

February 28th, 2013

PHILOSMITH
Insurance Investors and Advisors Since 1962
CELEBRATING
50 *Years*



Background

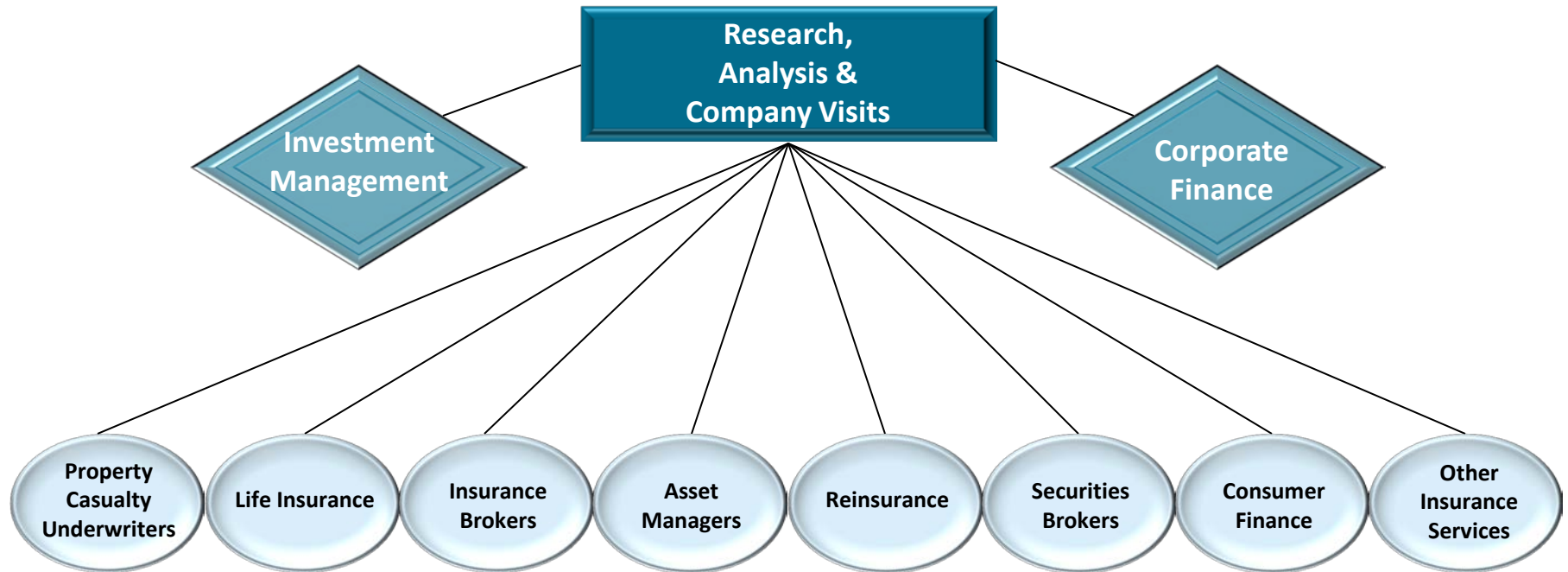
BACKGROUND OF PHILOSMITH

PhiloSmith is a widely recognized leader in advising and investing in insurance and financial services companies

- For 50 years, PhiloSmith has focused exclusively on the insurance and financial services industries
- Established track-record of above-average investment performance and executing and consummating transactions
- PhiloSmith's principals have over 70 years of combined investment experience focused on insurance and financial services companies
- The ability to access key financial industry executives are enhanced by the tenure and continuity of the principals with the firm and the recognition of the "PhiloSmith" brand name
- Merger and acquisition team enhances coverage of insurance marketplace
- Registered Investment Advisor (RIA); member of FINRA

PhiloSmith's Business Model

PhiloSmith's Clients Benefit From the Firm's Specialty Focus and Experience



The PhiloSmith Advantage

PhiloSmith Investment Management

PhiloSmith industry expertise provides a competitive edge and superior results to indexing

- **Specific industry focus** provides higher level of expertise in an extremely fragmented, diversified sector
- **Extensive network** of insurance companies & executives
- **Experience & continuity** of portfolio managers
- **Skills & knowledge** for identifying potential investment opportunities that generalists may be unable to recognize
- **An in-depth understanding** of Private and Public market valuations
- **Proven performance** - demonstrated and documented ability to produce excellent results for nearly 40 years

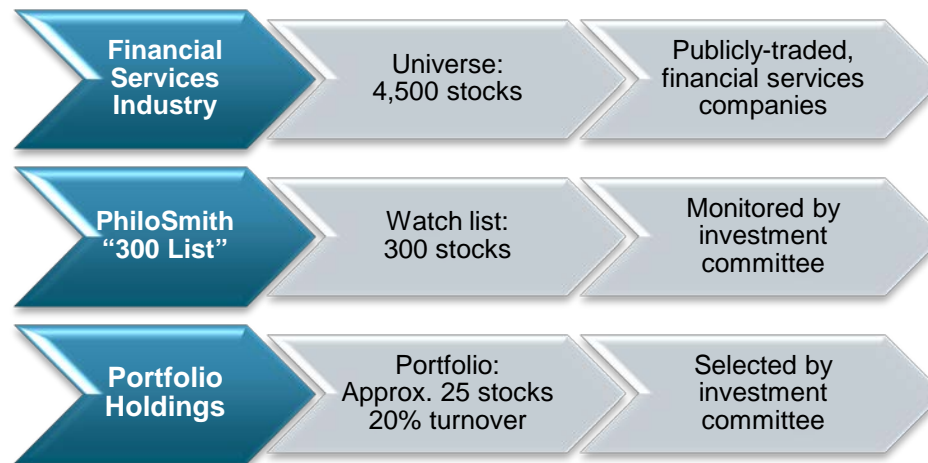
Investment Objective

PhiloSmith's Investment Objective is focused on:

- 1) Providing above-average long-term growth and achieving a superior return relative to more conventional investments
- 2) Producing consistent returns with a low correlation to the general stock market.
- 3) Investing in equities of insurance and other financial services companies using a “growth at reasonable value” approach

Investment Methodology

The firm's investment decision-making process has remained consistent since inception.



Investment Strategy

“Successful insurance investing requires a disciplined, methodical approach that adds value over time within acceptable risk tolerance.”

– Philo Smith, Founder



- Bottom-up stock picking
- Invest in enterprises that have or are developing a competitive advantage
- Seek companies with an above-average outlook selling at price/earnings and price/book ratios below sector averages
- Buy stocks in which the risk of loss is relatively limited and the chances of success are superior to the market
- Ownership by management/insiders should be meaningful
- Will become an active shareholder and establish a plan for realizing value if necessary

Portfolio Highlights

Larger Holdings	Sector
	Market Cap
Brown & Brown Insurance agency and brokerage CEO: J. Powell Brown	Insurance Broker \$4.41B
Arthur J. Gallagher & Co. Insurance agency and brokerage CEO: J. Patrick Gallagher Jr.	Insurance Broker \$4.98B
Markel Corporation International specialty insurance company CEO: Alan I. Kirshner	Specialty \$4.85M
HCC Insurance Holdings International specialty insurance group CEO: Christopher John B. Williams	Specialty \$4.08B
Navigators Group Inc. International specialty insurance holding company CEO: Stanley A. Galanski	Specialty \$801.82M
Ameriprise Financial, Inc. Financial planning services, investment, insurance & annuity CEO: James M. Cracchiolo	Asset Manager \$15.11B
Raymond James Financial Securities Broker and Asset Management CEO: Paul C. Reilly	Securities Broker \$6.48B

Typical Number of Positions Held = 20-25

Turnover Ratio = 20%

Beta* vs. S&P 500 = 0.6

* Since Inception

SECTOR BREAKDOWN

Specialty	31%
Property Casualty	19%
Reinsurance	13%
Insurance	8%
Agency/Brokers	
Asset Managers	9%
Securities Brokers	7%
Other Financial Services	7%
Cash	7%
Total	100%

CAPITALIZATION BREAKDOWN

Small Cap	27%
Medium Cap	52%
Large Cap	21%

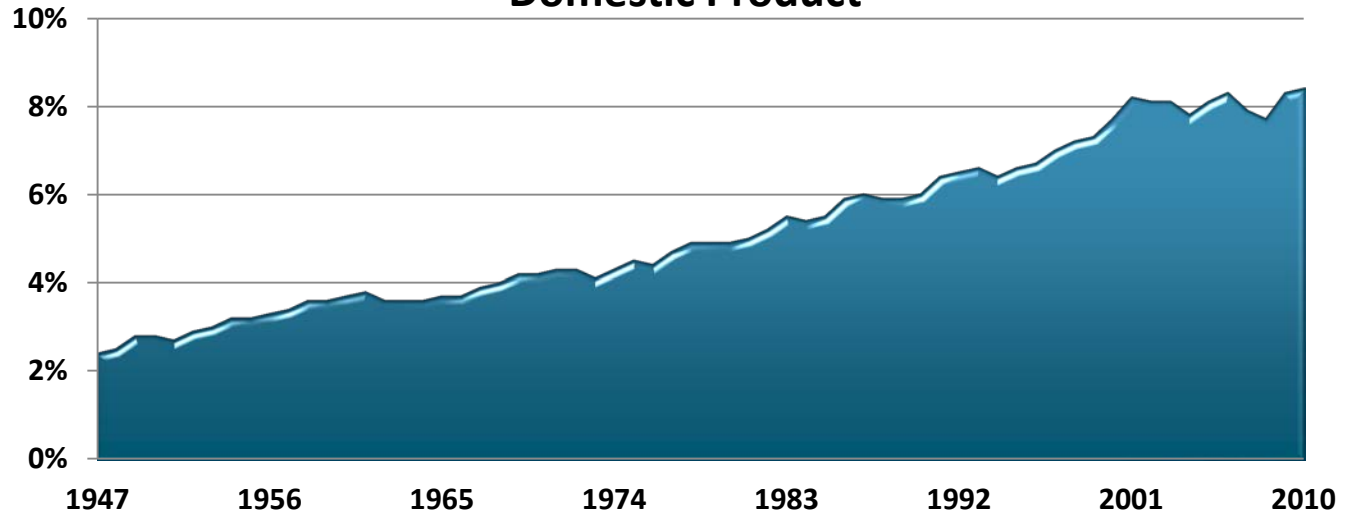
How PhiloSmith Fits in your Portfolio

A complement to your traditional equity investments

- Long only, fundamental approach means PhiloSmith funds fit within many traditional investment guidelines, but lack of correlation to the larger market can help your portfolio maintain more consistent returns
- Superior return substitute for financial services segment of a full market portfolio
- Low turnover, tax efficiency, and long-term focus ideal for those with long-term goals
- Moderate risk level equity investment for transitions out of low yielding fixed income
- Boutique company structure allows for adaptability and customization of investment products
- Access to portfolio managers, investment committee and advisors so you can understand investment decisions

Insurance and Financial Services as a Long-term Investment

Finance and Insurance as a Percent of U.S. Gross Domestic Product



Source: U.S. Department of Commerce Bureau of Economic Analysis

The insurance and financial services sector represents over 8% of the economy, expanding at a rate that has outpaced GDP for decades. This growth is expected to continue because insurance and financial services companies play a crucial role in protecting, managing, and financing personal and commercial assets.

Key Investment Management Personnel

JAMES A. AMEN, *Managing Director & Partner*

Mr. Amen manages the firm's investment management and corporate finance businesses. He has counseled insurance clients in strategic transactions, capital funding needs, and long-range planning, specializing in financial analysis, valuation, and mergers and acquisitions.

Prior to joining PhiloSmith in 1988, Mr. Amen was in the Financial Services Group at Bear Stearns & Co. He began his career at AT&T Corp. in finance and marketing. Mr. Amen received a B.A. in Economics and Computer Science from the State University of New York and an M.B.A. in Finance from the University of Chicago Graduate School of Business.

JAMES E. INGLIS, *Managing Director & Partner*

Mr. Inglis, Portfolio Manager and a professional investment analyst, has been responsible for the analysis and investment in companies of every sector of the insurance business as well as other financial services companies. His extensive knowledge of the financial services industry has contributed to the firms above average long term investment performance. Prior to his current responsibilities, Mr. Inglis served as Director of the firm's research department, in which he continues to play an integral role.

Mr. Inglis began his financial career as a banking officer with National Westminster Bank USA and subsequently served as an investment analyst with Metropolitan Life Insurance Company. Mr. Inglis joined PhiloSmith in 1984. Mr. Inglis graduated summa cum laude from Boston University and received an M.B.A. from New York University Graduate School of Business.

Key Investment Management Personnel

MICHELE C. O'GRADY, *Managing Director & Partner*

Ms. O'Grady joined PhiloSmith in 1998 and has primary responsibility for the financial and administrative affairs of all the managed investment accounts and Partnerships. Ms. O'Grady oversees the financial accounting and operations for the firm and maintains financial data and performance calculations for the firm's investment vehicles. She is also President and Chief Compliance Officer of PSCO International Distributors, an affiliated NASD broker-dealer.

Ms. O'Grady began her financial career as an associate at Capital Partners, an LBO firm. In 1994, she became Chief Financial Officer of Oxford Bioscience Partners, a venture capital firm with over \$300 million under management.

Ms. O'Grady graduated *magna cum laude* from Marymount College and received her M.B.A. with honors from the University of Bridgeport.

Contact Information



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