

First Catholic Slovak Union Executive Committee Meeting

August 16, 2019



AQS Asset Management



FCSU Portfolio Metrics

	End '14	End '15	End '16	End '17	End '18	Current
	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18	8/12/19
Quality	A2/A	A2/A	A2/A	A2/A	A3/A-	A3/A
Dur (mod)	9.0	8.8	9.0	8.8	8.8	8.9
Dur (eff)	8.5	8.0	8.1	7.7	7.5	7.6
Dur (workout)	7.7	7.5	7.6	7.6	7.4	7.4
Yield (book)	5.14%	5.01%	4.84%	4.76%	4.76%	4.78%
Cash	\$7.3mm	\$6.0mm	\$6.6mm	\$15.8mm	\$10.6mm	\$9.4mm

	End '08	End '09	End '10	End '11	End '12	End '13
	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13
Quality	A1/A+	A1/A+	A2/A	A2/A	A1/A+	A1/A+
Dur (mod)	5.6	6.3	6.7	6.7	6.5	8.2
Dur (eff)	5.2	6.3	6.4	6.6	6.9	9.2
Dur (workout)	-	-	-	-	-	-
Yield (book)	5.72%	6.08%	5.53%	5.54%	5.07%	5.18%
Cash	\$25mm	\$2.0mm	\$10.6mm	\$1.7mm	\$2.0mm	\$8.3mm

Does NOT include IMR amortization (11 bps)



FCSU Trailing Reinvestment (as of 8/12/19)

Days	Book Value	Yield	Mod	Eff	#
360	\$ 32,901,527	4.57%	8.6	8.3	55
180	\$ 16,747,697	4.60%	9.0	9.1	28
90	\$ 5,667,902	4.82%	10.3	10.3	10

FCSU Trailing Reinvestment (as of 7/15/19)

Days	Book Value	Yield	Mod	Eff	#
360	\$ 33,757,399	4.55%	8.5	8.2	56
180	\$ 21,159,522	4.71%	9.5	9.6	34
90	\$ 9,260,608	4.79%	10.8	10.9	16



FCSU Compliance – IPS at a Glance

Percentages are of AUM unless otherwise specified

Today's Date:
8/12/2019

FCSU TAA=	\$390,124,660	3/31/2019
FCSU Book Value =	\$357,441,972	8/12/2019
FCSU Surplus =	\$32,983,214	3/31/2019

	Approved Holdings (as a % of Invested Assets)	Minimum	Maximum	Current Portfolio	In Compliance
Average Quality	-	-	-	A3/A-	YES
US Governments	0%	100%	0.28%	YES	YES
US Government Agency Debentures	0%	100%	0.28%	YES	YES
CAD Sovereign Bonds	0%	100%	0.11%	YES	YES
Bank Deposits in excess of FDIC (uncollateralized)	0%	20%	-	YES	YES
Bank Deposits in excess of FDIC (collateralized)	0%	20%	-	YES	YES
Mortgage and Asset Backed Securities (combined)	0%	50%	4.94%	YES	YES
MBS (in aggregate)	0%	50%	3.42%	YES	YES
Agency MBS	0%	50%	3.42%	YES	YES
Non-Agency MBS	0%	50%	0.00%	YES	YES
Real estate mortgages (direct)	0%	5%	YES	YES	YES
Commercial MBS	0%	50%	0.00%	YES	YES
Agency CMBS	0%	50%	0.00%	YES	YES
Non-Agency CMBS	0%	50%	0.00%	YES	YES
ABS	0%	10%	1.52%	YES	YES
Corporates	0%	75%	70.65%	YES	YES
Municipal Bonds	0%	30%	21.39%	YES	YES
Per State	0%	5%	4.13%	YES	YES
Preferred Stock	0%	5%	0.00%	YES	YES
Common stock - Aggregate	0%	50% of surplus	\$10,985,466	YES	YES
Common stock - single issuer	0%	2%	0.00%	YES	YES
Money Market	0%	100%	2.63%	YES	YES



FCSU Compliance – IPS at a Glance

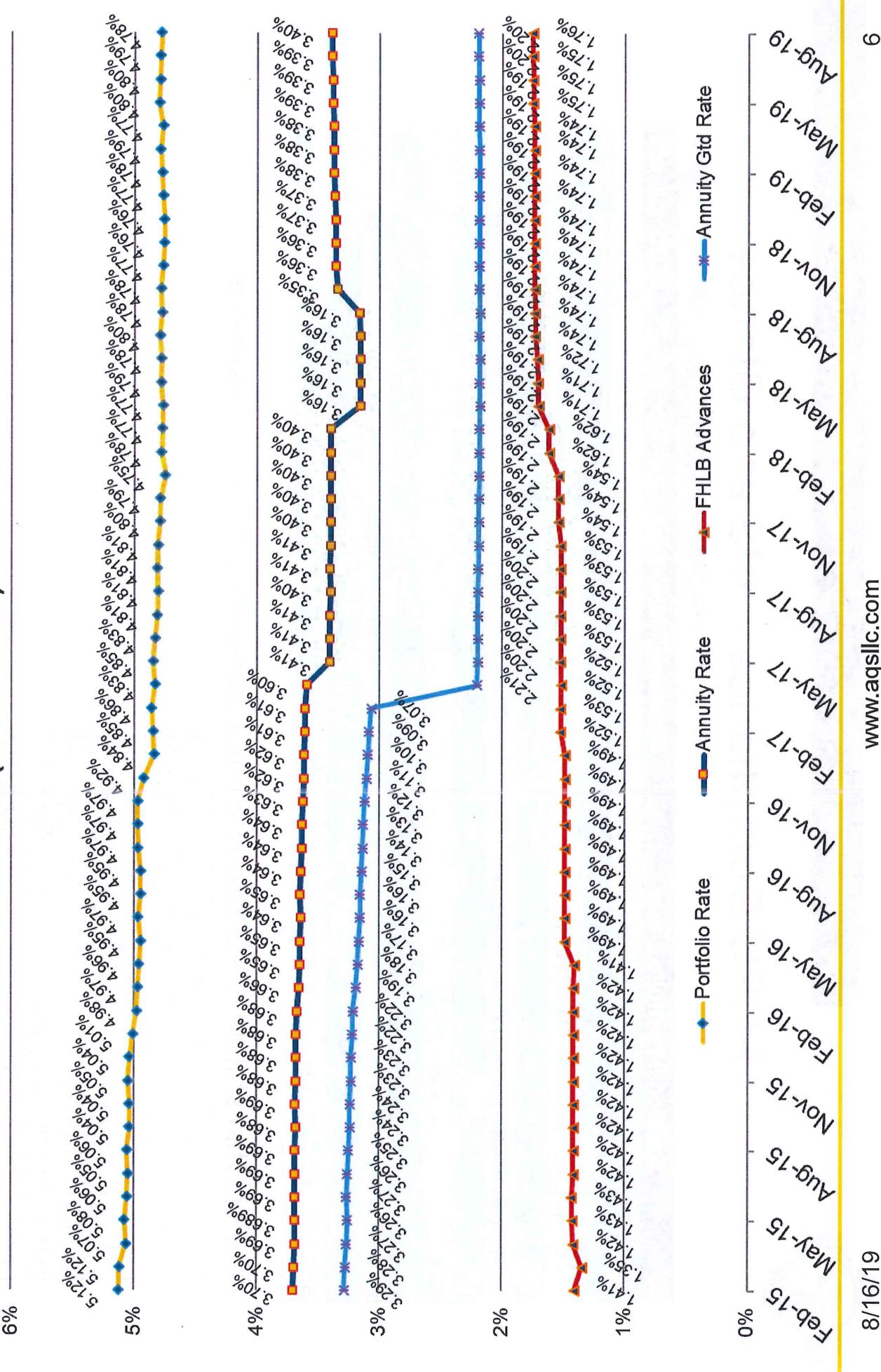
	FCSU		
	Additional Portfolio Limits	Minimum	Maximum
		Current	In Compliance
Effective Duration			7.6
Foreign bonds (USD pay, aggregate)	0%	10%	8.27%
Foreign bonds (USD pay, Canada only)*	0%	100%	4.66%
Foreign bonds (USD pay, non-Canada)	0%	10%	3.61%
Foreign bonds - Largest Country Exposure	0%	3%	GB, 0.84%
NAIC 1	0%	100%	55.48%
NAIC 2	0%	45%	41.86%
NAIC 3	0%	5%	2.29%
NAIC 4 - 6	0%	50% of surplus	\$1,039,801
Private Placements (non 144a)	0%	2%	0.00%
SEC Rule 144a Securities	0%	20%	12.68%

* Per Ohio statute, CAD bonds are not considered foreign investments

Name	Stocks and Alternative Assets	Market Value	as of Date
Common Stock		\$2,835,145	6/30/2019
Clutterbuck Fund		\$1,239,106	6/30/2019
MAI Managed Volatility Fund L.P.		\$1,376,183	6/30/2019
ACAP Strategy - UBS		\$1,766,221	8/9/2019
AG Super Fund LP Series B A/O - UBS		\$517,268	6/30/2019
Alphkeys Millennium FD LTD - UBS		\$439,519	6/30/2019
Alphkeys Millennium OFFSHORE - UBS		\$711,450	6/30/2019
Atlas Enhanced Fund LTD A/O - UBS		\$1,058,534	6/30/2019
Blackston Alternative Alpha Funds - UBS		\$496,691	7/31/2019
Cash - UBS		\$38,125	8/9/2019
UBS Bank USA Business Account - UBS		\$250,000	8/9/2019
JPMORGAN CHASE BANK NA - UBS		\$257,225	7/31/2019
		\$10,985,466	

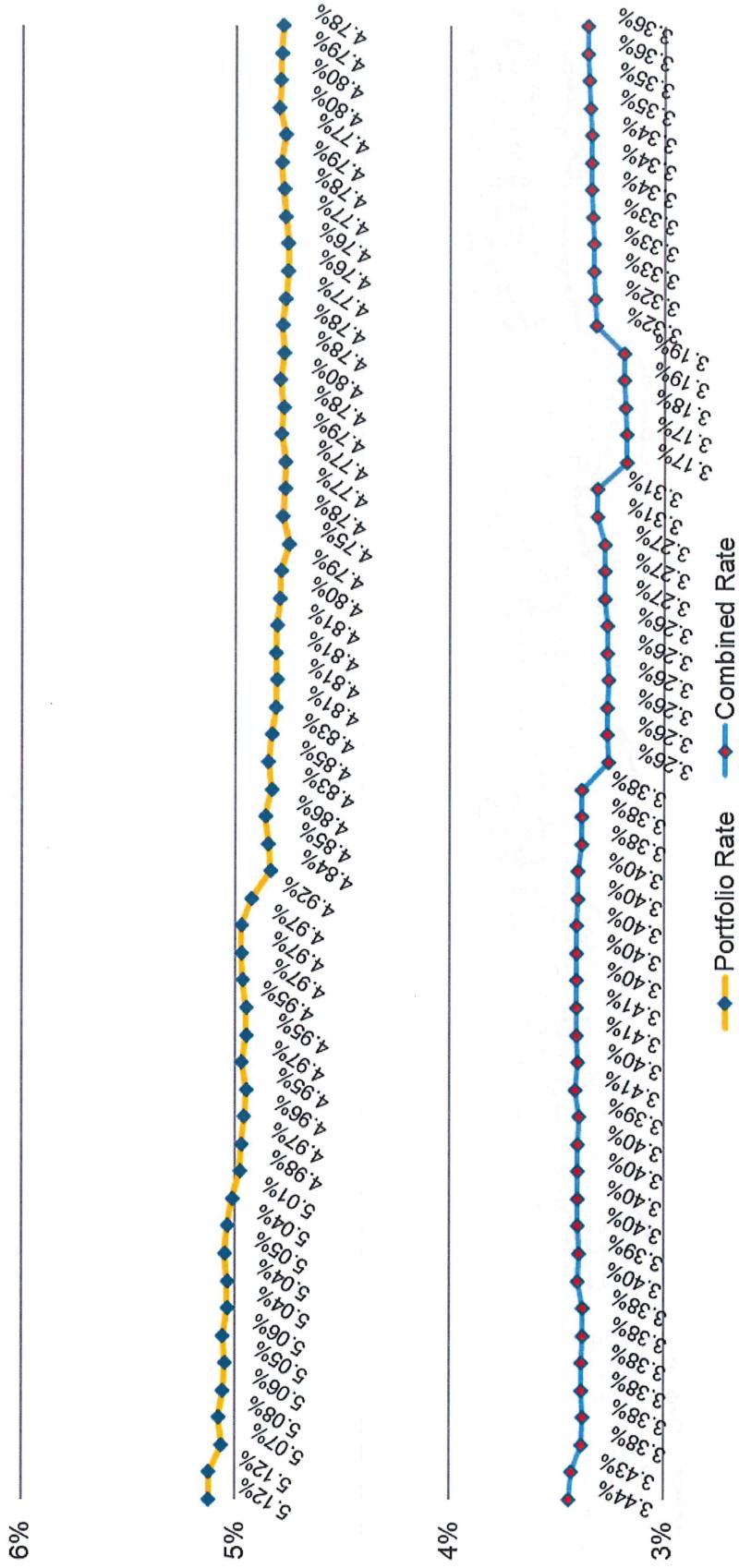


FCSU Earned and Credited Rates (as of 8/1/19)

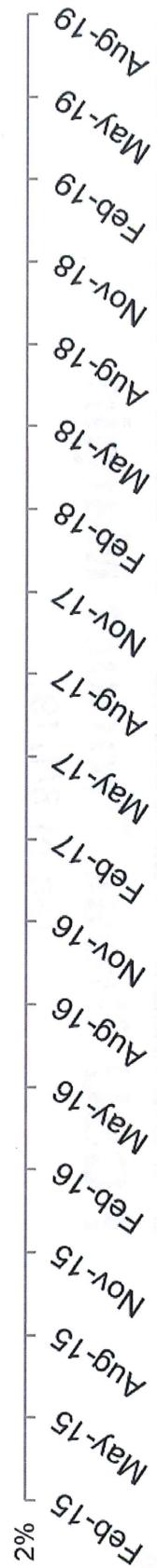




FCSU Portfolio Rate vs. Combined Rate (as of 8/1/19)



'Combined rate' includes life and annuity policies and FHLB advances



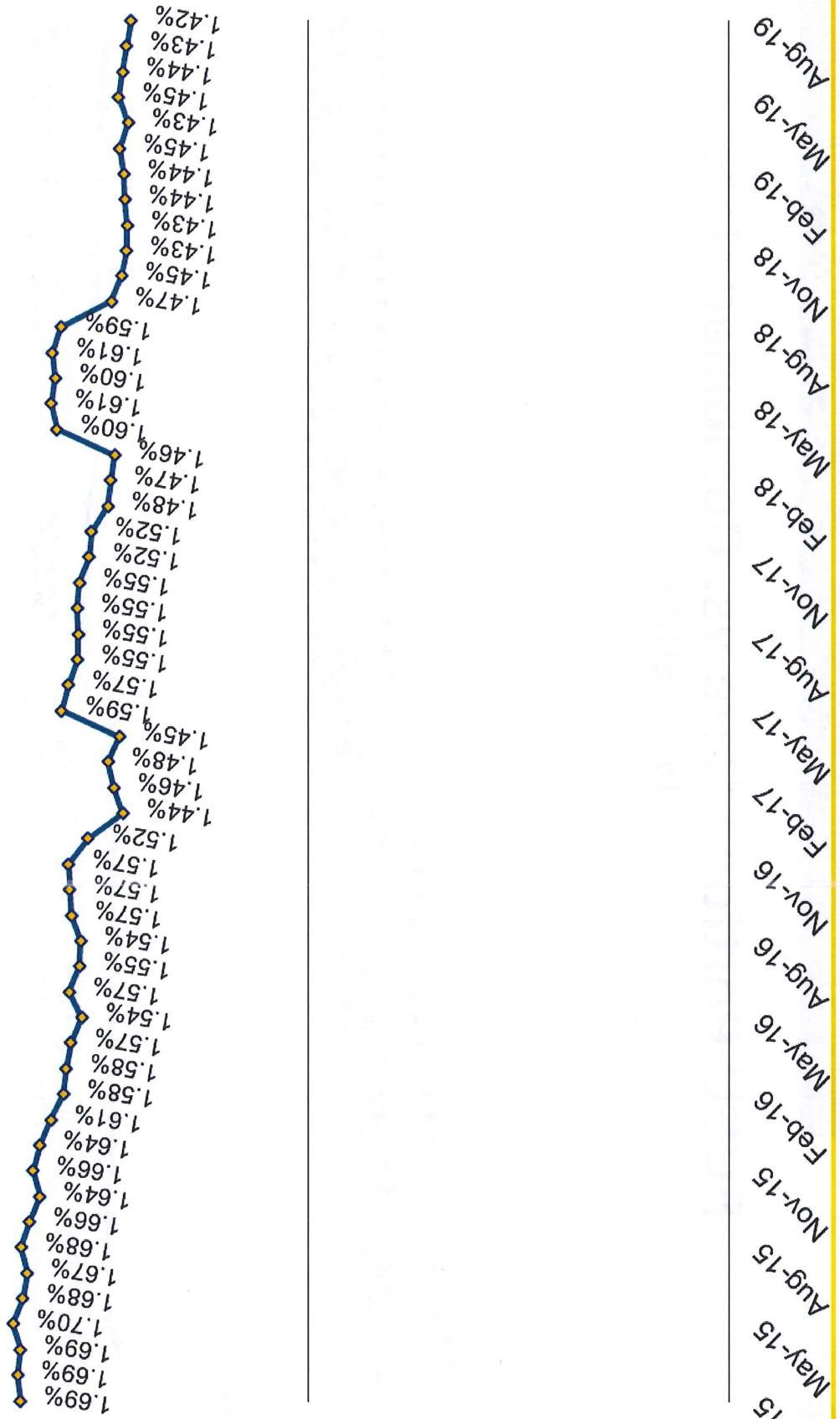


FCSU Gross Product Margin (as of 8/1/19)

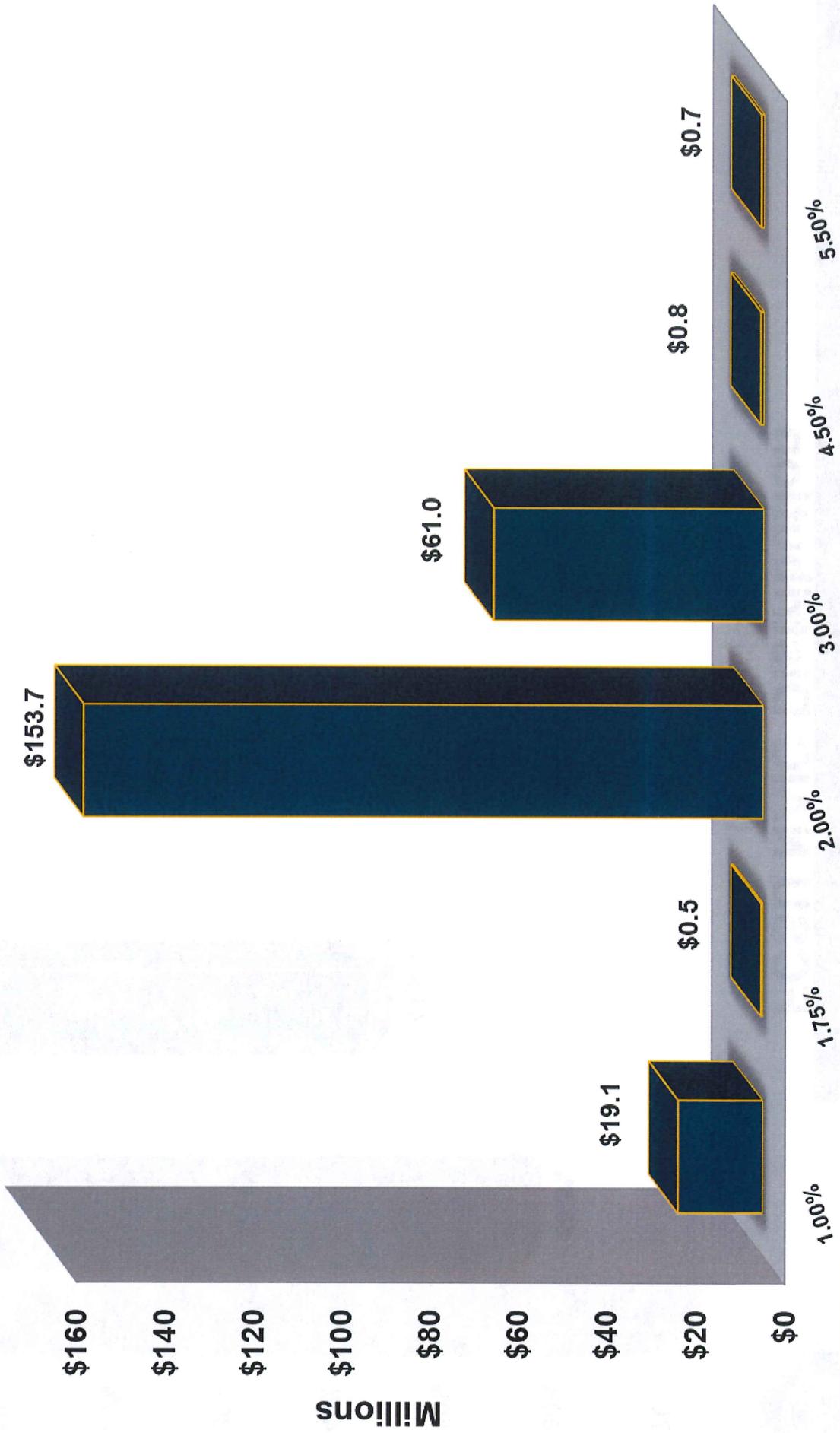
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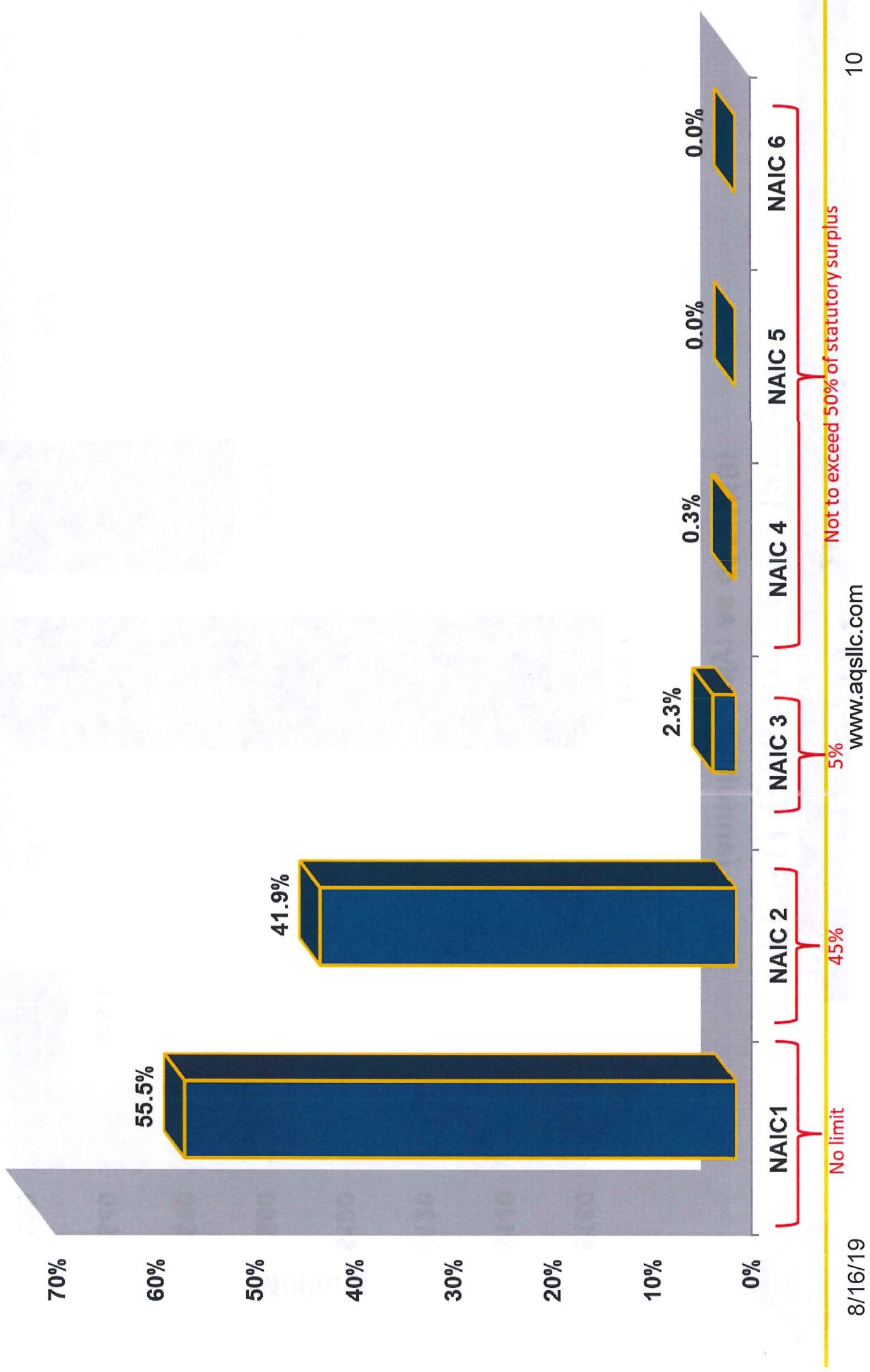


FCSU Guarantee Balances (annuities only; as of 8/1/19)





FCSU NAIC Distribution (as of 8/12/19)





FCSU NAIC 3+ (as of 8/12/19)

CUSIP	Description	Moody's	S&P	Fitch	DBRS	AMB	EJ	Kroll	M'star	NAIC	Book Value	Gain/Loss	Yield
12527GAD5	CF 4.95 06/01/2043 (CF INDUSTRIES)	Ba3	BB+	BB+	-	-	-	-	-	3	\$645,123	(\$42,248)	5.00%
12527GAF0	CF 5.15 03/5/34 (CF INDUSTRIES INC)	Ba3	BB+	BB+	-	-	-	-	-	3	\$326,159	(\$29,159)	4.34%
12527GAF0	CF 5.15 03/15/34 (CF INDUSTRIES INC)	Ba3	BB+	BB+	-	-	-	-	-	3	\$551,314	(\$56,314)	4.21%
23311RAE6	DCPMID 4.875 09/30/2021	Ba2	BB+	BB+	-	-	-	-	-	3	\$761,869	\$10,616	3.92%
26439XAH6	DCPMID 6.45 11/03/2036 (DCP MIDSTREAM)	Ba2	BB+	BB+	-	-	-	-	-	3	\$563,396	(\$33,396)	5.32%
449505AA4	IFMCOL 6.45 05/01/2021 (COLONIAL)	-	BB+	BBB-	-	-	-	-	-	3	\$510,307	\$6,278	5.08%
4557153AF1	IM 5 08/10/2022 (INGRAM MICRO)	Ba1	-	BBB-	-	-	-	-	-	3	\$250,137	\$3,445	4.98%
4557153AG9	IM 4.95 12/15/24 (INGRAM MICRO INC)	Ba1	-	BBB-	-	-	-	-	-	3	\$512,180	\$1,050	4.92%
629568AX4	NBR 4.625 09/15/2021 (NA BORS DRILLING)	B1	BB	BB-	-	BB-	-	-	-	3	\$499,746	(\$15,996)	4.65%
675232AA0	OIL 4.65 11/15/2024 (OCEANEERING)	Ba1	BB+	-	-	BB	-	-	-	3	\$499,443	(\$31,793)	4.67%
783390XAC5	SAI 5.95 12/01/40	Ba1	BBB-	-	-	-	-	-	-	3	\$814,060	(\$52,015)	5.27%
808626AE5	SAI 7.125 07/01/2032 (SCIENCE APPLICATIONS)	Ba2	BB+	-	-	-	-	-	-	3	\$566,150	(\$18,650)	5.67%
888163VAD1	TEVA 6.15 02/01/36 (TEVA PHARM)	Ba2	BB	BB-u	-	-	-	-	-	3	\$576,039	(\$181,409)	4.81%
888163VAD1	TEVA 6.15 02/01/2036	Ba2	BB	BB-u	-	-	-	-	-	3	\$550,091	(\$155,461)	5.24%
888163VAD1	TEVA 6.15 02/01/36	Ba2	BB	BB-u	-	-	-	-	-	3	\$557,078	(\$162,448)	5.12%
252271CAM4	DO 3.45 11/01/23 (DIAMOND OFFSHORE DRILL)	B3	B	-	-	-	-	-	-	4	\$493,285	(\$93,285)	3.79%
8938830AF6	RIG 7.5 04/15/2031 (TRANSOCEAN)	Caa2	B-	-	-	B	-	-	-	4	\$546,136	(\$156,451)	6.37%
											\$9,222,513	(\$1,007,235)	4.91%



Background and Perspective: TEVA Pharmaceutical

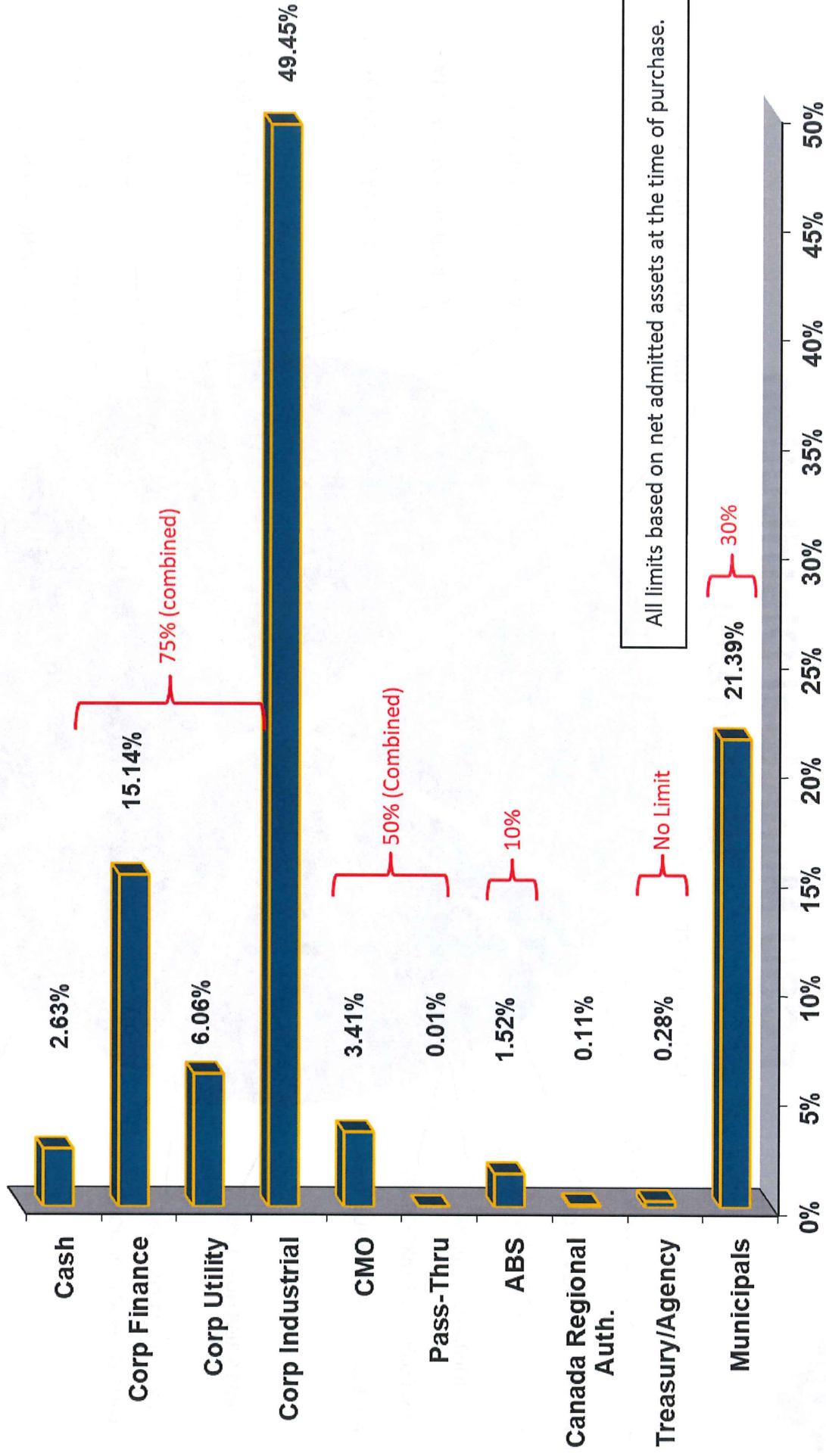
- Is a global pharmaceutical company. The company specializes in the development, production and marketing of generic and proprietary branded pharmaceuticals as well as active pharmaceutical ingredients.

- The FCSU holds 3 positions

88163/VAD1	TEVA 6.15 02/01/36 (TEVA PHARM)	Ba2	BB	BB-u	-	-	-	-	-	3	\$576,039	(\$181,409)	4.81%
88163/VAD1	TEVA 6.15 02/01/2036	Ba2	BB	BB-u	-	-	-	-	-	3	\$550,091	(\$155,461)	5.24%
88163/VAD1	TEVA 6.15 02/01/36	Ba2	BB	BB-u	-	-	-	-	-	3	\$557,078	(\$162,448)	5.12%

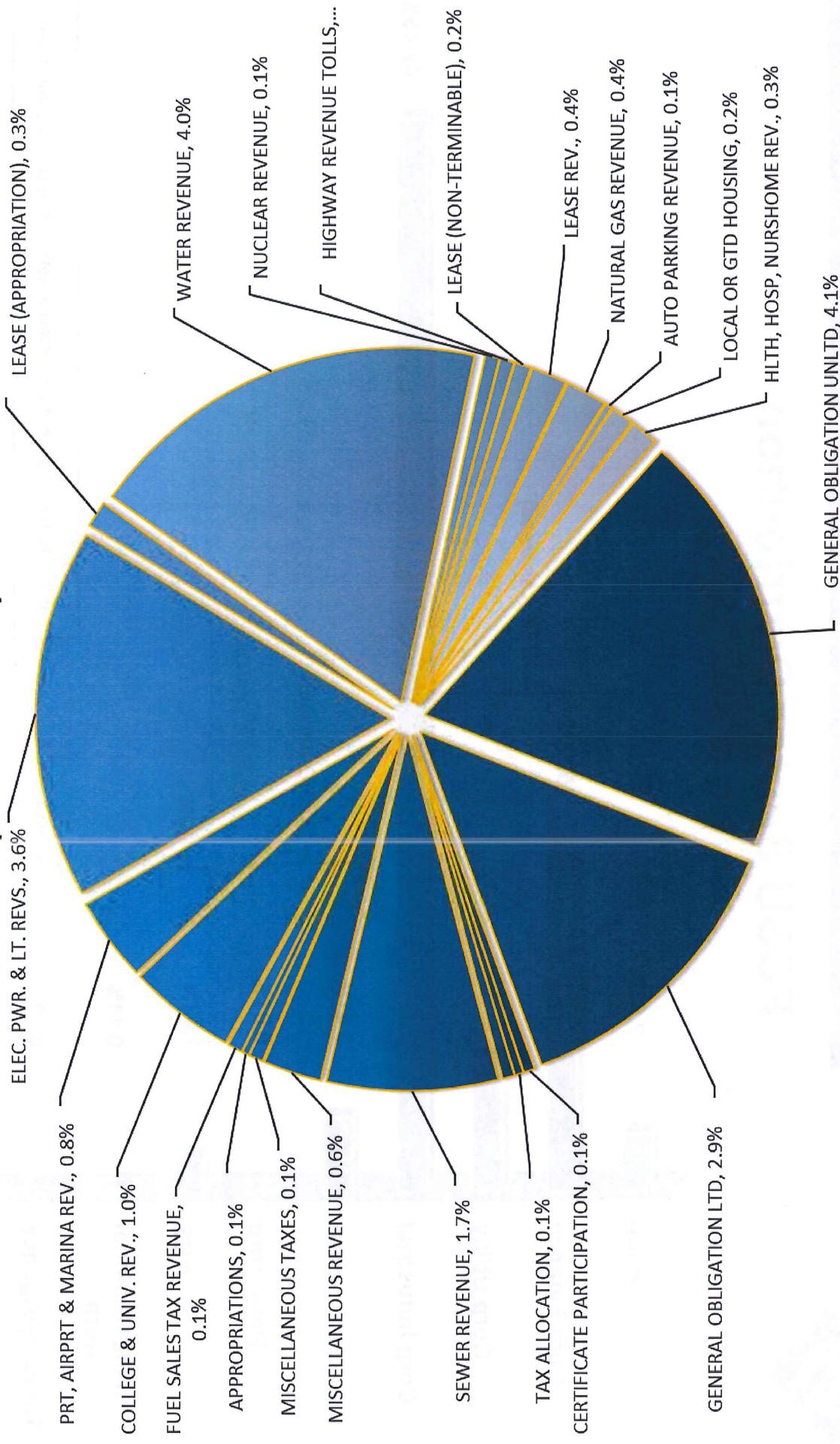
- Of the 3 positions, the top 2 were purchased as NAIC 1; the 3rd (\$557,078; **(\$162,448)**) was purchased as NAIC 2 and would be a charge to IMR. The top 2 would be realized losses and would impact surplus net of AVR release (about \$23,000 each).
- In 2016, the company's debt grew from \$10 billion to over \$35 billion for the acquisition of Actavis, the generics division of Allergan, for \$40.5 billion. EBITDA was expected to be accretive in the amount of \$2.7 billion.
- Instead, slower than expected revenue growth, lingering cost challenges and persistent generic price deflation and litigation settlements will cause debt/EBITDA will remain above 5x beyond 2020.
- Exposure to litigation:
 - price fixing; 44 states under antitrust laws (MS overturned after a year)
 - opioid settlements akin to tobacco settlements in the 1990s
- Teva has repaid \$7.5 billion of the \$25 billion borrowed, almost all their net income since the merger.
- Teva was most recently downgrade to BB- from BB by Fitch on June 7.

FCSU Sector Distribution (as of 8/12/19)

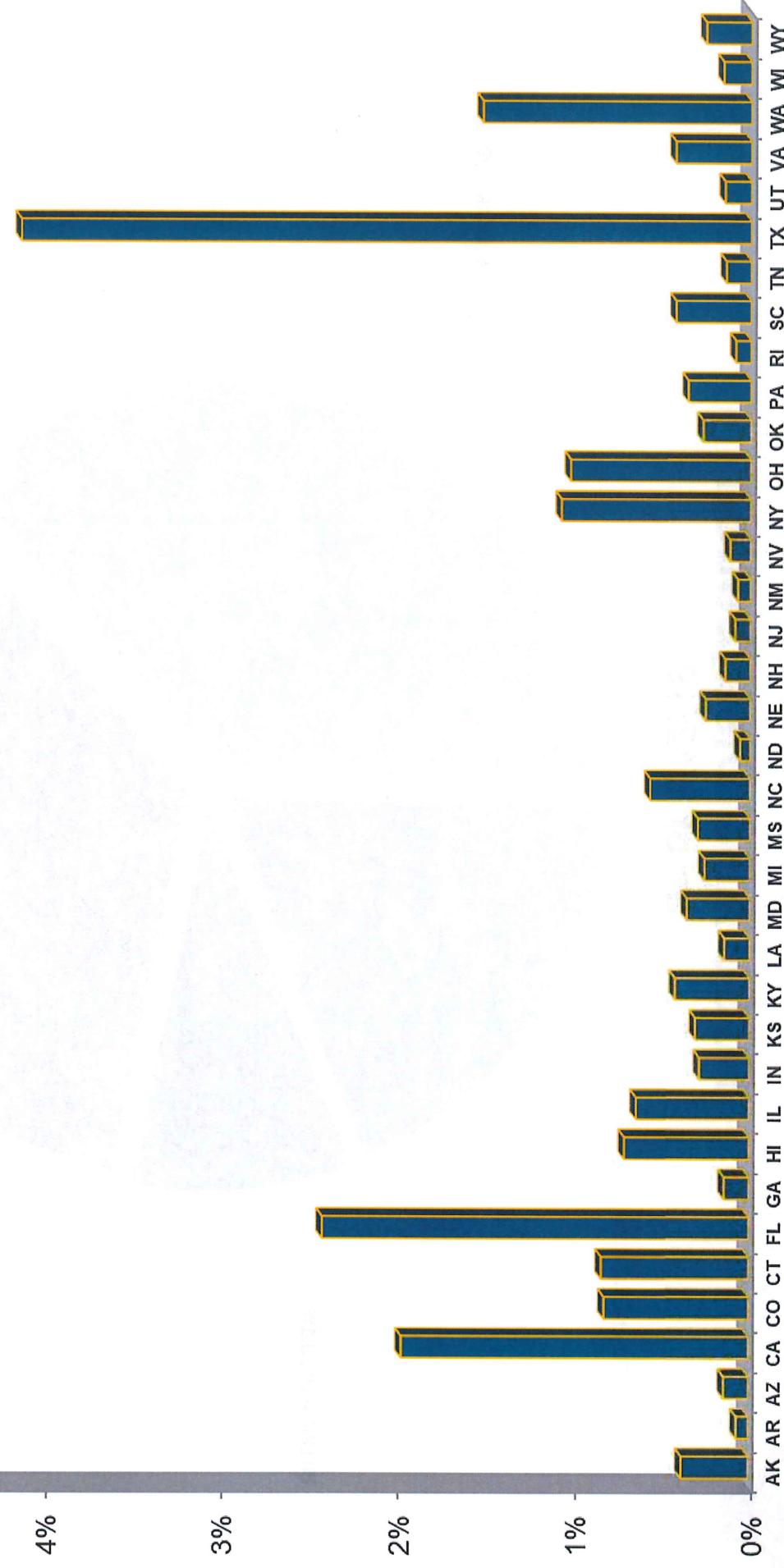




FCSU Municipal Distribution (as of 8/12/19)



FCSU Municipal Distribution by State (as of 8/12/19)



5%

4%

3%

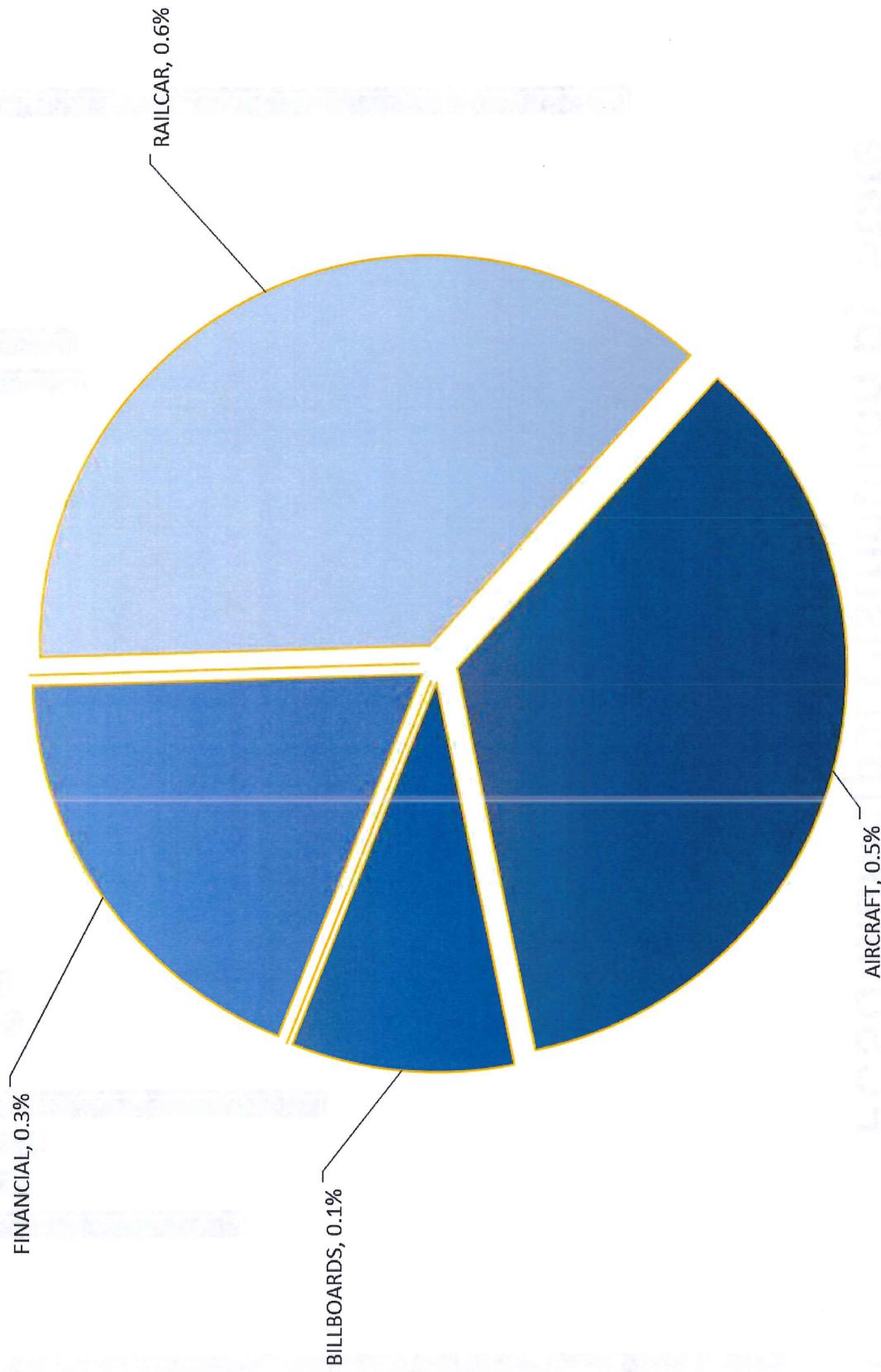
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8/16/19

FCSU ABS Distribution as of 8/12/19

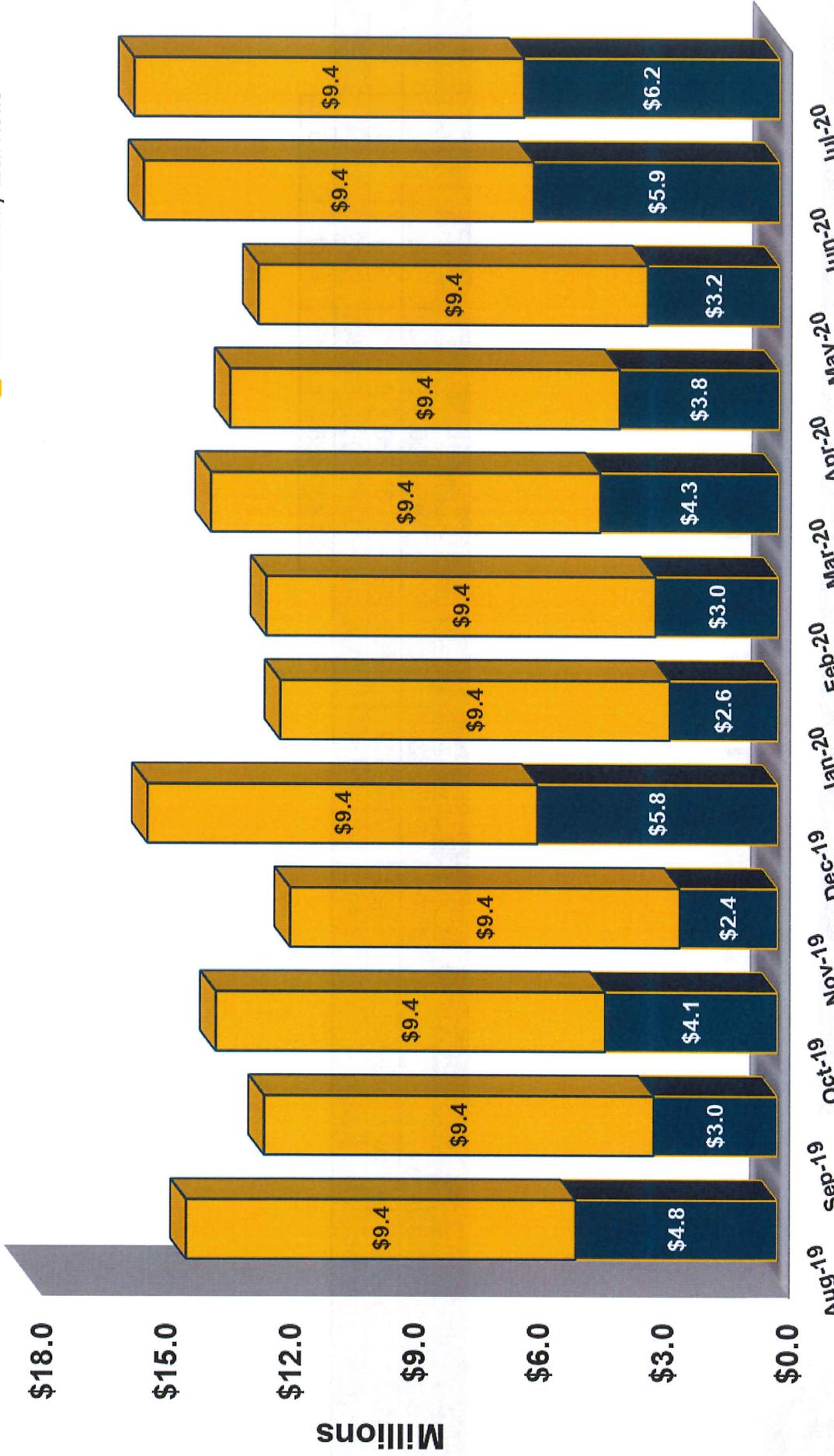


FCSU Projected Forward Cash Flow

(as of 8/1/19)

Current Cash = \$9.4MM

Forecasted Monthly Cash Flows



BuyS since 7/15/19



CUSIP	Trd Dt	Description	CPN	Maturity	Price	Book Val.	Yield	Mod	Eff	NAIC
75574U408	7/18/2019	RC 6.2	6.200	7/30/2026	\$25.000	\$400,000	6.20%	4.9	2.7	2
755763AA7	7/18/2019	RDYCAP 7 1/2 02/15/22	7.500	2/15/2022	\$107.552	\$537,760	4.05%	2.1	2.1	1
14149YBD9	7/26/2019	CAH 4.9 09/15/45	4.900	9/15/2045	\$98.541	\$492,705	5.00%	14.2	14.4	2
						\$1,430,465	4.98%	7.0	6.5	



Liquidations since 7/15/19

Trans.	Trd Dt	CUSIP	Par	Description	Cpn	Maturity	Sell Px	Book Px	Gain/Loss	Yield
Make Whole Call	7/19/2019	70213BAAG9	\$500,000	PRE 5.5 06/01/2020 (PARTNERRE)	5.500	6/1/2020	\$102.753	\$100.989	\$8,818	4.48%
Sell	7/25/2019	67740QAG1	\$400,000	OHNAT 6.625 05/01/2031 (OHIO NATIONAL)	6.625	5/1/2031	\$113.577	\$112.257	\$5,279	5.22%
Sell	7/25/2019	67740QAG1	\$100,000	OHNAT 6.625 05/01/2031 (OHIO NATIONAL)	6.625	5/1/2031	\$113.132	\$112.257	\$875	5.22%
Sell	7/25/2019	67740QAG1	\$500,000	OHNAT 6.625 05/01/2031 (OHIO NATIONAL)	6.625	5/1/2031	\$113.132	\$110.903	\$11,145	5.37%
Called	8/1/2019	098203RQ7	\$500,000	BONSCD 6.8 08/01/2029 (BONITA SD TXB - CA)	6.800	8/1/2029	\$100.000	\$100.025	\$0	6.33%
Called	8/1/2019	702228LQ5	\$500,000	PASSCD 6.993 08/01/2029 (PASADENA CONS SD)	6.993	8/1/2029	\$100.000	\$100.000	\$0	6.80%
Called	8/1/2019	845389DY8	\$250,000	SVSHGR 7.23 08/01/2039 (SOUTHWESTERN CCD)	7.230	8/1/2039	\$100.000	\$100.015	\$0	6.86%
									\$26,116	

IMR 12/31/18 Per Financials: \$1,030,876
 Added 2019: \$312,232
 Amortized 2019 YTD: \$395,566
 Projected Balance 12/31/19: \$947,542

Worth about 11 bps

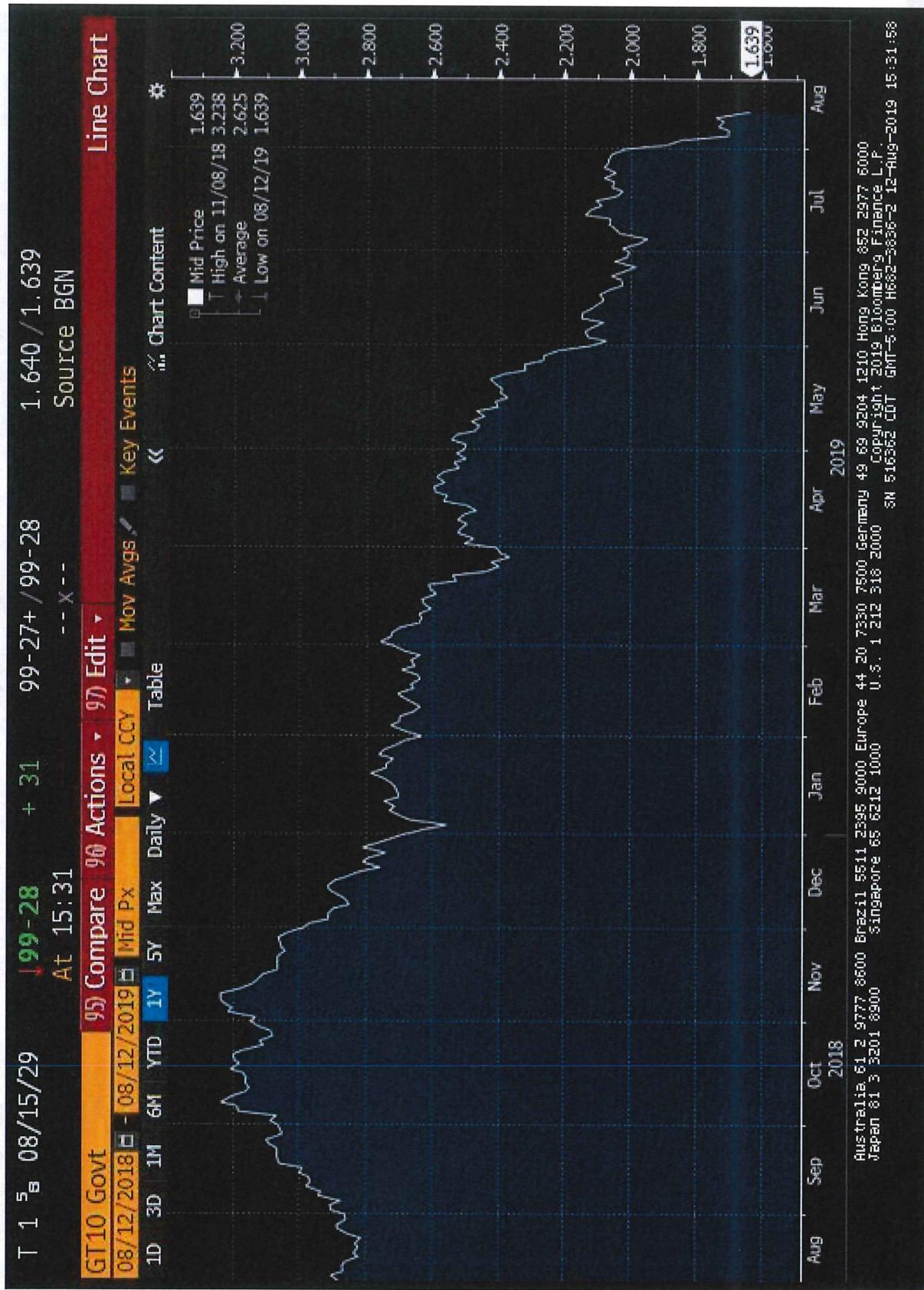


Commentary

- The Federal Reserve lowered short-term borrowing rates 25bps on Wednesday, 7/31. Chairman Powell's commentary post-meeting pushed stocks down.
- The following day, the president promised more tariffs in the developing trade battle with China.
- As we pointed out earlier in earlier meetings, opportunities in the corporate bond market are limited.
- The combination of spread compression and low treasury rates have combined to make 10 year, NAIC 2 corporate bond yields near the lowest since the crisis.
- We have received a response from the FHLB denying military housing bonds as collateral.
- SBAs can be used as FHLB collateral; however, scarcity of fixed rate product makes this asset class a difficult candidate to use as rates are low reflecting the FF&C status of the SBA.
- Allocations on the Hallmark insurance debt pricing were about 40% of order. On a \$500,000 order, FCSU was allocated \$200,000.
- The Avana deal was priced at 6.20% and we were allocated \$500,000. We are awaiting a final note purchase agreement.
- TEVA?



10 year Treasury – last 12 months

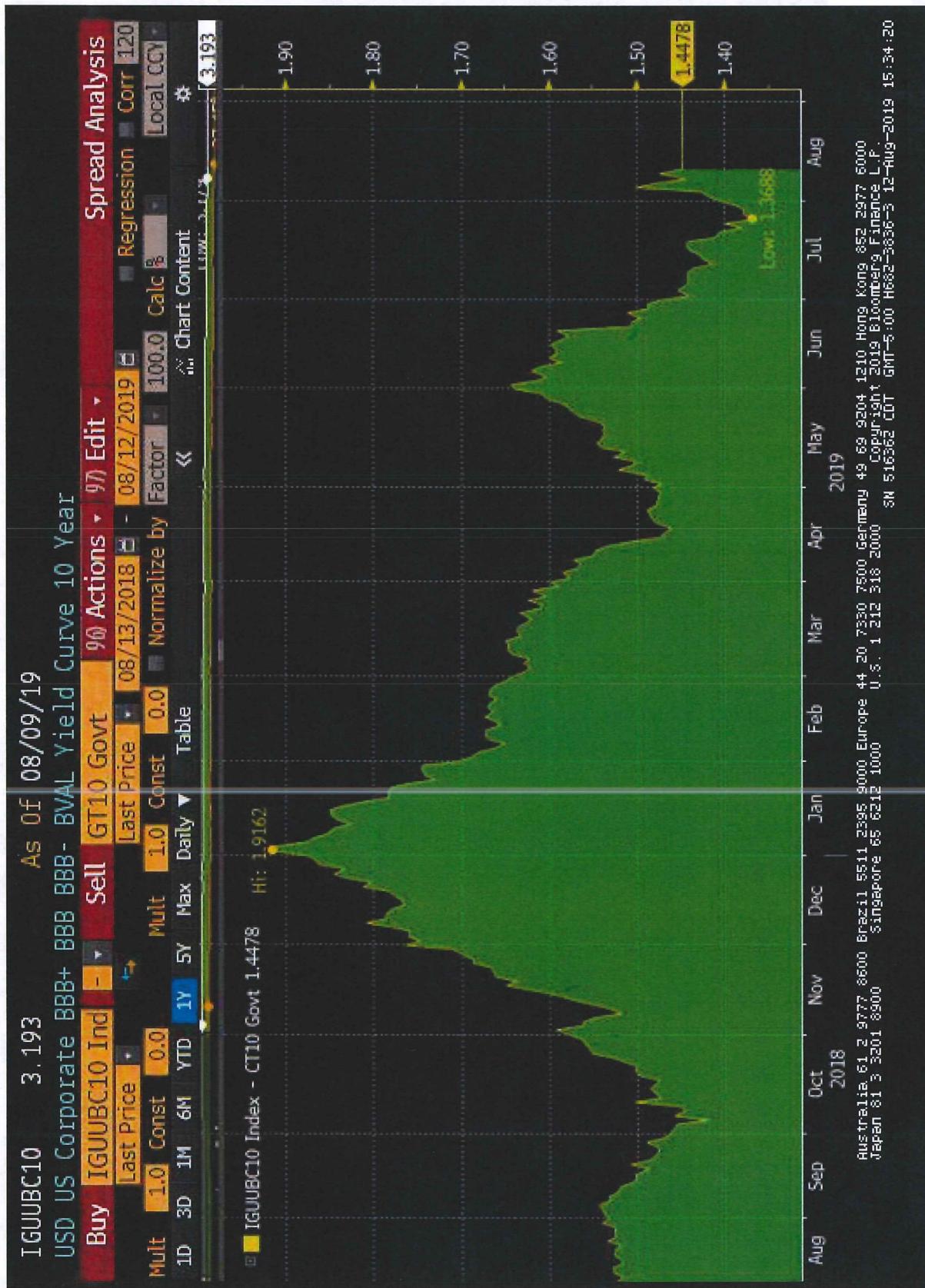


8/16/19

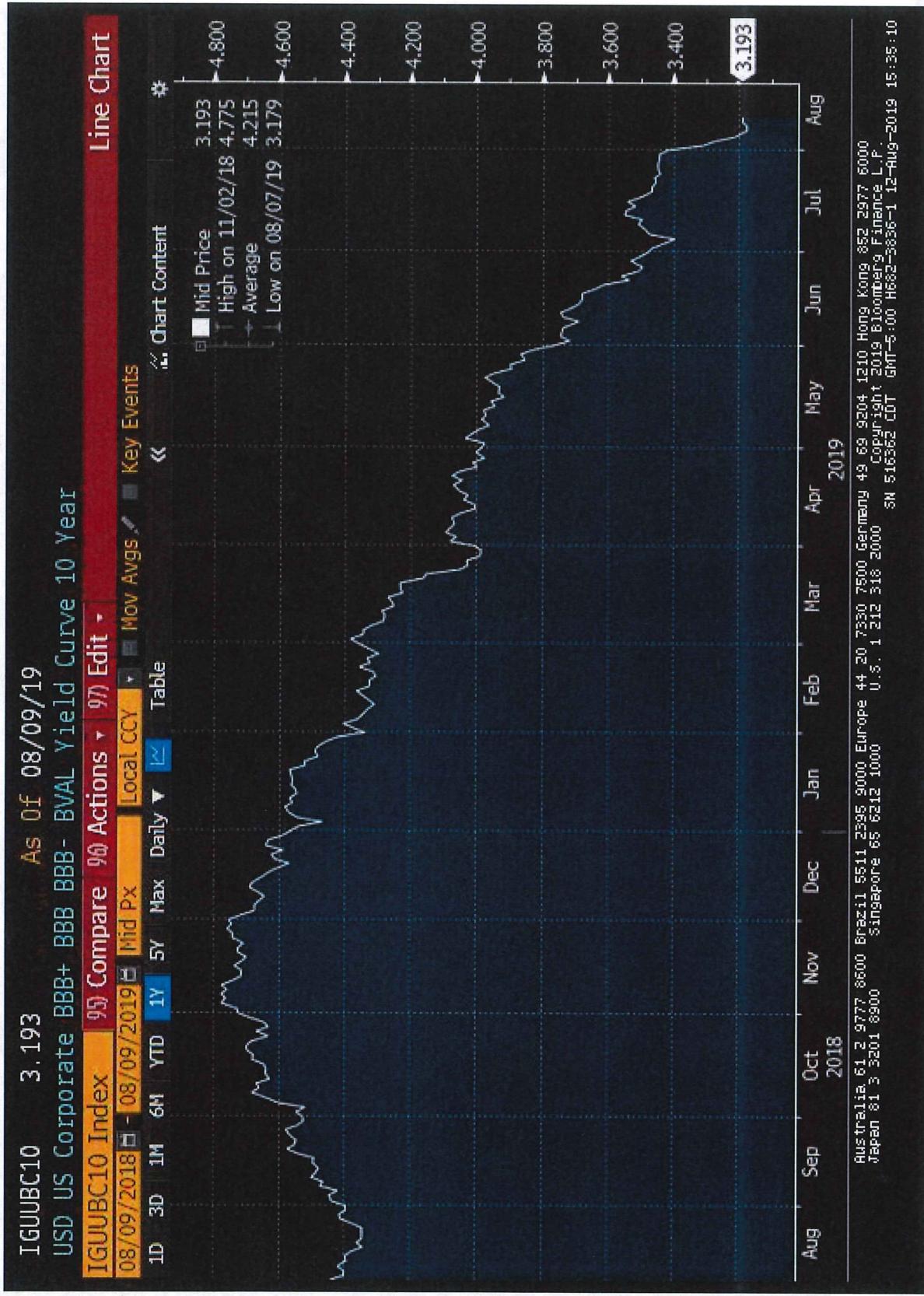
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NAIC 2 Spreads vs 10s – last 12 months



NAIC 2, 10 year yields – last 12 months



NAIC 2, 10 year yields – last 60 months

