

PhiloSmith Investment Management



Overview

October 31, 2013

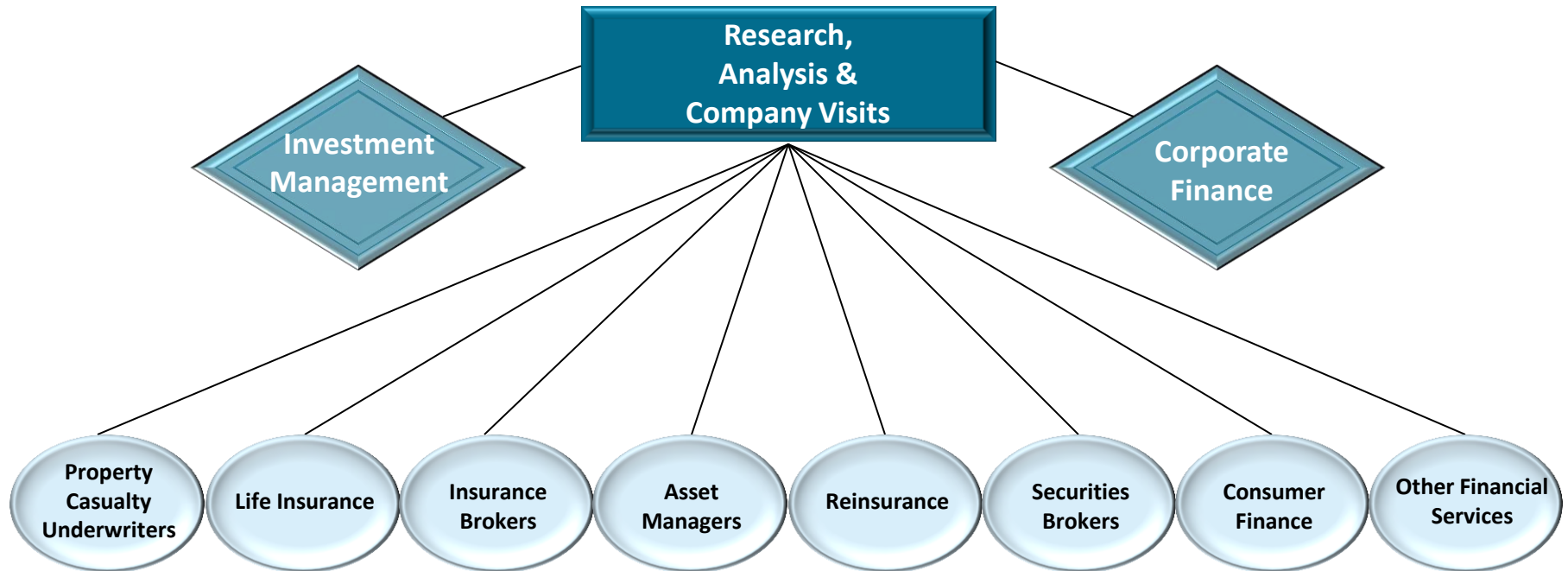
Background of PhiloSmith

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



PhiloSmith Investment Management

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

- **Sector focus** allows for 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** – above average results for nearly 40 years

Investment Objective

PhiloSmith's Investment Objective is focused on:

- 1) Providing above-average long-term return
- 2) Producing 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

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



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

– Philo Smith, Founder



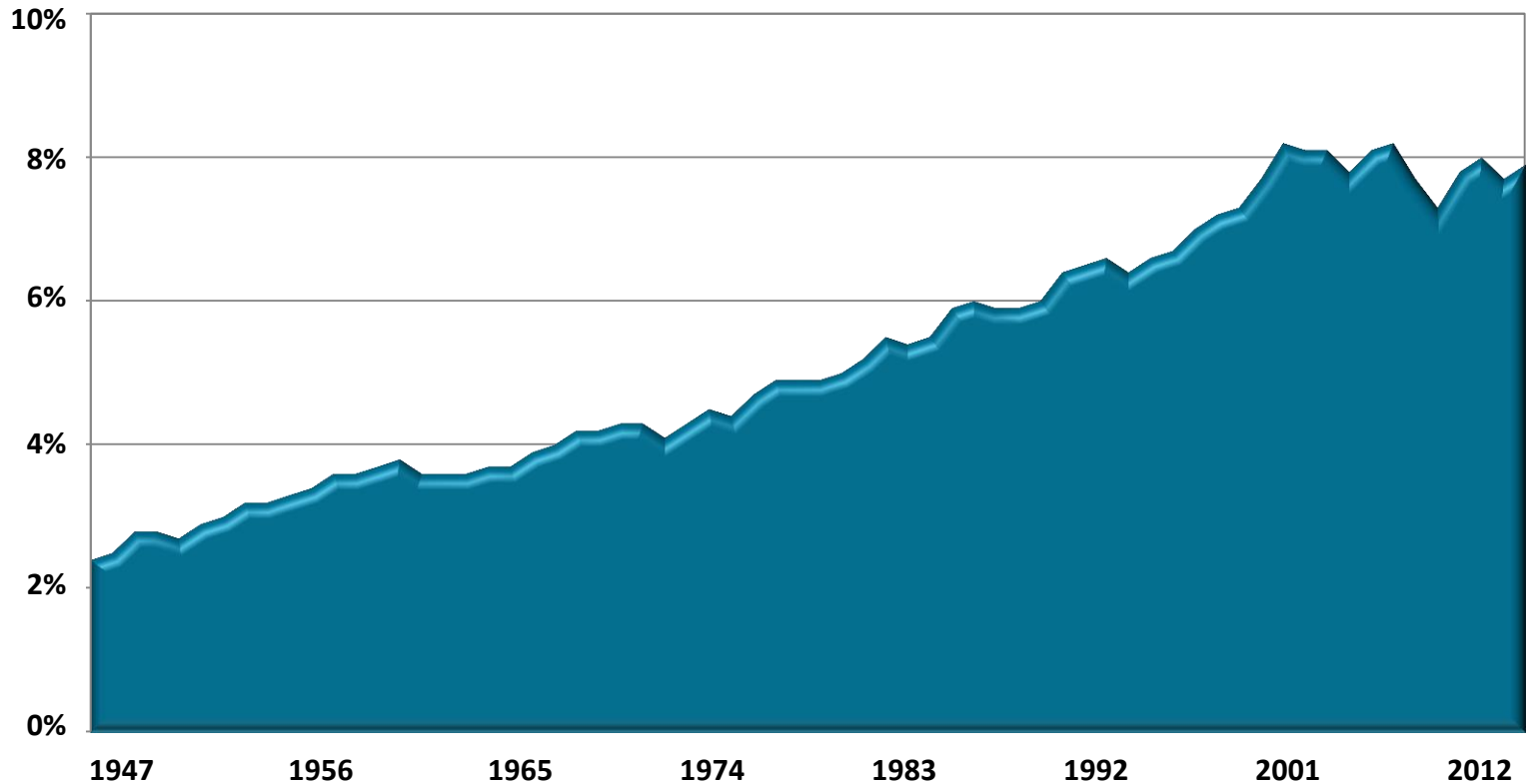
- Bottom-up stock picking
- Invest in enterprises that have a competitive advantage
- Believe management/insider ownership should be meaningful
- Seek companies with an above-average outlook selling at price/earnings and price/book ratios below sector averages
- Buy stocks in which the risk of loss is relatively limited and the chances of success are superior to the market
- Can be an active shareholder; help management realize value

A Complement to Your Traditional Equity Investments

- Long only, fundamental approach means PhiloSmith funds fit within many traditional investment strategies; lack of correlation to broad market can help your portfolio achieve more consistent returns
- Superior return substitute for financials' sector of a broad 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 customization of products
- Access to portfolio managers 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



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.

Portfolio Highlights

SIGNIFICANT HOLDINGS	SECTOR
	MARKET CAP
RLI Diversified portfolio serving niche or underserved markets <i>CEO: Jonathan Edward Michael</i>	Specialty
	\$2.1b
Navigators Group Specialty insurance holding company <i>CEO: Stanley Adam Galanski</i>	Specialty
	\$870m
Brown & Brown Insurance agency and brokerage <i>CEO: J. Powell Brown</i>	Insurance Broker
	\$4.6b
Ameriprise Financial Financial planning services <i>CEO: James M. "Jim" Cracchiolo</i>	Asset Manager
	\$20.0b
ACE Limited Global specialty lines <i>CEO: Evan Greenberg</i>	Property Casualty
	\$32.8b
Horace Mann Multi-line exclusive agency underwriter focused on the educators market <i>CEO: Marita Zuraitis</i>	Property Casualty
	\$1.1b

SECTOR BREAKDOWN

Specialty	32%
Property Casualty	16%
Reinsurance	14%
Insurance Agency/Brokers	12%
Asset Managers	11%
Other Financial Services	8%
Securities Brokers	6%
Cash	1%
Total	100%

CAPITALIZATION BREAKDOWN

Small Cap	18%
Medium Cap	48%
Large Cap	33%

**PhiloSmith investment funds have had
steady returns and low volatility**

Average Annualized*	PhiloSmith % Change**	S&P Financials % Change	S&P 500 % Change	NASDAQ Insurance % Change
1 Year	28.7%	29.4%	24.4%	28.7%
3 Years	15.2%	13.8%	14.1%	15.5%
5 Years	11.6%	7.9%	12.6%	8.3%

**Net Return 10/31/13*

***Long-Only Funds*

PhiloSmith investment funds have had above-average performance since inception over 37 years ago. . .

Average Annualized*	PhiloSmith % Change**	S&P 500 % Change
10 Years	8.7%	5.3%
20 Years	10.8%	8.1%
30 Years	16.3%	8.2%
From Inception (1975)	16.8%	8.4%

**Net Return 10/31/13*

***Long-Only Funds*

PSCO Aggregate Long-Only Annual Performance Data

Year	PSCO Long-Only % Change	S&P 500 % Change
1994	-3.2%	-1.5%
1995	40.5%	34.1%
1996	22.4%	20.3%
1997	38.3%	31.0%
1998	-4.4%	26.7%
1999	-16.8%	19.5%
2000	45.4%	-10.1%
2001	5.1%	-13.0%
2002	-6.1%	-23.4%
2003	30.8%	26.4%
2004	17.5%	9.0%
2005	8.0%	3.0%
2006	17.6%	13.6%
2007	-2.9%	3.5%
2008	-9.8%	-38.5%
2009	2.5%	23.5%
2010	11.9%	12.8%
2011	-5.0	0.0%
2012	18.9%	13.4%
2013 YTD*	26.4%	23.2%

* October 31, 2013

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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