,277	0.78%	252,786	A-	3.717	07/01/2024
Top 10					3,120,606	8.76% of MV				
Fixed Income					35,611,193					

Credit Summary – Fixed Income Portfolio



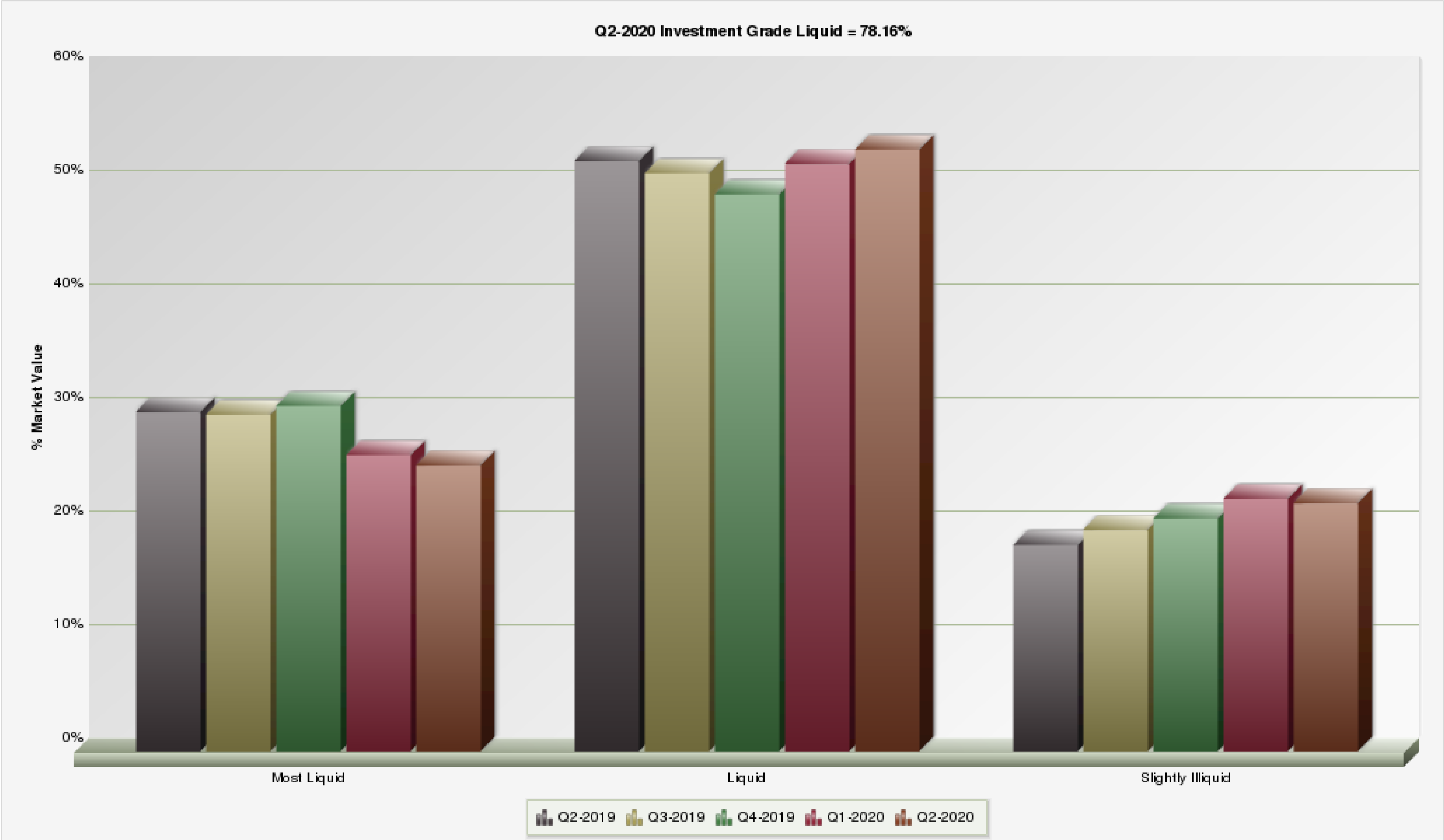
	AAA	AA	A	BBB	BIG
Q2-2019	29.43%	40.05%	28.46%	1.75%	0.30%
Q3-2019	29.61%	40.08%	29.38%	0.93%	0.00%
Q4-2019	29.47%	41.54%	28.67%	0.32%	0.00%
Q1-2020	31.44%	42.26%	26.16%	0.14%	0.00%
Q2-2020	28.82%	41.19%	29.84%	0.15%	0.00%

Credit Duration – Fixed Income Portfolio



	AAA	AA+	AA	AA-	A+	A	A-	BBB+
% of Market Value	28.82%	35.09%	3.17%	2.93%	4.94%	11.82%	13.08%	0.15%
Duration Q1-2020	2.93	3.82	5.26	4.22	4.13	2.97	3.72	5.93
Duration Q2-2020	3.06	3.47	4.85	3.58	4.70	3.70	4.96	5.70
Portfolio: Avg. Eff.Duration	3.68	3.68	3.68	3.68	3.68	3.68	3.68	3.68

Portfolio Liquidity – Total Portfolio



	Most Liquid				Liquid				Slightly Illiquid		
	Cash & Cash Equivalents	U.S. Agency Bonds	U.S. Treasury Bonds	Risk Assets	ABS	Corporate Bond	U.S. Agency CMO	U.S. Agency MBS	CMBS	Non-Agency CMO	Taxable Municipal Bond
Q2-2019	0.70%	2.07%	8.06%	19.01%	11.49%	27.69%	2.89%	9.88%	10.64%	0.25%	7.31%
Q3-2019	0.87%	2.04%	7.81%	18.92%	10.99%	26.91%	3.30%	9.70%	10.73%	0.68%	8.05%
Q4-2019	1.29%	1.69%	7.57%	19.87%	10.19%	25.22%	3.40%	10.24%	9.57%	1.14%	9.81%
Q1-2020	3.50%	1.77%	8.32%	12.51%	10.31%	25.19%	4.56%	11.61%	10.46%	1.15%	10.62%
Q2-2020	1.54%	1.69%	7.85%	14.09%	9.79%	27.65%	3.99%	11.56%	10.15%	1.09%	10.58%

Potential Impairment Report – Market Value < Book Value of 90%

OTTI (Watch List <= 90%)

Fixed Income

0.0 up to 0.5
0.5 up to 0.7
0.7 up to 1.0

Cusip	Issuer	AssetType	Quantity	Book Value	Market Value	MV/BV	Unrealized G/L	Duration	Book Yield	CR

As of 06/30/2020, there were no securities on the surveillance report with a market/book value ratio less than 90%

RETURN TO AGENDA

SCHOOLCARE
HEALTH BENEFIT PLANS
of the NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION

High Yield Fixed Income: An Overview

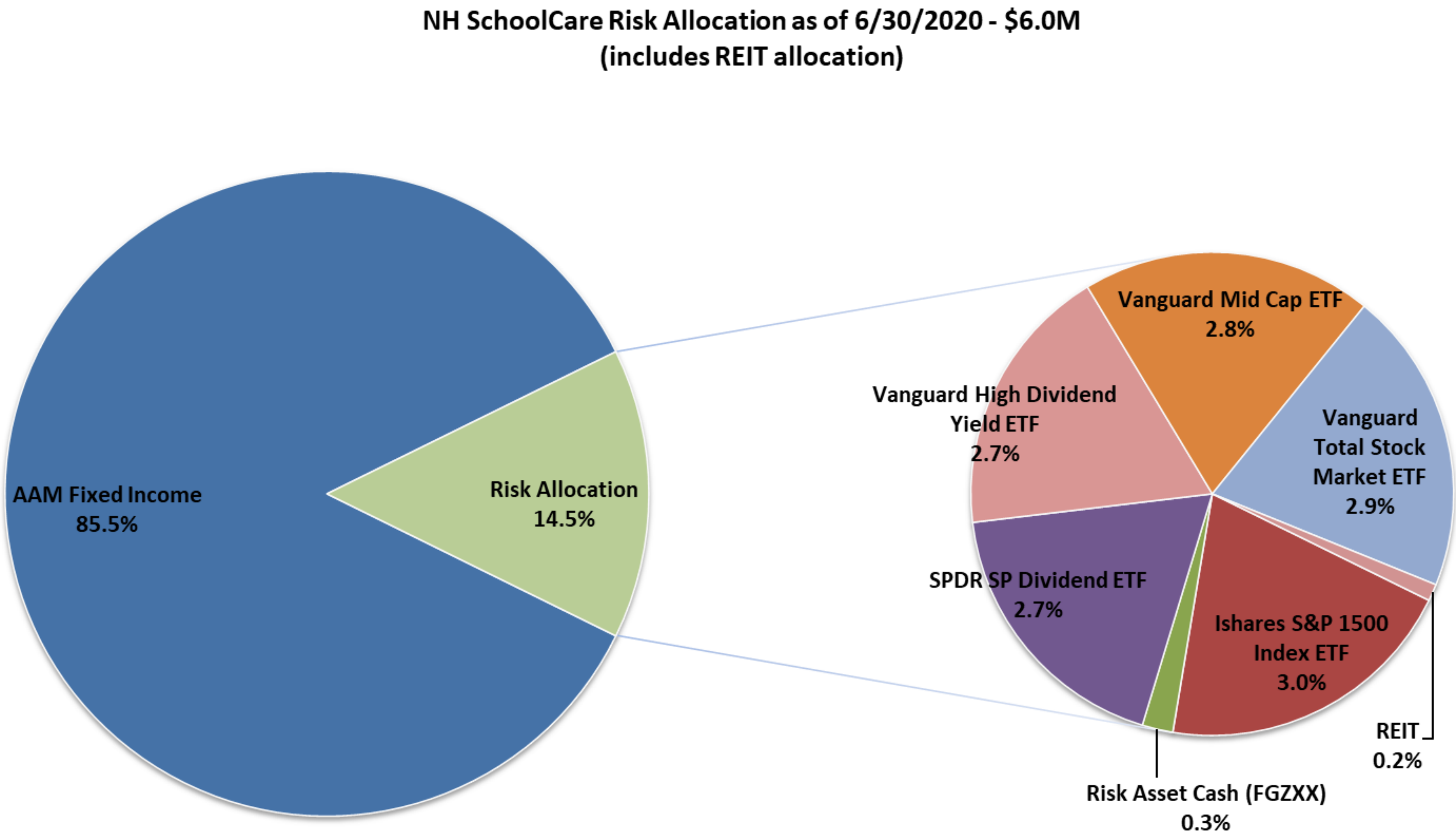
October 12, 2020

Presented by: **Dan Smereck**
Managing Director & Principal

STRATEGIC ASSET ALLIANCE
THE INSURANCE INVESTMENT SPECIALIST

CURRENT MARKET ENVIRONMENT

Asset Allocation – As of 6/30/2020



- Actual risk asset allocation (equity ETFs) is 14.4%. There is one remaining REIT holding which has not been able to be liquidated to date.
- Risk assets to Net Position equals 20.5%.

*Net Position as of 6/30/2020

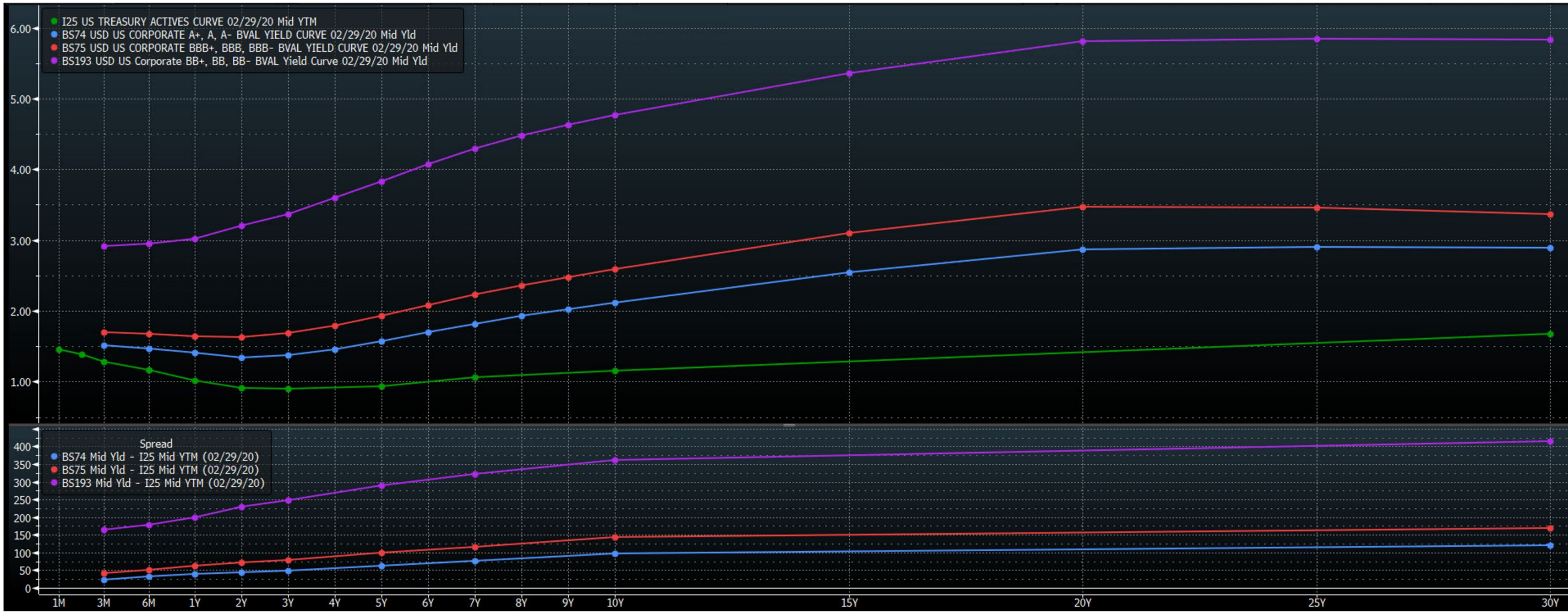
Interest Rates

Index YTW	12/31/2018	12/31/2019	6/30/2020	7/31/2020	8/31/2020	Chg Prior Month	Chg Prior Qtr	Chg Calendar Yr
Aggregate	**3.28%**	**2.31%**	**1.25%**	**1.05%**	**1.15%**	▲ **0.10%**	▼ **-0.10%**	▼ **-1.16%**
Intermediate Aggregate	**3.13%**	**2.14%**	**0.97%**	**0.79%**	**0.86%**	▲ **0.07%**	▼ **-0.11%**	▼ **-1.28%**
U.S. Treasury	2.61%	1.80%	0.50%	0.41%	0.49%	▲ 0.08%	▼ -0.01%	▼ -1.31%
U.S. 2-Yr Treasury	2.50%	1.56%	0.15%	0.11%	0.13%	▲ 0.02%	▼ -0.02%	▼ -1.43%
U.S. 5-Yr Treasury	2.51%	1.68%	0.29%	0.22%	0.26%	▲ 0.04%	▼ -0.03%	▼ -1.42%
U.S. 10-Yr Treasury	2.69%	1.91%	0.65%	0.54%	0.69%	▲ 0.15%	▲ 0.04%	▼ -1.22%
U.S. 30-Yr Treasury	3.02%	2.38%	1.41%	1.20%	1.45%	▲ 0.25%	▲ 0.04%	▼ -0.93%
U.S. Agency MBS	3.39%	2.54%	1.36%	1.07%	1.23%	▲ 0.16%	▼ -0.13%	▼ -1.31%
ABS	3.44%	2.05%	0.85%	0.71%	0.59%	▼ -0.12%	▼ -0.26%	▼ -1.46%
CMBS	3.06%	2.48%	1.72%	1.51%	1.48%	▼ -0.03%	▼ -0.24%	▼ -1.00%
U.S. Credit	4.09%	2.79%	2.05%	1.78%	1.86%	▲ 0.08%	▼ -0.19%	▼ -0.93%
A-Rated Corporates	3.89%	2.64%	1.81%	1.53%	1.61%	▲ 0.08%	▼ -0.20%	▼ -1.03%
BBB-Rated Corporates	4.69%	3.19%	2.68%	2.32%	2.37%	▲ 0.05%	▼ -0.31%	▼ -0.82%
Municipal Bond	2.69%	1.78%	1.50%	1.20%	1.30%	▲ 0.10%	▼ -0.20%	▼ -0.48%
U.S. High Yield	7.95%	5.19%	6.87%	5.37%	5.34%	▼ -0.03%	▼ -1.53%	▲ 0.15%
Global Aggregate (USD)	2.03%	1.45%	0.95%	0.82%	0.90%	▲ 0.08%	▼ -0.05%	▼ -0.55%
U.S. Agg. vs. Global Agg.	▲ **1.25%**	▲ **0.86%**	▲ **0.30%**	▲ **0.23%**	▲ **0.25%**	▲ **0.02%**	▼ **-0.05%**	▼ **-0.61%**
UST 2yr-10yr Spread (bps)	**19.0**	**35.0**	**50.0**	**43.0**	**56.0**			

Source: Bloomberg Barclays Indices & BofA ICE Indices

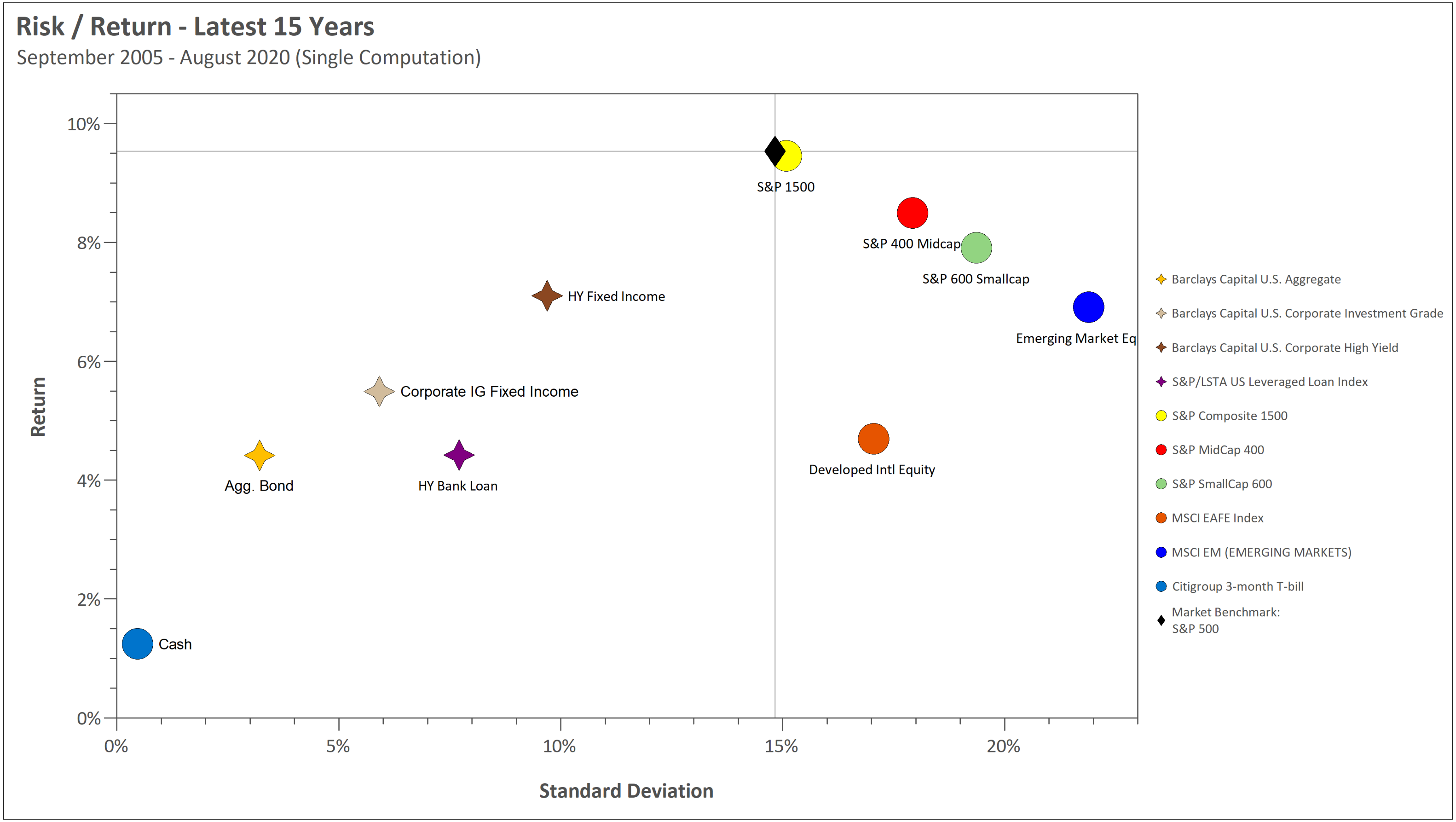
HIGH YIELD FIXED INCOME OVERVIEW

High Yield Bond Market - Overview & Current Yields

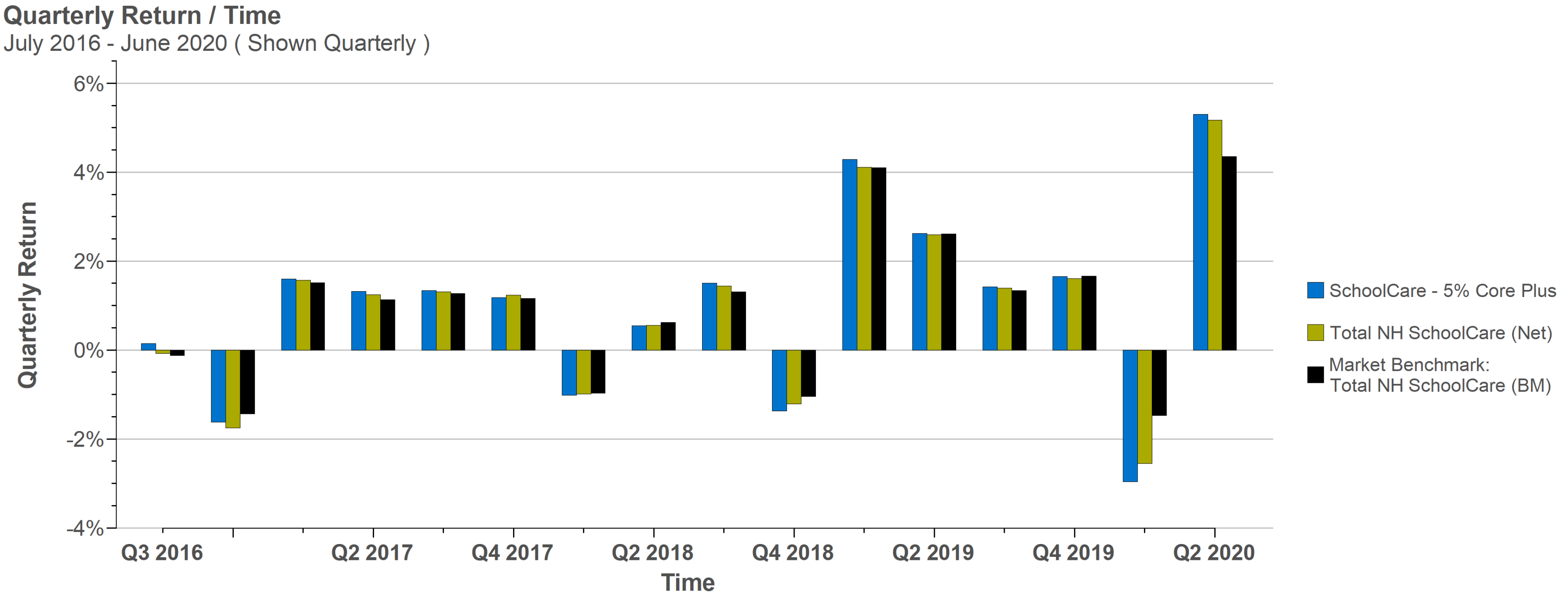


- High yield bonds – defined as corporate bonds rated below BBB– or Baa3 by established credit rating agencies.
- High yield bonds typically offer higher yields than government bonds or high-grade corporate bonds (see above graphic) and have the potential for price appreciation in the event of an improvement in the economy, or performance of the issuing company (of course, if these conditions worsen, then prices can also go down).
- High yield bonds generally have a low correlation to other sectors of the fixed income market along with less sensitivity to interest rate risk, an allocation to high yield bonds may provide portfolio diversification benefits.
- Lastly, high yield bonds have historically offered similar returns to equity markets, but with lower volatility.

High Yield Bond Market - Risk/Return Profile, 15 Y



What If…Back-testing a 5% allocation to high yield (Part 1)

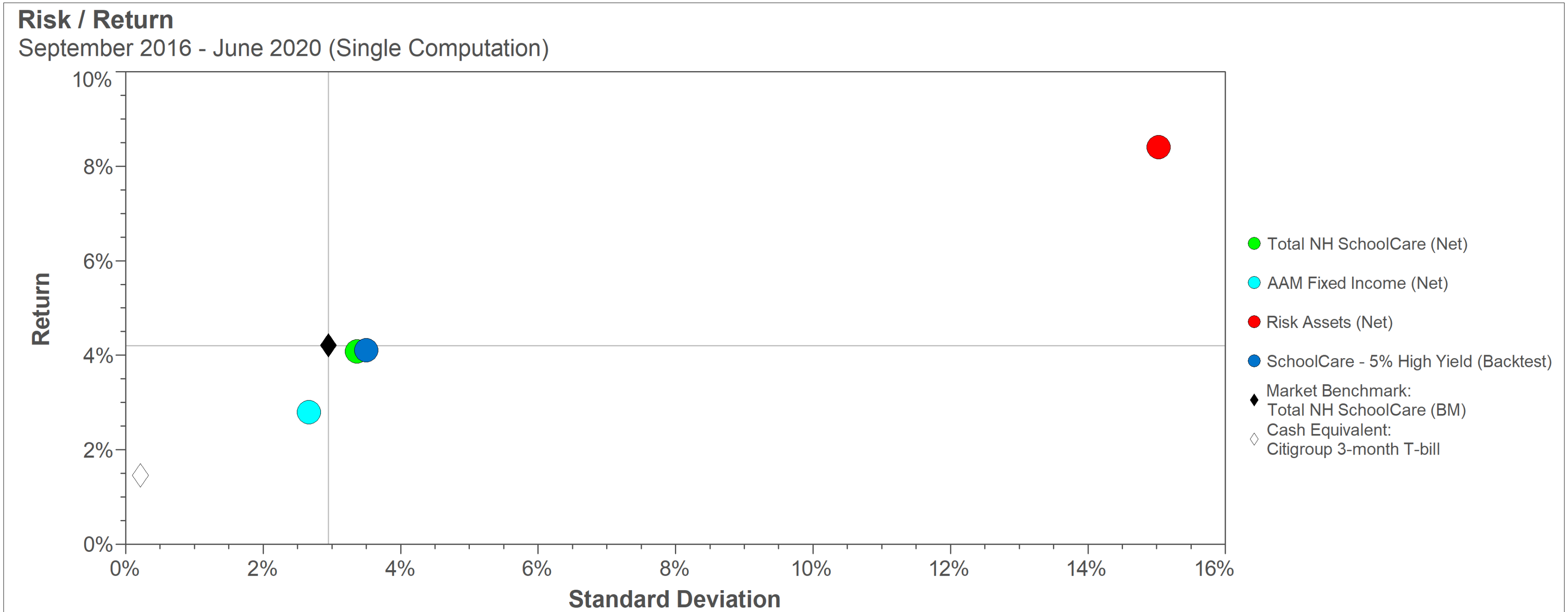


Custom Table
July 2016 - June 2020: Summary Statistics

	Return	Standard Deviation	Sharpe Ratio	# of Down Periods	Average Down Return	# of Up Periods	Average Up Return	Maximum Drawdown
SchoolCare - 5% Core Plus	3.96%	4.21%	0.61	4	-1.74%	12	1.91%	-2.96%
Total NH SchoolCare (Net)	3.89%	4.04%	0.61	5	-1.32%	11	2.02%	-2.56%

- **High yield exposure effected using the Vanguard High Yield Corporate Bond Fund (“VWEAX”), a fund SAA utilizes across its clients.**

What If…Back-testing a 5% allocation to high yield (Part 2)



Custom Table
September 2016 - June 2020: Summary Statistics

	Return	Standard Deviation	Sharpe Ratio	# of Down Periods	Average Down Return	# of Up Periods	Average Up Return	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Beta vs. Market
Total NH SchoolCare (Net)	4.08%	3.36%	0.78	11	-0.89%	35	0.72%	-3.48%	103.74%	114.80%	1.12
AAM Fixed Income (Net)	2.80%	2.66%	0.50	17	-0.48%	29	0.65%	-3.40%	51.86%	27.50%	0.55
Risk Assets (Net)	8.40%	15.03%	0.46	12	-4.47%	34	2.62%	-21.45%	355.07%	463.31%	4.08
SchoolCare - 5% High Yield (Backtest)	4.11%	3.50%	0.76	12	-0.84%	34	0.76%	-3.84%	105.38%	118.07%	1.16

- **High yield exposure effected using the Vanguard High Yield Corporate Bond Fund ("VWEAX"), a fund SAA utilizes across its clients.**

QUESTIONS/DISCUSSION