

PEER ANALYTICS

PEERTRAC
PROPERTY CASUALTY COMPANY
PEER GROUP INVESTMENT COMPARISONS

SAMPLE REPORT

FOR THE PERIOD ENDING DECEMBER

Exhibits

Summary and Attribution

Summary

Attribution Analysis - Five Years

Attribution Analysis - Ten Years

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Total Fund vs. Peer Group

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Cumulative Fixed Income

Cumulative Total Fund vs. Industry

Cumulative Total Fund vs. Peer Group

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Large Cap Value Non-US Developed

Large Cap Growth Emerging Markets

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Distribution of Equity pct. Surplus - industry

Distribution of Equity pct. Surplus - peers

Total return vs. equity Allocation

Appendix

Attribution Methodology

Custom Peer Group Company List

SECTION ONE : SUMMARY AND ATTRIBUTION

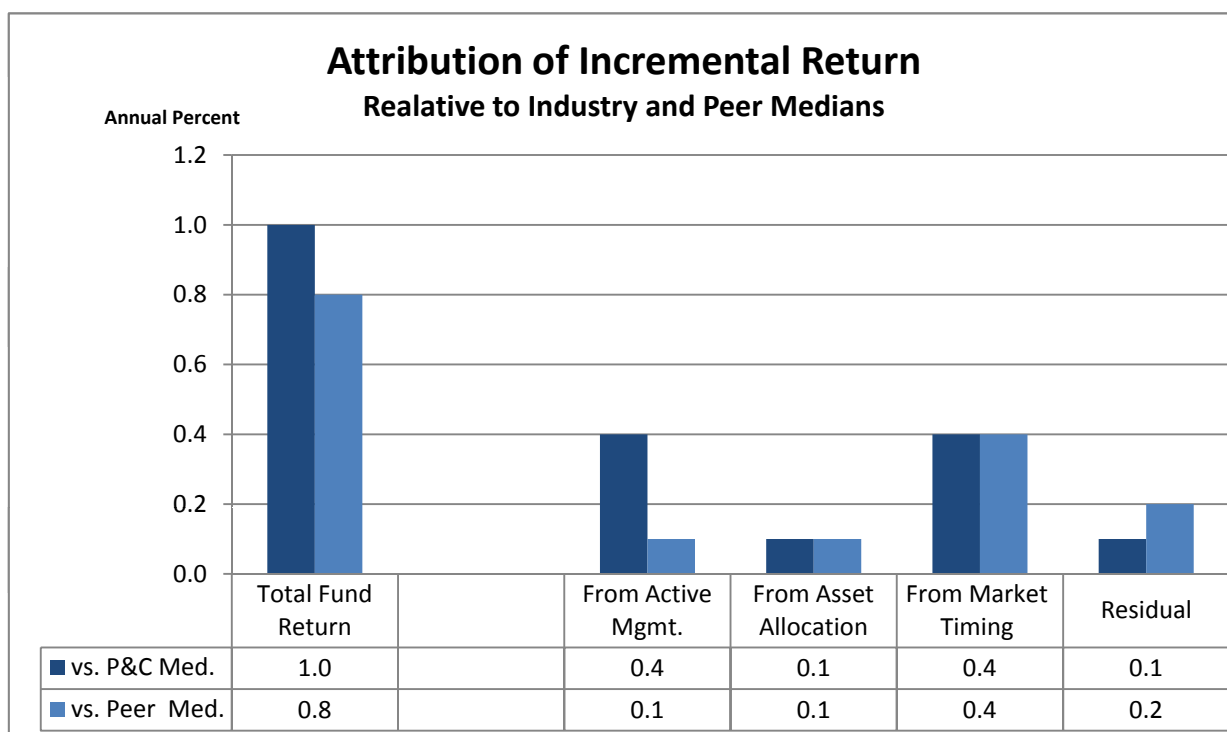
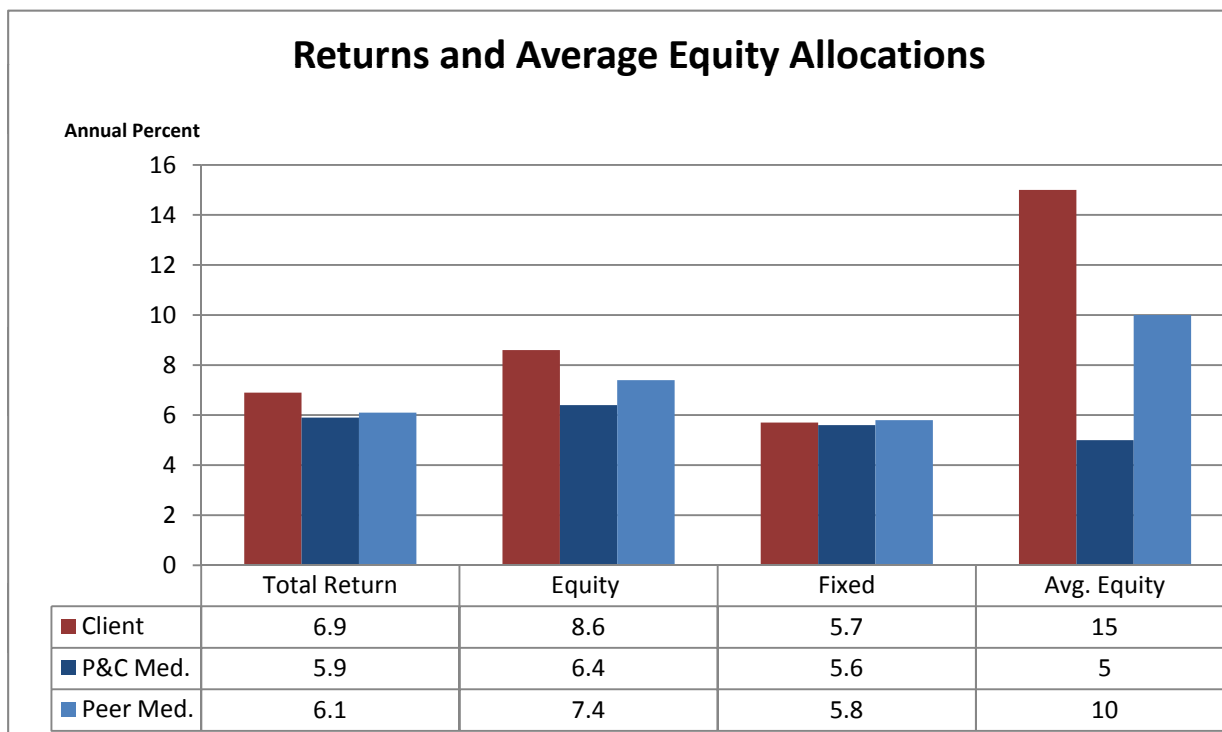
Summary

Attribution Analysis

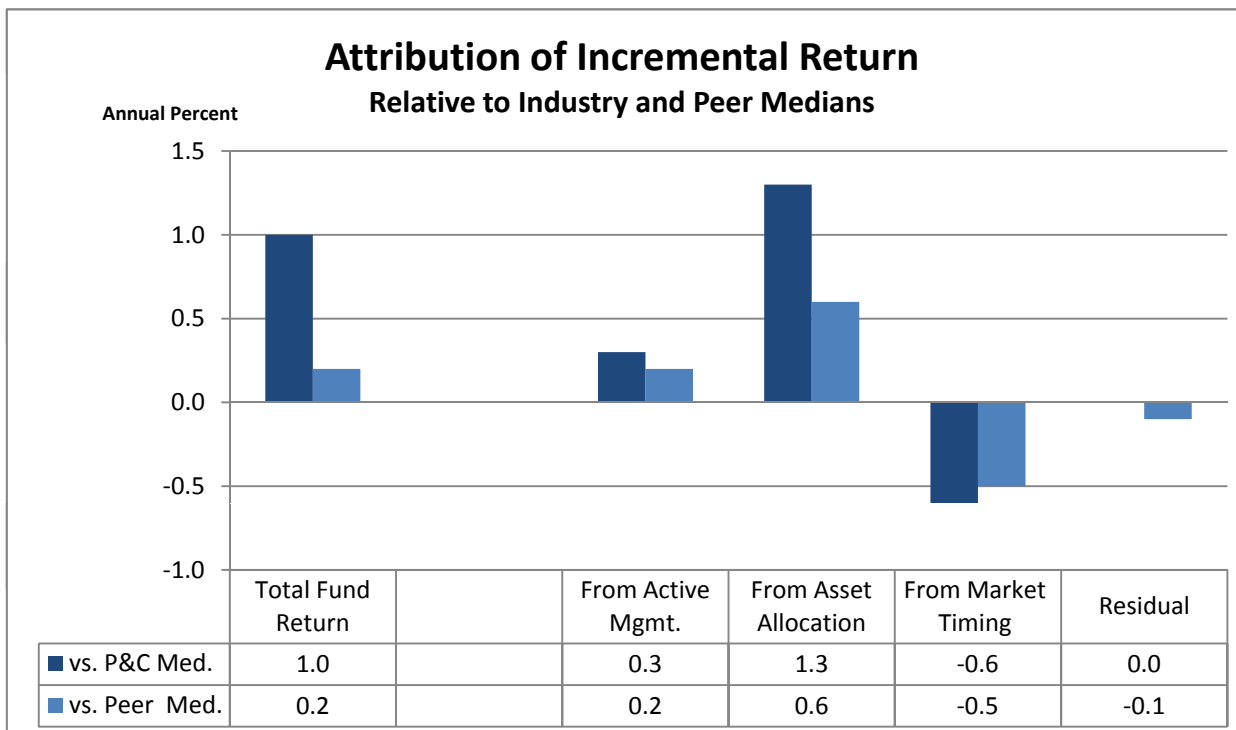
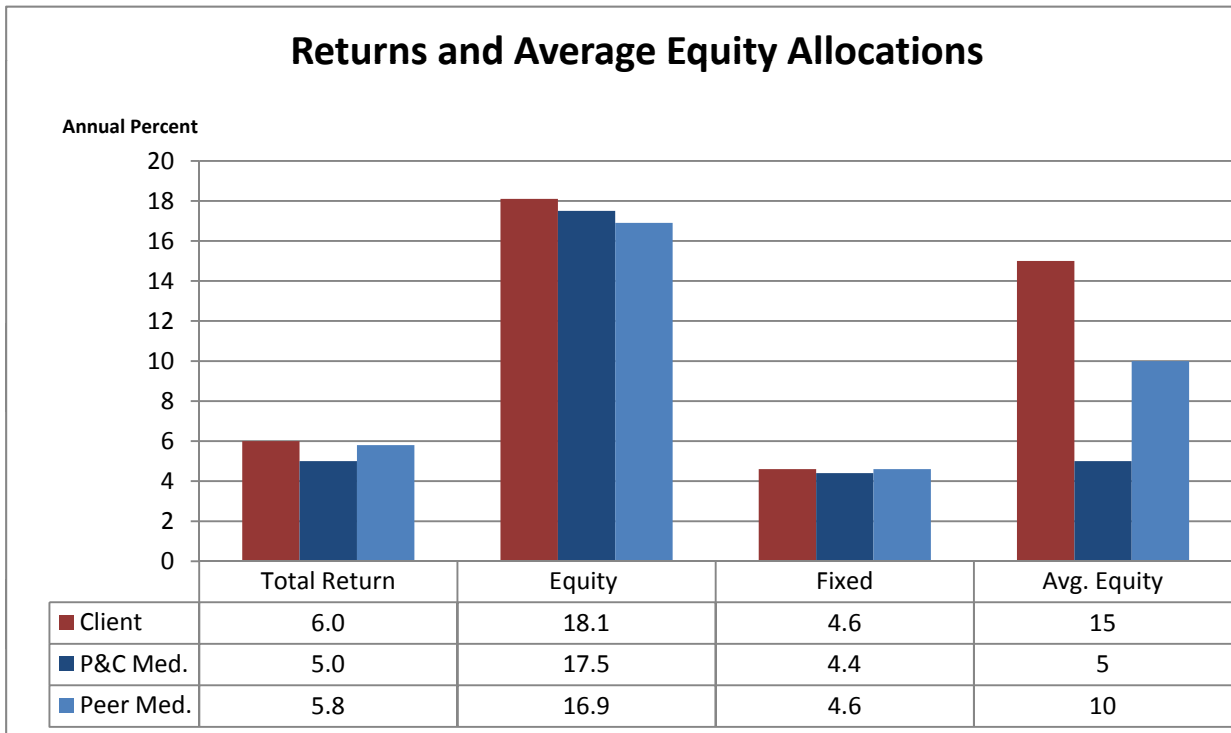
SUMMARY

FIVE-YEAR PERIOD ENDING DECEMBER

ATTRIBUTION ANALYSIS - FIVE YEARS



ATTRIBUTION ANALYSIS - TEN YEARS



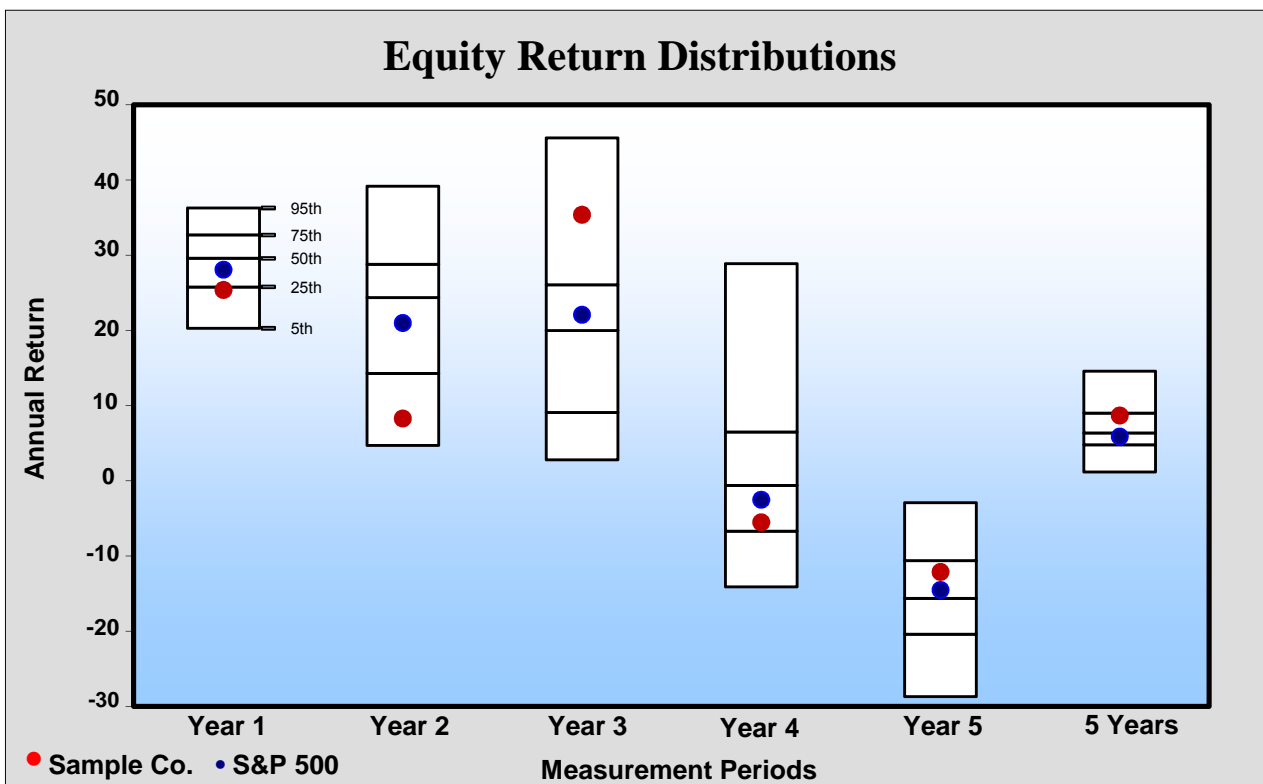
SECTION TWO : RETURN DISTRIBUTIONS

Equity

Fixed Income

Total Fund vs. Industry

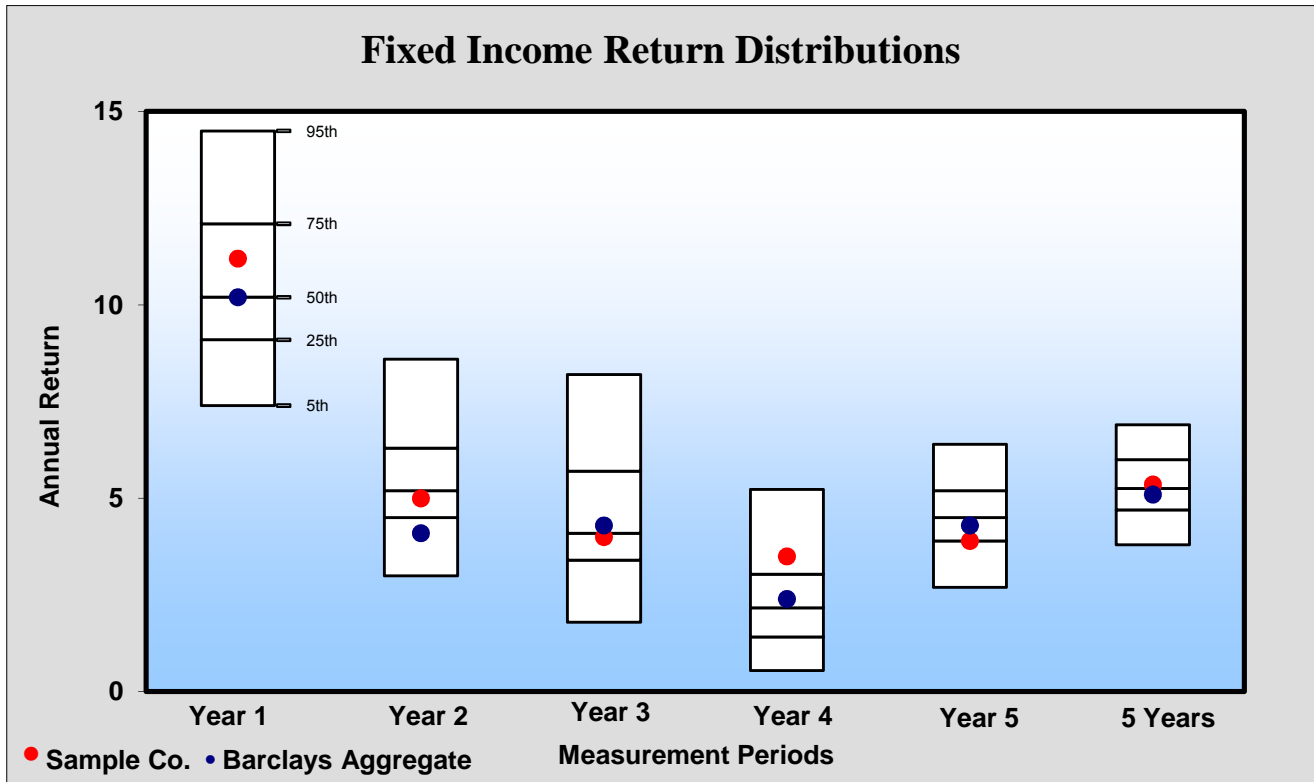
Total Fund vs. Peer Group



Equity Return	Percentile	Year 1	Year 2	Year 3	Year 4	Year 5	5 years
	95th	36.3	39.2	45.6	28.9	-2.9	14.6
	75th	32.7	28.8	26.1	6.5	-10.6	9.0
	50th	29.6	24.4	20.0	-0.6	-15.6	6.4
	25th	25.8	14.3	9.1	-6.7	-20.4	4.8
	5th	20.3	4.7	2.8	-14.1	-28.7	1.2
Sample Co. Return		25.4	8.3	35.4	-5.5	-12.1	8.7
	Rank	22 pctl	17 pctl	85 pctl	30 pctl	68 pctl	72 pctl

Sample Co.'s equity portfolio outperformed the median property-casualty company equity portfolio in three of the last five calendar years. Over the cumulative five-year time period, Sample Co. ranked in the 72nd percentile with an annualized equity return of 8.7 versus the median property-casualty equity return of 6.4. The S&P 500 Index return was 6.0 percent for the five-year period.

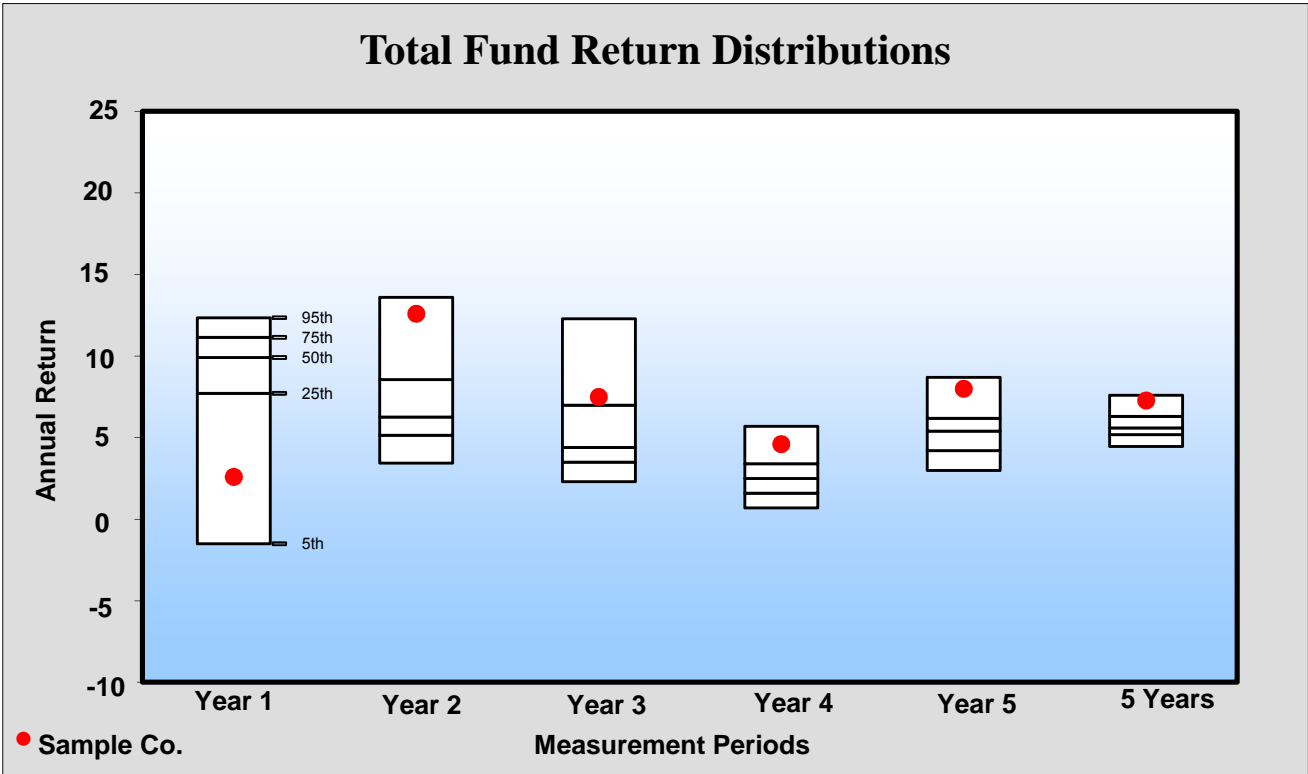
PROPERTY CASUALTY COMPANY PEER GROUP INVESTMENT COMPARISONS



Taxable Fixed	Percentile	Year 1	Year 2	Year 3	Year 4	Year 5	5 years
		Return	Return	Return	Return	Return	Return
	95th	14.5	8.6	8.2	5.2	6.4	6.9
	75th	12.1	6.3	5.7	3.0	5.2	6.0
	50th	10.2	5.2	4.1	2.2	4.5	5.3
	25th	9.1	4.5	3.4	1.4	3.9	4.7
	5th	7.4	3.0	1.8	0.5	2.7	3.8
Sample Co.	Return	11.2	5.0	4.0	3.5	3.9	5.4
	Rank	54 pctl	44 pctl	53 pctl	63 pctl	54 pctl	53 pctl

Sample Co.'s fixed-income portfolio outperformed the median property-casualty taxable fixed-income portfolio in four of the last five years. Over the cumulative five-year time period, Sample Co. ranked in the 53rd percentile with an annualized taxable fixed-income return of 5.7 versus the median property-casualty taxable fixed-income return of 5.6. The Barclays Aggregate return for the five-year period was 5.1 percent.

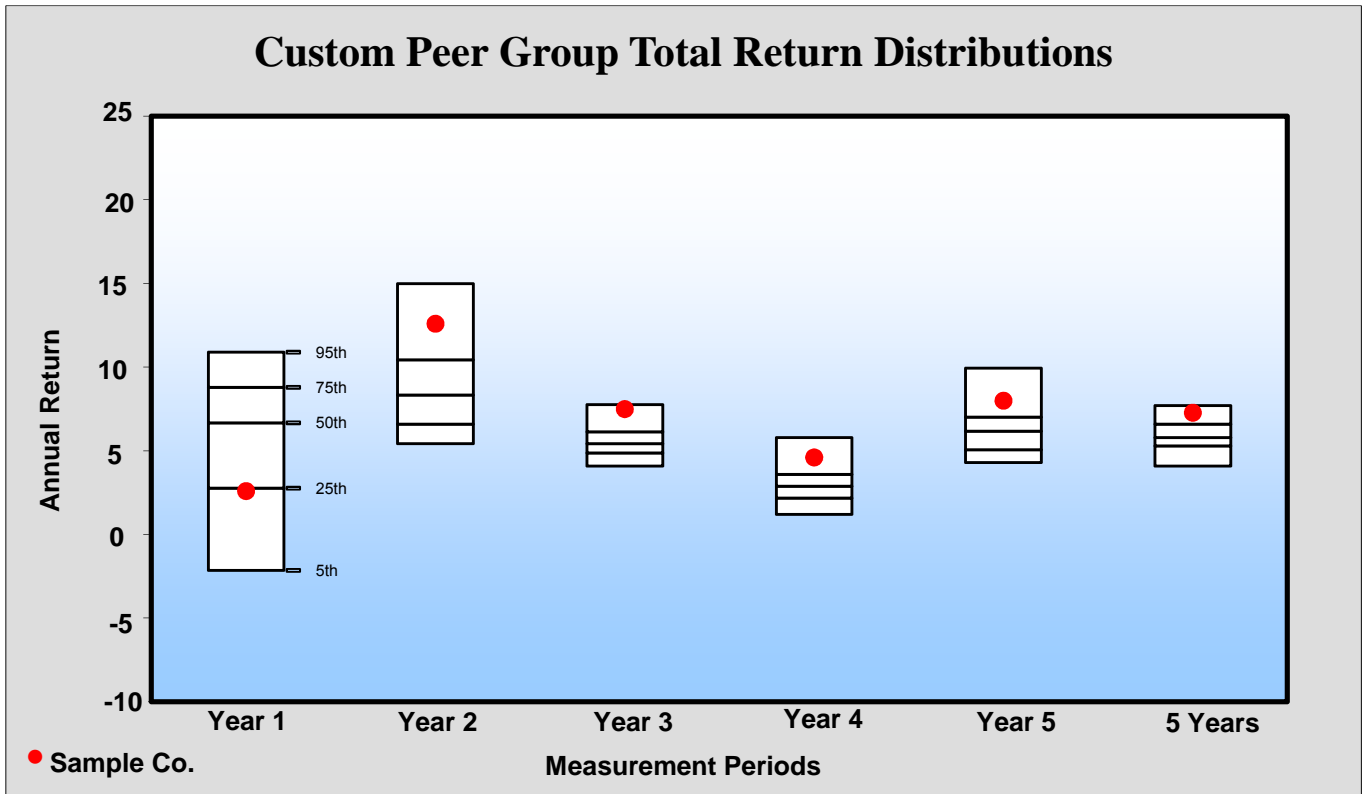
PROPERTY CASUALTY COMPANY PEER GROUP INVESTMENT COMPARISONS



Total Return	Percentile	Year 1	Year 2	Year 3	Year 4	Year 5	5 years
	95th	12.4	13.6	12.3	5.7	8.7	7.6
	75th	11.2	8.6	7.0	3.4	6.2	6.3
	50th	9.9	6.3	4.4	2.5	5.4	5.6
	25th	7.7	5.1	3.5	1.6	4.2	5.2
	5th	-1.5	3.5	2.3	0.7	3.0	4.5
Sample Co.	Return	2.6	12.6	7.5	4.6	8.0	7.3
	Rank	4 pctl	98 pctl	85 pctl	84 pctl	94 pctl	89 pctl

Sample Co.'s total portfolio outperformed the median property-casualty company total portfolio in four of the last five years. Over the cumulative five-year time period, Sample Co. ranked in the 89th percentile with an annualized return of 7.3, compared to the median property-casualty return of 5.6.

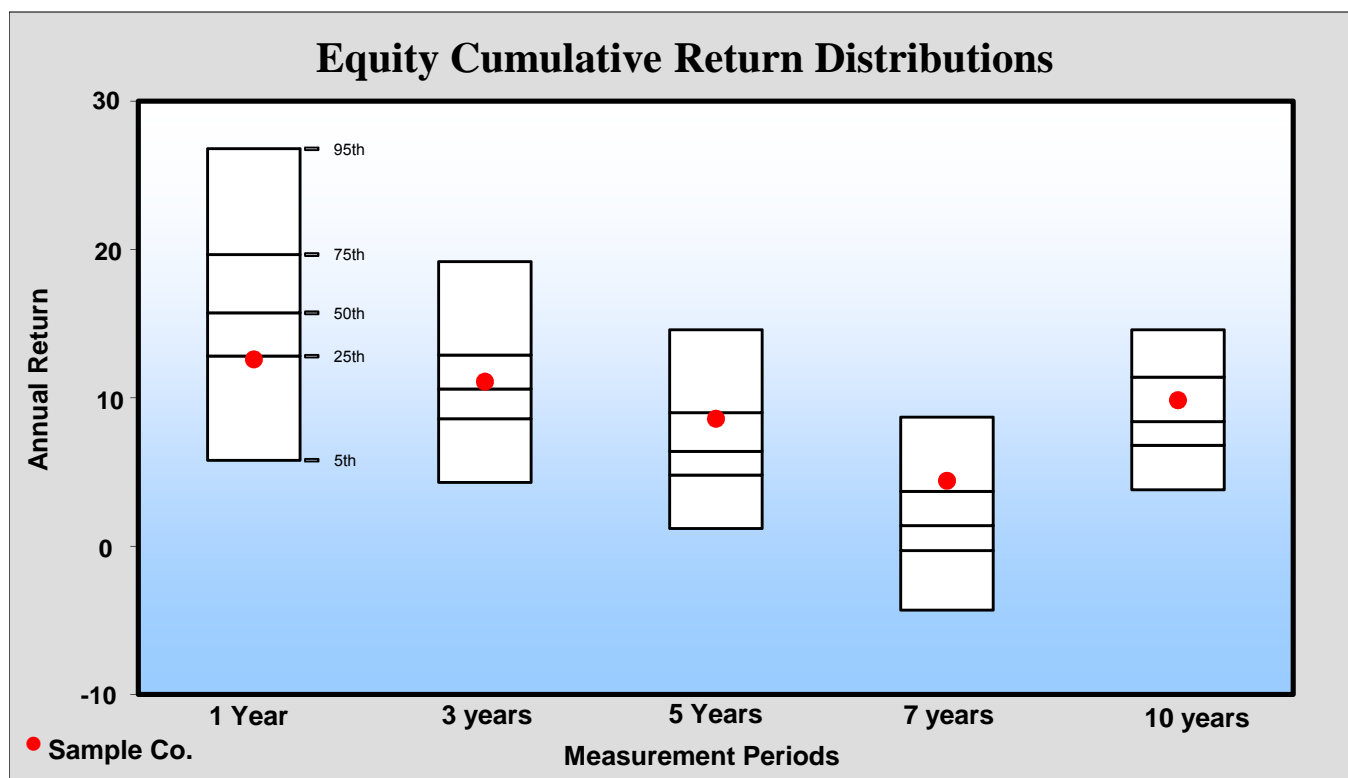
PROPERTY CASUALTY COMPANY PEER GROUP INVESTMENT COMPARISONS



Total Return	Percentile	Year 1	Year 2	Year 3	Year 4	Year 5	5 years
	95th	10.9	15.0	7.8	5.8	9.9	7.7
	75th	8.8	10.4	6.1	3.6	7.0	6.6
	50th	6.7	8.3	5.4	2.9	6.2	5.8
	25th	2.8	6.6	4.9	2.2	5.1	5.3
	5th	-2.1	5.4	4.1	1.2	4.3	4.1
Sample Co.	Return	2.6	12.6	7.5	4.6	8.0	7.3
	Rank	2 pctl	98 pctl	98 pctl	85 pctl	83 pctl	88 pctl

Sample Co.'s total portfolio outperformed the median Custom Peer Group total portfolio in four of the last five years. Over the cumulative five-year time period, Sample Co. ranked in the 88th percentile with an annualized return of 7.3, compared to the median Custom Peer Group return of 5.8.

PROPERTY CASUALTY COMPANY PEER GROUP INVESTMENT COMPARISONS

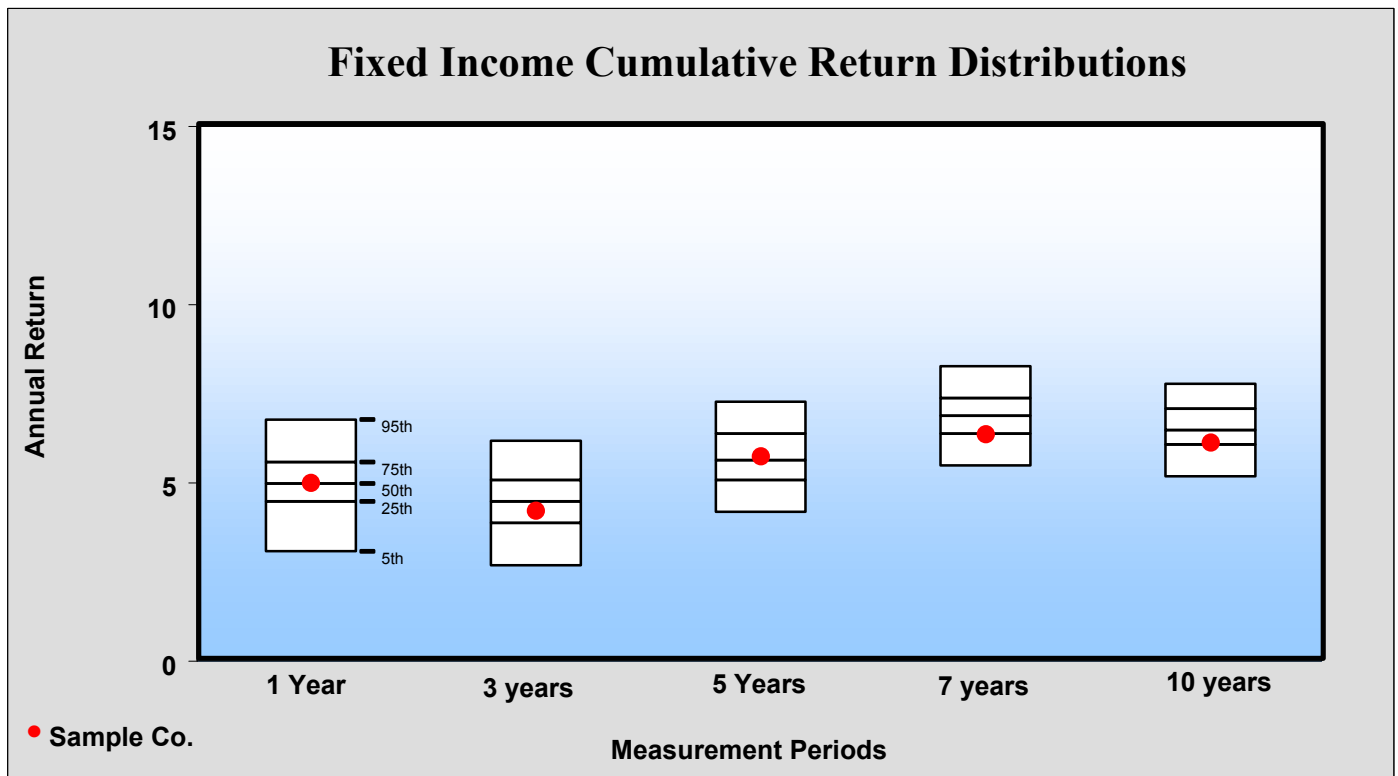


Cumulative Time Periods ending December 20XX						
Equity Return	Percentile	1 Year	3 Years	5 Years	7 Years	10 Years
	95th	26.8	19.2	14.6	8.7	14.6
	75th	19.7	12.9	9.0	3.7	11.4
	50th	15.7	10.6	6.4	1.4	8.4
	25th	12.8	8.6	4.8	-0.3	6.8
	5th	5.8	4.3	1.2	-4.3	3.8
Sample Co. Return		12.6	11.1	8.6	4.4	9.9
	Rank	24 pctl	56 pctl	72 pctl	79 pctl	63 pctl

Sample Co.'s equity portfolio underperformed the median property-casualty company equity portfolio in 20xx and outperformed the median in each of the three, five, seven and ten-year cumulative time periods ending 12/20xx.

Over the cumulative ten-year time period, Sample Co. ranked in the 63rd percentile with an annualized equity return of 9.9 versus the median property-casualty equity return of 8.4.

The S & P 500 Index return was 8.4 percent for the ten-year period and 15.8, 10.4, 6.2 and 1.1 percent for the one, three, five and seven year time periods respectively.



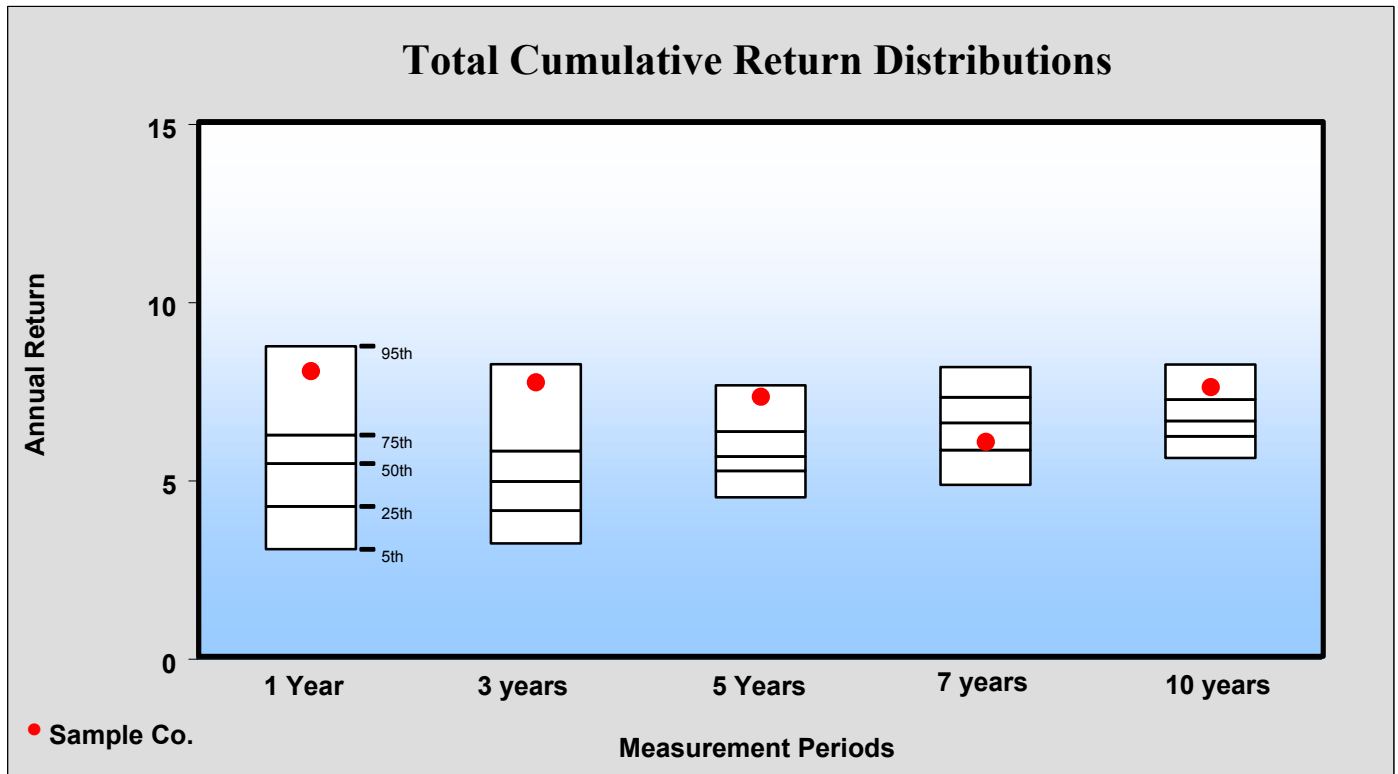
Cumulative Time Periods ending December 20xx						
Fixed Return	Percentile	1 Year	3 Years	5 Years	7 Years	10 Years
	95th	6.7	6.1	7.2	8.2	7.7
	75th	5.5	5.0	6.3	7.3	7.0
	50th	4.9	4.4	5.6	6.8	6.4
	25th	4.4	3.8	5.0	6.3	6.0
	5th	3.0	2.6	4.1	5.4	5.1
Sample Co. Return		4.9	4.1	5.7	6.3	6.1
Sample Co. Rank		51 pctl	40 pctl	53 pctl	25 pctl	28 pctl

Sample Co.'s fixed-income portfolio outperformed the median property-casualty company fixed-income portfolio in the one, and five-year cumulative time periods and underperformed in the three, seven and ten-year periods.

Over the cumulative ten-year time period, Sample Co. ranked in the 28th percentile with an annualized fixed-income return of 6.1 versus the median property-casualty fixed-income return of 6.4.

The Lehman Aggregate return was 6.2 percent for the ten-year period and 4.3, 3.7, 5.1 and 6.5 percent for the one, three, five and seven year time periods respectively.

PROPERTY CASUALTY COMPANY PEER GROUP INVESTMENT COMPARISONS

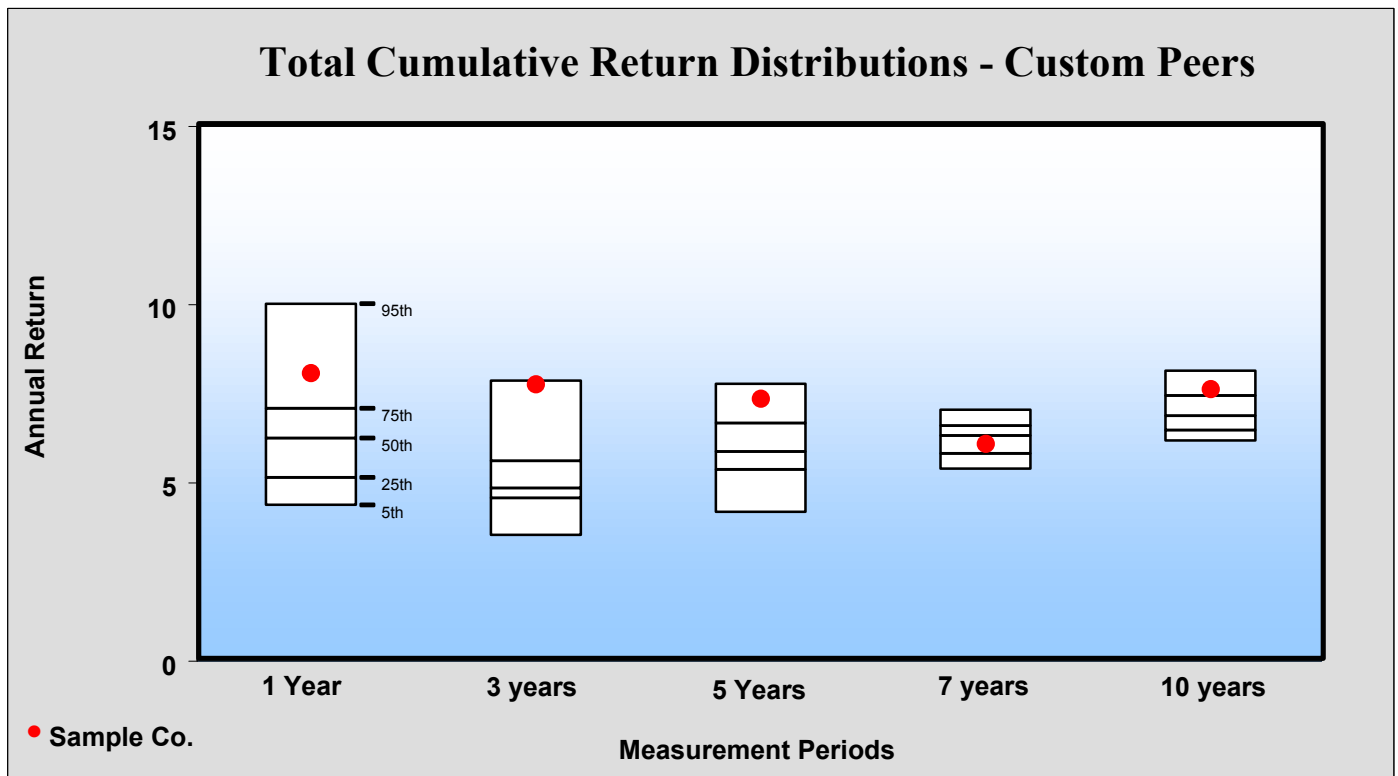


Cumulative Time Periods ending December 20xx

Total Return	Percentile	1 Year	3 Years	5 Years	7 Years	10 Years
	95th	8.7	8.2	7.6	8.1	8.2
	75th	6.2	5.8	6.3	7.3	7.2
	50th	5.4	4.9	5.6	6.5	6.6
	25th	4.2	4.1	5.2	5.8	6.2
	5th	3.0	3.2	4.5	4.8	5.6
Sample Co. Return		8.0	7.7	7.3	6.0	7.6
Sample Co. Rank		94 pctl	92 pctl	89 pctl	33 pctl	84 pctl

Sample Co.'s total portfolio outperformed the median property-casualty company total portfolio in the one, three, five and ten-year cumulative time periods and underperformed in the seven-year period.

Over the cumulative ten-year time period, Sample Co. ranked in the 84th percentile with an annualized total portfolio return of 7.6 versus the median life-health total portfolio return of 6.6.



Cumulative Time Periods ending December 20xx						
Total Return	Percentile	1 Year	3 Years	5 Years	7 Years	10 Years
	95th	9.9	7.8	7.7	7.0	8.1
	75th	7.0	5.5	6.6	6.5	7.4
	50th	6.2	4.8	5.8	6.2	6.8
	25th	5.1	4.5	5.3	5.7	6.4
	5th	4.3	3.5	4.1	5.3	6.1
Sample Co. Return		8.0	7.7	7.3	6.0	7.6
Sample Co. Rank		83 pctl	98 pctl	88 pctl	38 pctl	81 pctl

Sample Co.'s total portfolio outperformed the median property-casualty total portfolio in the one, three, five and ten-year cumulative time periods and underperformed in the seven-year period.

Over the cumulative ten-year time period, Sample Co. ranked in the 81st percentile with an annualized total portfolio return of 7.6 versus the median life-health total portfolio return of 6.8.

SECTION THREE : EQUITY ANALYSIS

Equity Portfolio Risk Components: Absolute and Relative

Historical Risk Factor Exposures

Current Risk Factor Exposures

Current Market Exposure Relative to Peers

Current Portfolio Risk Relative to Benchmark and to Peer Composite Portfolio

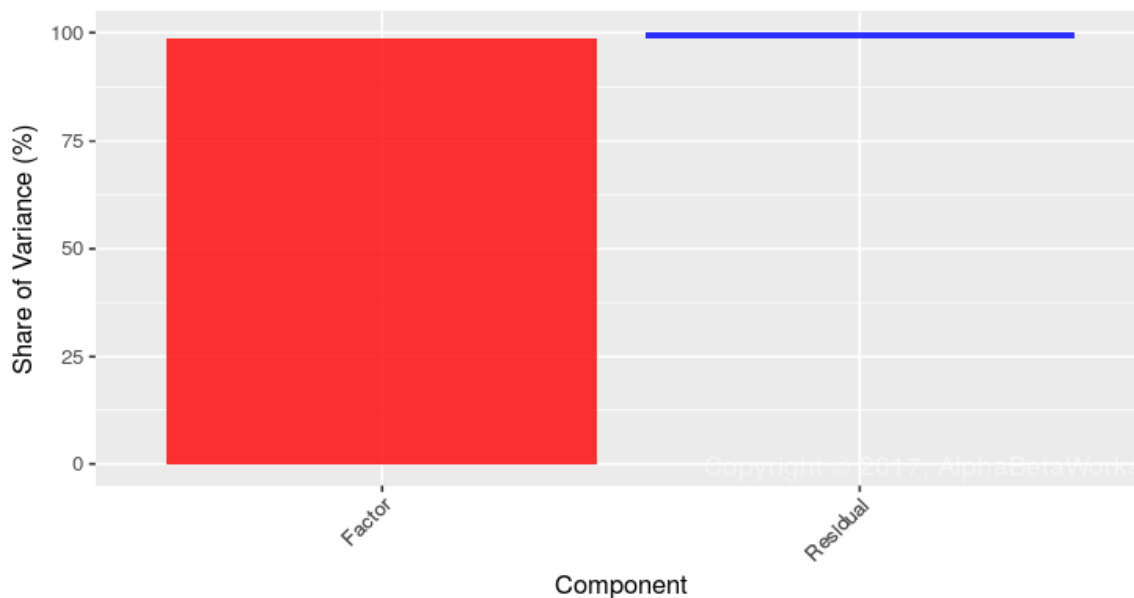
Aggregate Equity Portfolio Return Attribution

Domestic Manager Risk and Skill Assessment

Non-US Manager Risk and Skill Assessment

Equity Style Return Universes: not shown

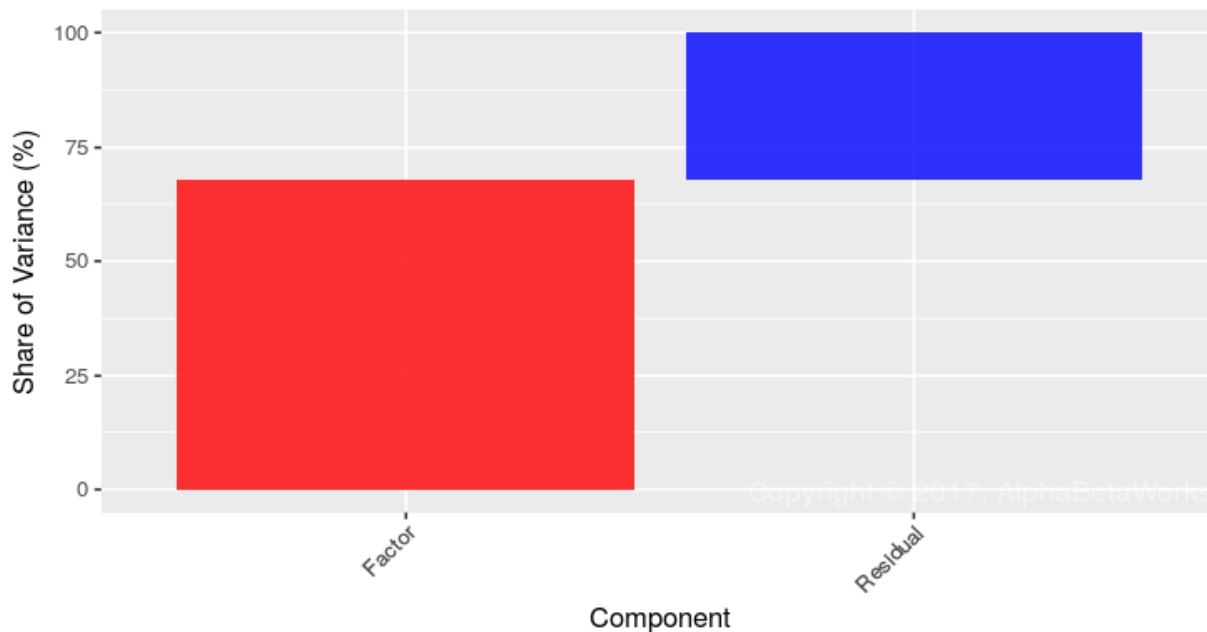
Absolute Risk Components: Median Equity Portfolio



<u>Source</u>	<u>Volatility (ann. %)</u>	<u>Share of Variance (%)</u>
Passive Factors	9.1	98.7
Active Mgmt.	1.1	1.3
Total	9.1	100.0

Percentage of current equity portfolio risk explained by passively available factors, and that due to active management (stock selection, timing, and trading).

Relative Risk Components: Median Equity Portfolio



<u>Source</u>	<u>Volatility (ann. %)</u>	<u>Share of Variance (%)</u>
Passive Factors	2.2	67.3
Active Mgmt.	1.0	32.7
Total	2.4	100.0

Percentage of current equity risk, relative to benchmark, explained by passively available factors, and that due to active management (stock selection, timing, and trading).

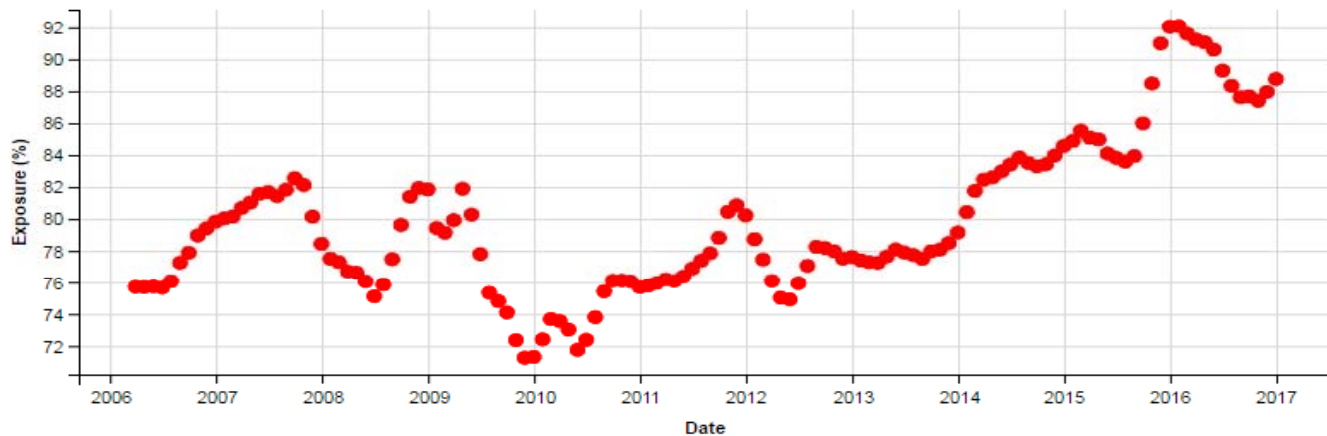
Two-thirds of the median portfolio's incremental risk is obtainable with a fixed blend of passive ETFs.

Portfolios that take too little real active risk relative to benchmark will be unable to overcome active fees, even with skill.

Changes in Market Exposure: Sample Equity Portfolio

Factor

Market



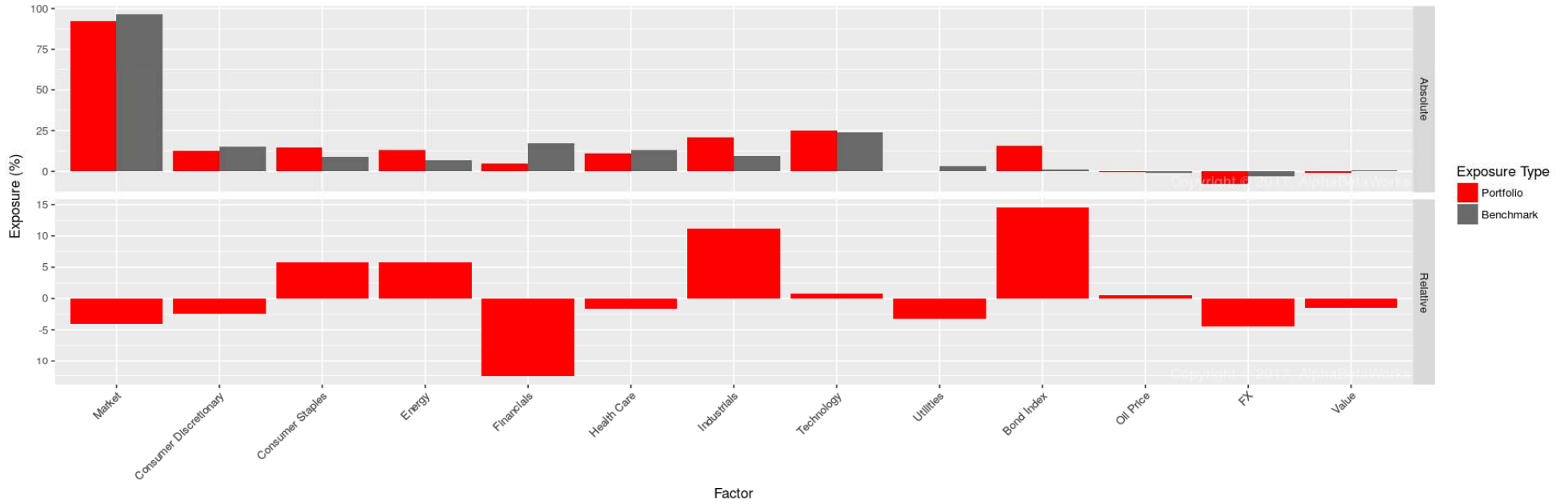
Current point-in-time market risk, based on individual security risk and covariances.

Market risk difference from the benchmark explains the majority of incremental return for most portfolios.

Separating the impact of market risk (and other passive risk) from incremental return isolates active contribution and reveals skill.

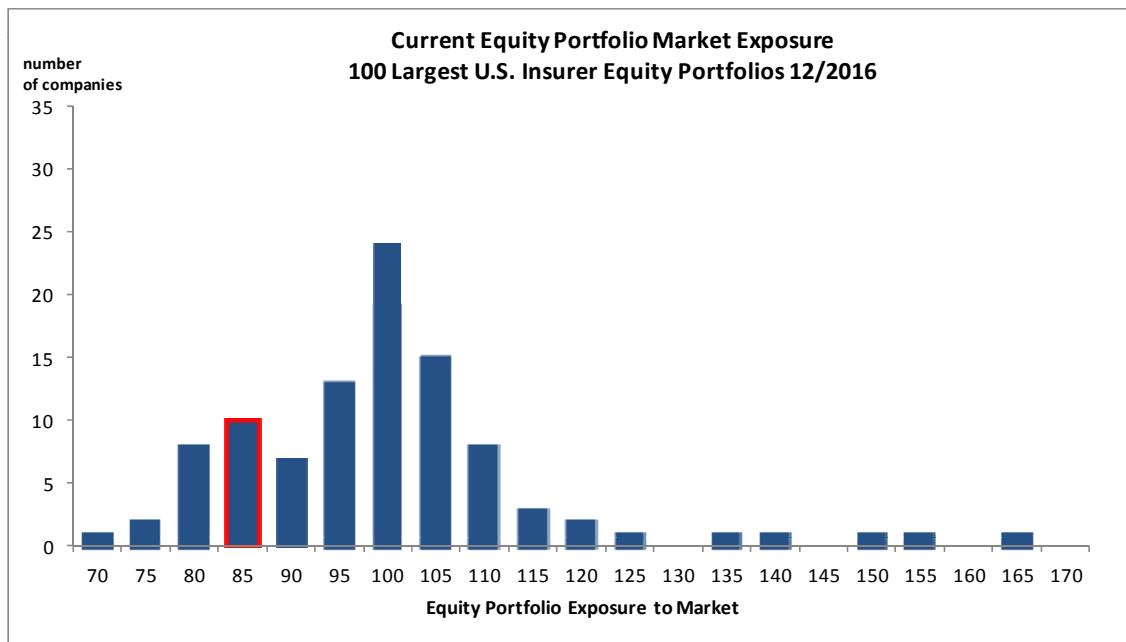
Current Equity Risk Factor Exposures

Absolute and Relative to Benchmark



Current Market Exposure (market beta) Relative to Peers

Sample Equity Portfolio

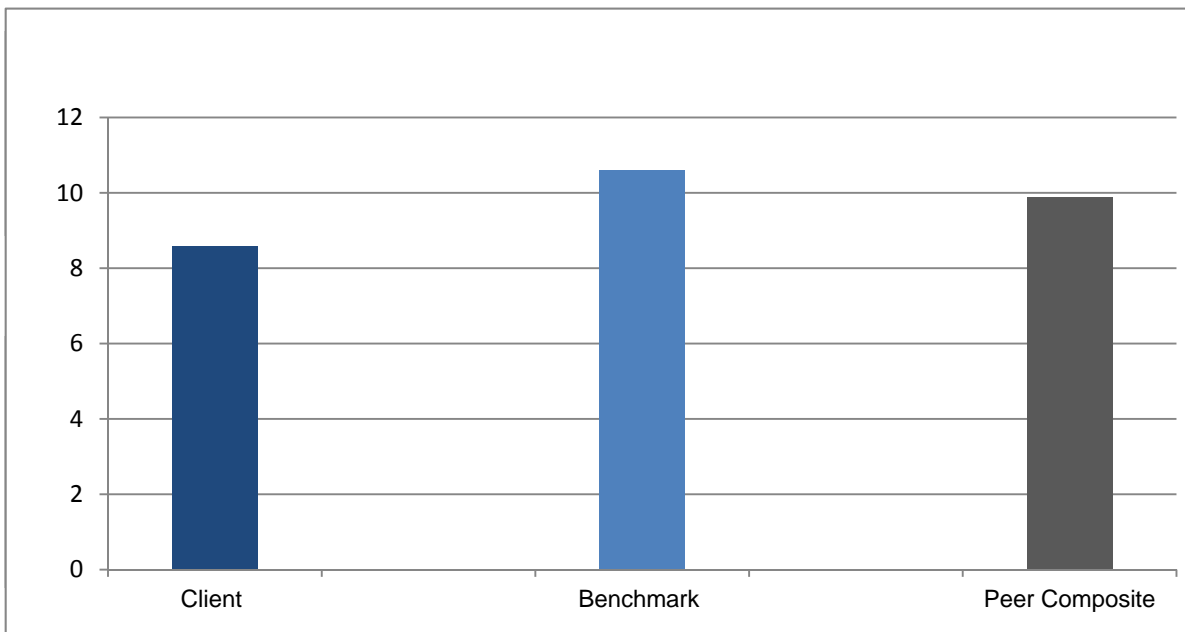


Client's current market exposure relative to a distribution of peer company exposures.

Most companies had market betas significantly different than the benchmark.

Isolating the impact of market exposure differences from the benchmark is a critical first step in identifying manager skill and real active risk.

Current Risk: Sample Equity Portfolio



Current Risk

Client	8.6%
Benchmark	10.6%
Peer Composite	9.9%

Total equity portfolio's current risk compared to benchmark and the composite peer company portfolio.

Return Attribution: Sample Equity Portfolio

Relative to Benchmark

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Cumulative</u>
Incremental Return	-1.7	-5.2	-0.4	-3.7	5.3	-1.6
Components:						
Passive	-1.7	-2.9	-1.1	0.4	-4.8	-9.6
Alpha Return						
Security Selection	-0.4	-2.6	-1.1	-4.3	8.4	3.1
Factor Timing	0.3	0.1	1.9	0.4	2.0	4.9
Trading/ undefined	0.1	0.2	-0.1	-0.2	-0.3	0.0

Incremental return decomposed into return due to fixed differences in passively available exposures and return due to security selection and timing (changes in exposures over time).

Security selection skill, when properly defined, persists.

Domestic Manager / Portfolio Risk Return Analysis

Three-Year Annualized Return

	<u>WF Growth</u> <u>R 1000 Growth</u>	<u>MFS Value</u> <u>R 1000 Value</u>	<u>GS SC Value</u> <u>R 2000 Value</u>	<u>Domestic Equity</u> <u>R 3000</u>
Total Return	2.0	7.3	6.2	
Benchmark Return	<u>8.6</u>	<u>8.6</u>	<u>8.3</u>	
Incremental Return	-6.6	-1.3	-2.1	
Components: ¹				
Passive	1.3	-0.7	-0.5	
Timing	-0.4	0.2	-1.4	
Security Selection	-7.1	0.6	0.2	
Trading/undefined	<u>-0.4</u>	<u>-1.4</u>	<u>-0.4</u>	
	-6.6	-1.3	-2.1	
Probability of Skill ²	7.2	79.2	32.9	
Active Risk (net of passive differences)	2.7	0.9	1.6	1.8
Fund Fees	0.75	0.84	0.95	0.90
Active Risk / Fees	3.6	1.1	1.7	2.0
Current Market Exposure				
Portfolio	103	98	105	103
Benchmark	98	97	117	99
Historical Range	83 to 138	90 to 105	100 to 119	94 to 123
Current Risk				
Portfolio	12.0	10.5	11.4	11.5
Benchmark	10.8	10.5	14.3	10.5

Comments:

WF Growth -- with probability of skill below ten percent -- is twice as likely to underperform as outperform over the next three years (before fees).³

MFS Value is taking too little active risk (net of passively available differences) to ever compensate for its active fee -- even with skill.⁴

Non-US Managers / Portfolio Risk Return Analysis

Three-Year Annualized Return

	<u>Dodge & Cox EAFE</u>	<u>Harbor Int'l EAFE</u>	<u>Acadian MSCI EM</u>	<u>Non-US Equity ACWI ex US</u>
Total Return	-1.3	-3.8	-3.7	
Benchmark Return	<u>-1.6</u>	<u>-1.6</u>	<u>-2.6</u>	
Incremental Return	0.3	-2.2	-1.1	
Components:				
Passive	1.3	0.5	-0.9	
Timing	1.1	0.2	0.0	
Security Selection	-3.7	-2.3	-0.4	
Trading/undefined	<u>1.6</u>	<u>-0.6</u>	<u>0.2</u>	
	0.3	-2.2	-1.1	
Probability of Skill	6.9	21.0	7.3	
Active Risk (net of passive differences)	2.2	2.3	1.6	2.2
Fund Fees	0.65	1.21	0.97	0.95
Active Risk/Fees	3.4	1.9	1.60	2.3
Current Risk				
Portfolio	14.9	13.4	12	13.8
Benchmark	12.8	12.8	15.1	13

SECTION FOUR : FIXED INCOME ANALYSIS

Fixed Income Sector Allocations

Return vs. Quality

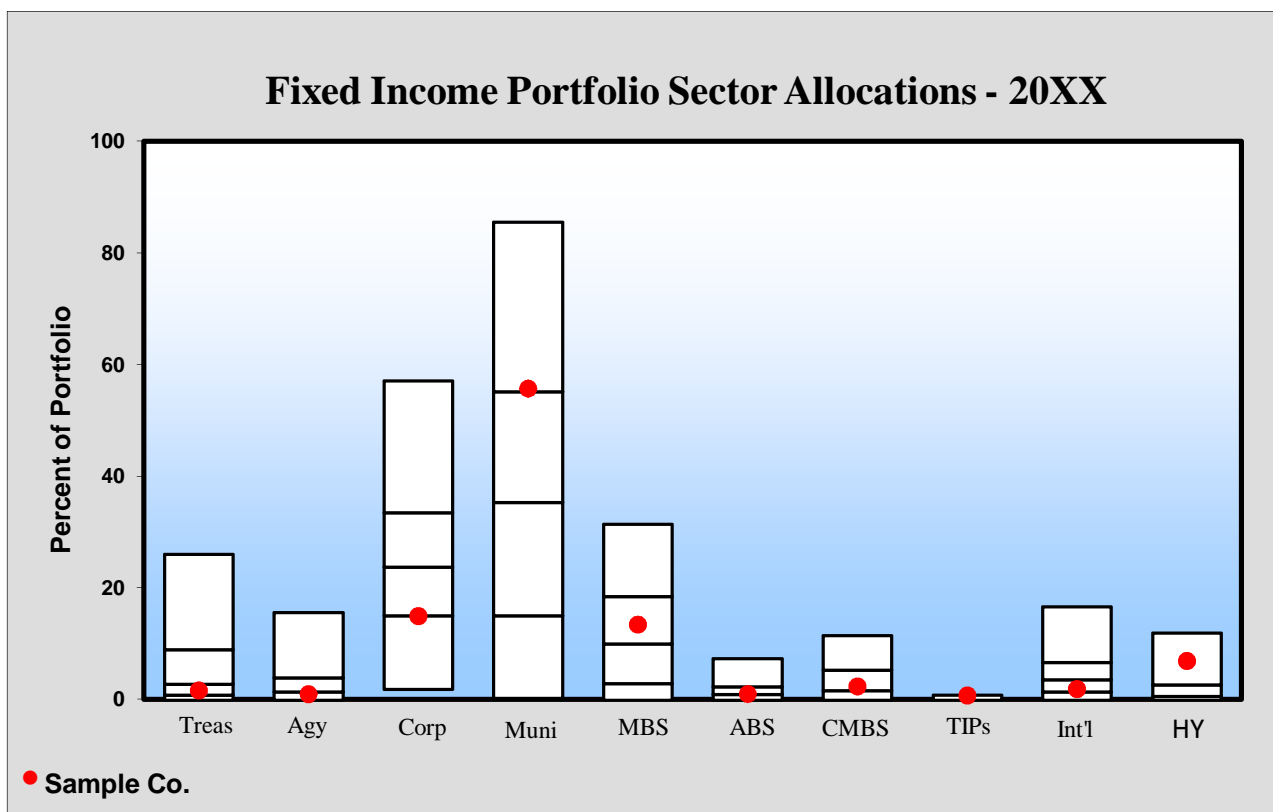
Return vs. Duration

Return vs. Maturity

Tax-exempt Return Distributions

Market Yields

Fixed Income Index Returns

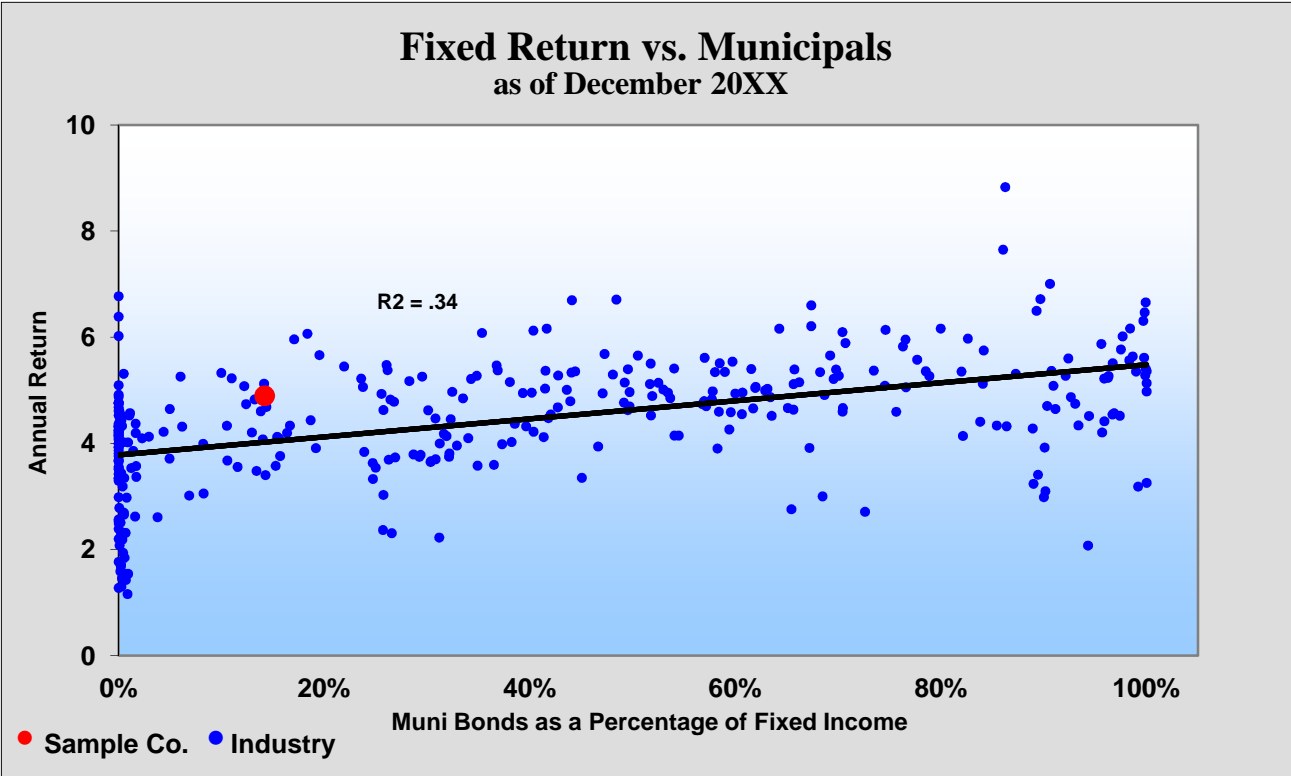


<u>Industry Dist.</u>	<u>Treasuries</u>	<u>Agencies</u>	<u>Corporates</u>	<u>Munis</u>	<u>MBS</u>	<u>ABS</u>	<u>CMBS</u>	<u>TIPs</u>	<u>Int'l</u>	<u>HY</u>
95th	26	16	57	86	31	7	12	1	17	12
75th	9	4	34	55	18	2	5	0	7	3
50th	3	1	24	35	10	1	2	0	4	1
25th	1	0	15	15	3	0	0	0	1	0
5th	0	0	2	0	0	0	0	0	0	0
Peer Median	7	5	26	18	17	3	2	0	1	2
Sample Co.	2	1	15	56	13	1	2	1	2	7

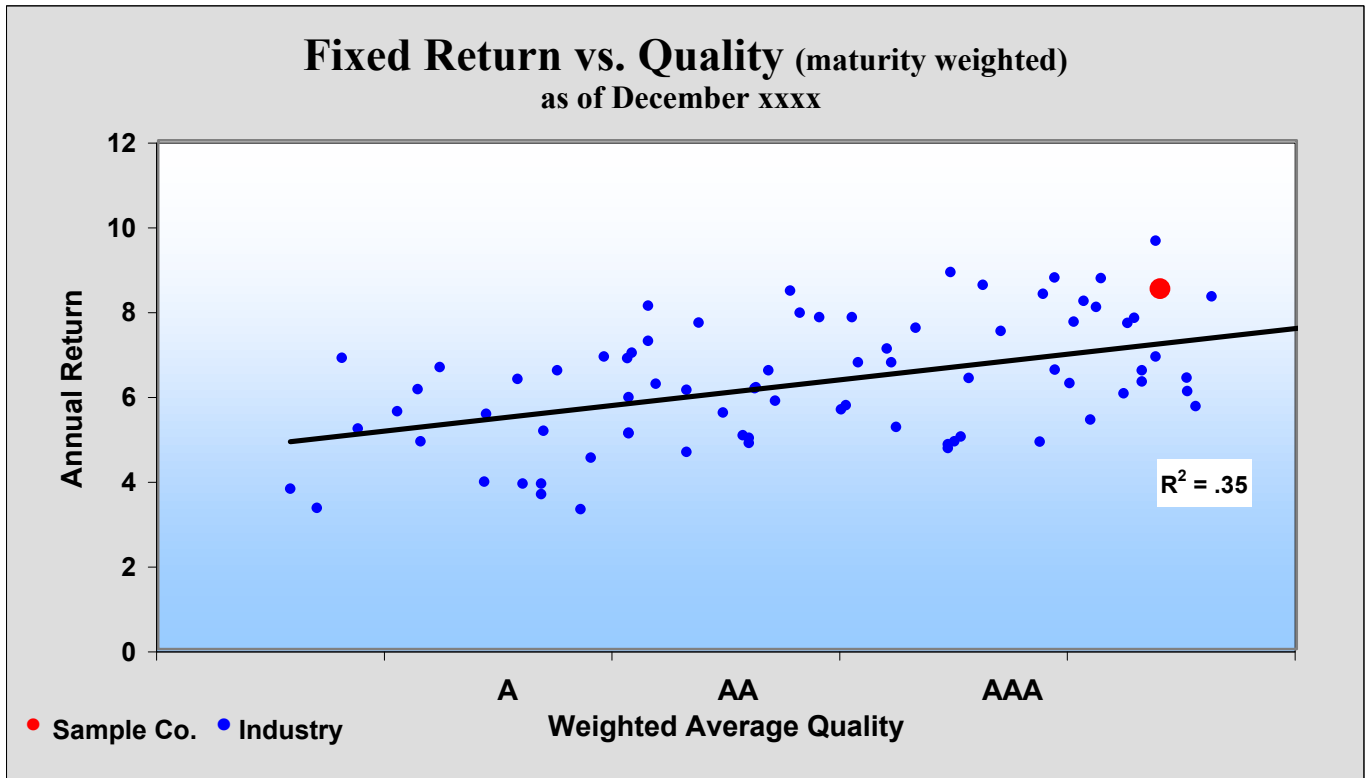
Barclays Sector

Returns 20xx 9.0 4.9 8.2 11.7 6.2 5.1 6.0 13.6 7.4 5.0

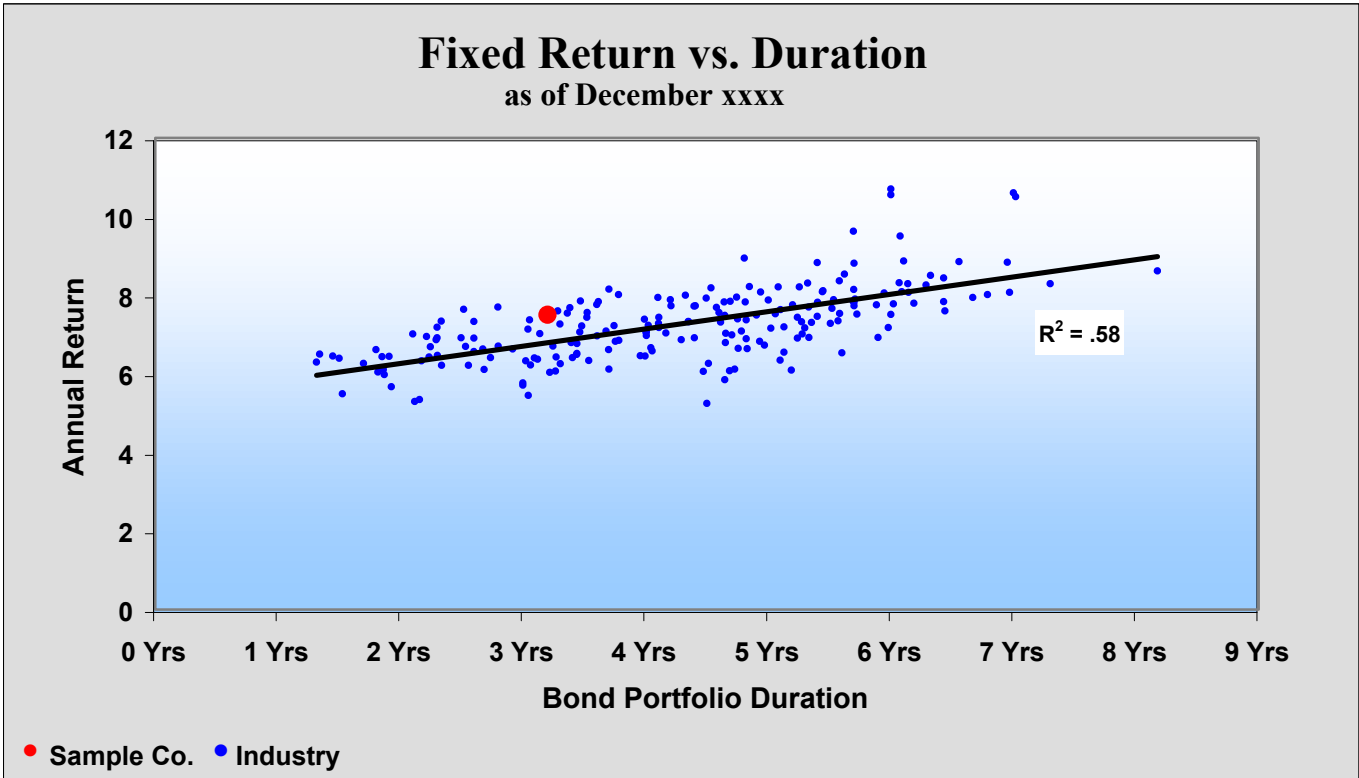
This chart depicts the distribution of property casualty company fixed-income portfolio sector allocations at the beginning of 20xx and plots Sample Company's allocation to each sector. For example, the Sample Company is overweighted in munis relative to the industry median with 56 percent of the fixed income portfolio in corporates versus the median allocation of 18 percent.



The above chart depicts the relationship between municipal bonds as a percent of fixed-income assets and fixed income return for the year 20xx. For the year 20xx, the municipal allocation explained 34% of the variability of return among property-casualty company fixed-income portfolios.

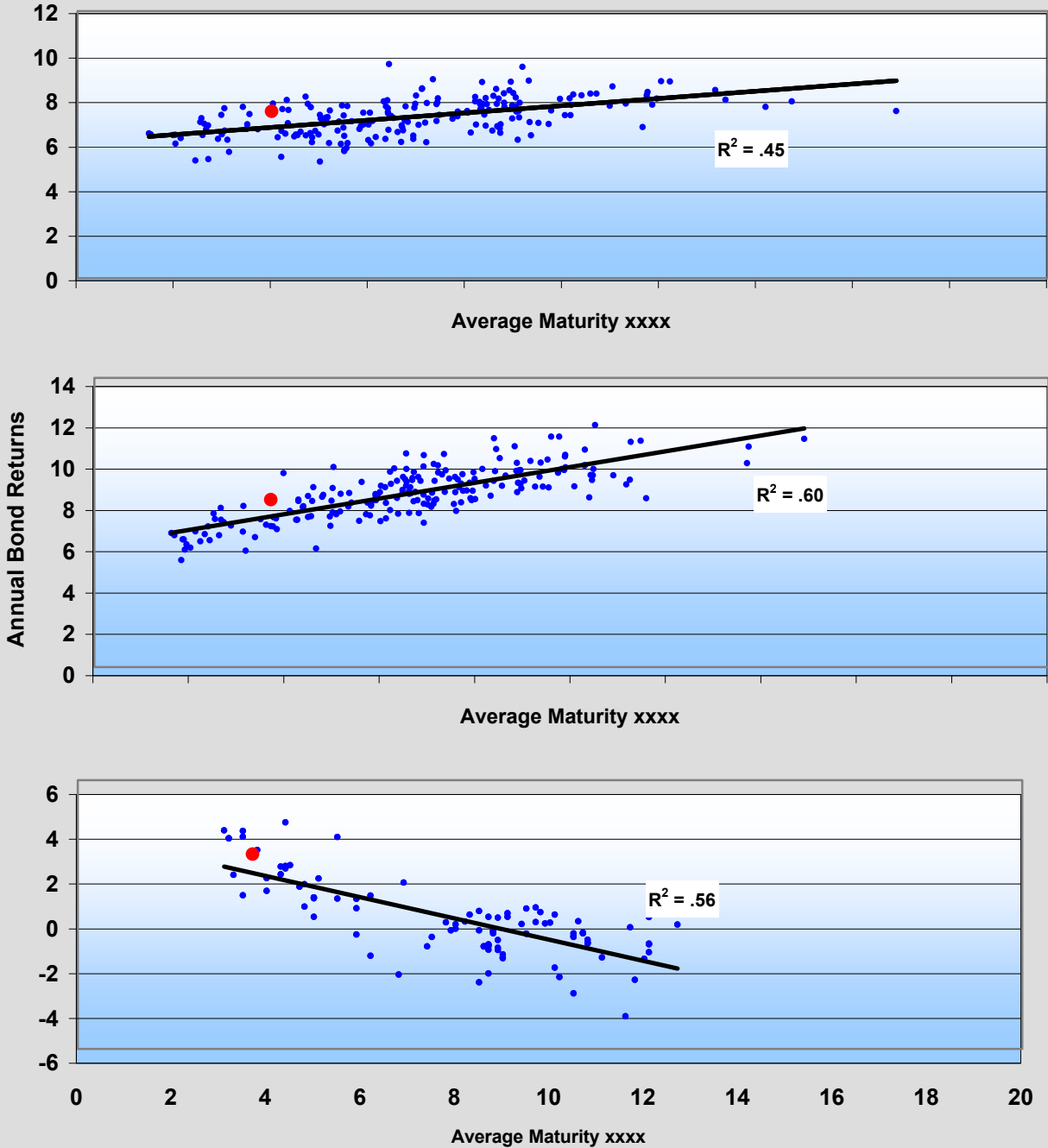


The above chart depicts the relationship between quality and fixed income return in xxxx.

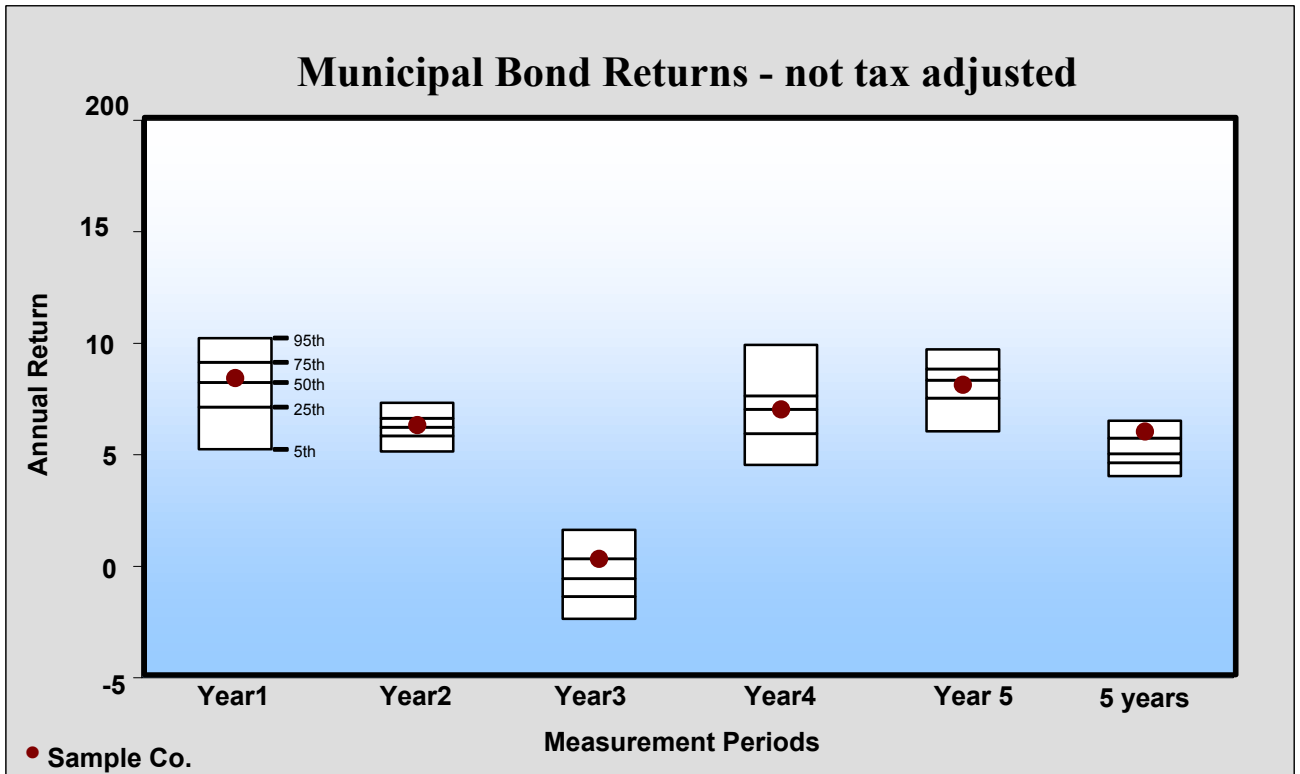


The above chart describes the relationship between duration and fixed income return. For the year xxxx, duration explained 58% of the variability of return among property-casualty company fixed-income portfolios. The Sample company outperformed the average property-casualty fixed-income portfolio in xxxx, on a duration-adjusted basis.

Fixed Income Returns vs. Weighted Average Maturity



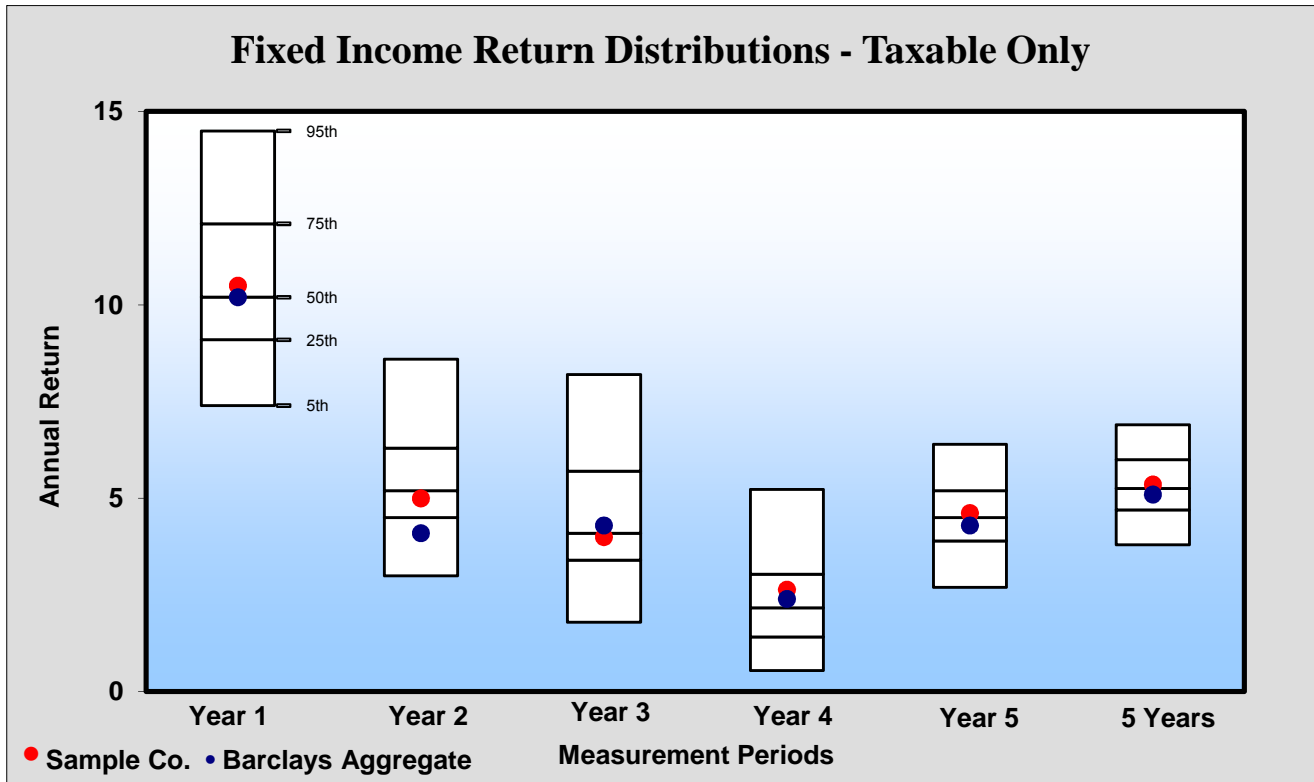
PROPERTY CASUALTY COMPANY PEER GROUP INVESTMENT COMPARISONS



Municipal Bond Returns - not tax adjusted							
Muni	Percentile	Year1	Year2	Year3	Year4	Year5	5 years
Return	95th	10.1	7.2	1.5	9.8	9.6	6.4
	75th	9.0	6.5	0.2	7.5	8.7	5.6
	50th	8.1	6.1	-0.7	6.9	8.2	4.9
	25th	7.0	5.7	-1.5	5.8	7.4	4.5
	5th	5.1	5.0	-2.5	4.4	5.9	3.9
Sample Co	Return	8.3	6.2	0.2	6.9	8.0	5.9
	Rank	57 pctl	56 pctl	75 pctl	50 pctl	40 pctl	82 pctl

The Sample Company's tax-exempt fixed-income portfolio outperformed the median property casualty company tax-exempt portfolio in four of the last five years. Over the cumulative five-year time period, Sample Company's tax-exempt portfolio ranked in the 82nd percentile.

PROPERTY CASUALTY COMPANY PEER GROUP INVESTMENT COMPARISONS



Taxable Fixed	Percentile	Year 1	Year 2	Year 3	Year 4	Year 5	5 years
		Return	Return	Return	Return	Return	Return
	95th	14.5	8.6	8.2	5.2	6.4	6.9
	75th	12.1	6.3	5.7	3.0	5.2	6.0
	50th	10.2	5.2	4.1	2.2	4.5	5.3
	25th	9.1	4.5	3.4	1.4	3.9	4.7
	5th	7.4	3.0	1.8	0.5	2.7	3.8
Sample Co.	Return	10.5	5.0	4.0	2.6	4.6	5.4
	Rank	54 pctl	44 pctl	53 pctl	63 pctl	54 pctl	53 pctl

Sample Co.'s taxable fixed-income portfolio outperformed the median property-casualty taxable fixed-income portfolio in four of the last five years. Over the cumulative five-year time period, Sample Co. ranked in the 53rd percentile with an annualized taxable fixed-income return of 5.7 versus the median property-casualty taxable fixed-income return of 5.6. The Barclays Aggregate return for the five-year period was 5.1 percent.

SECTION FIVE : TOTAL FUND ANALYSIS

Distribution of Surplus - all companies

Distribution of Surplus - custom peer group

Total Return vs. Surplus

Distribution of Underwriting Gain

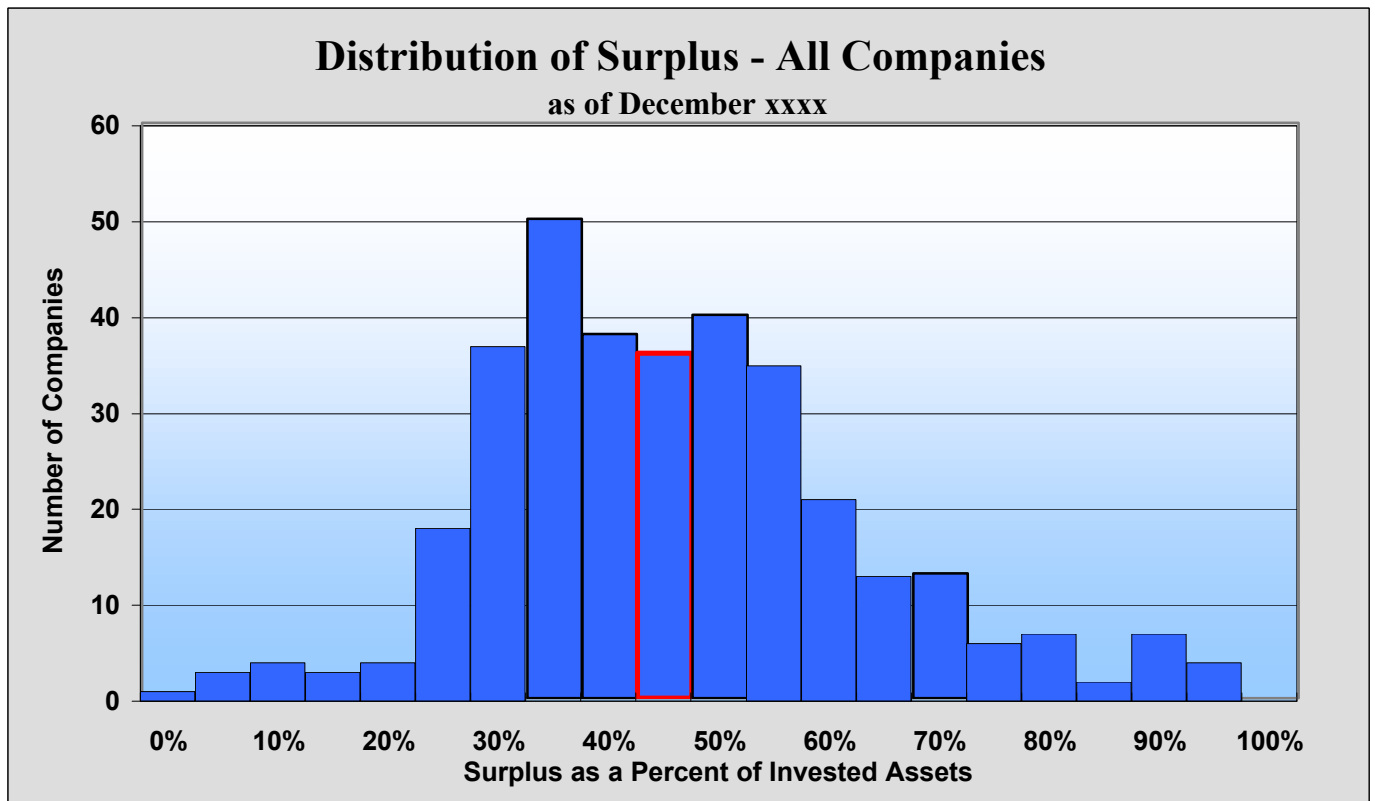
Distribution of Equity Allocation: Industry

Distribution of Equity Allocation: Custom Peer Group

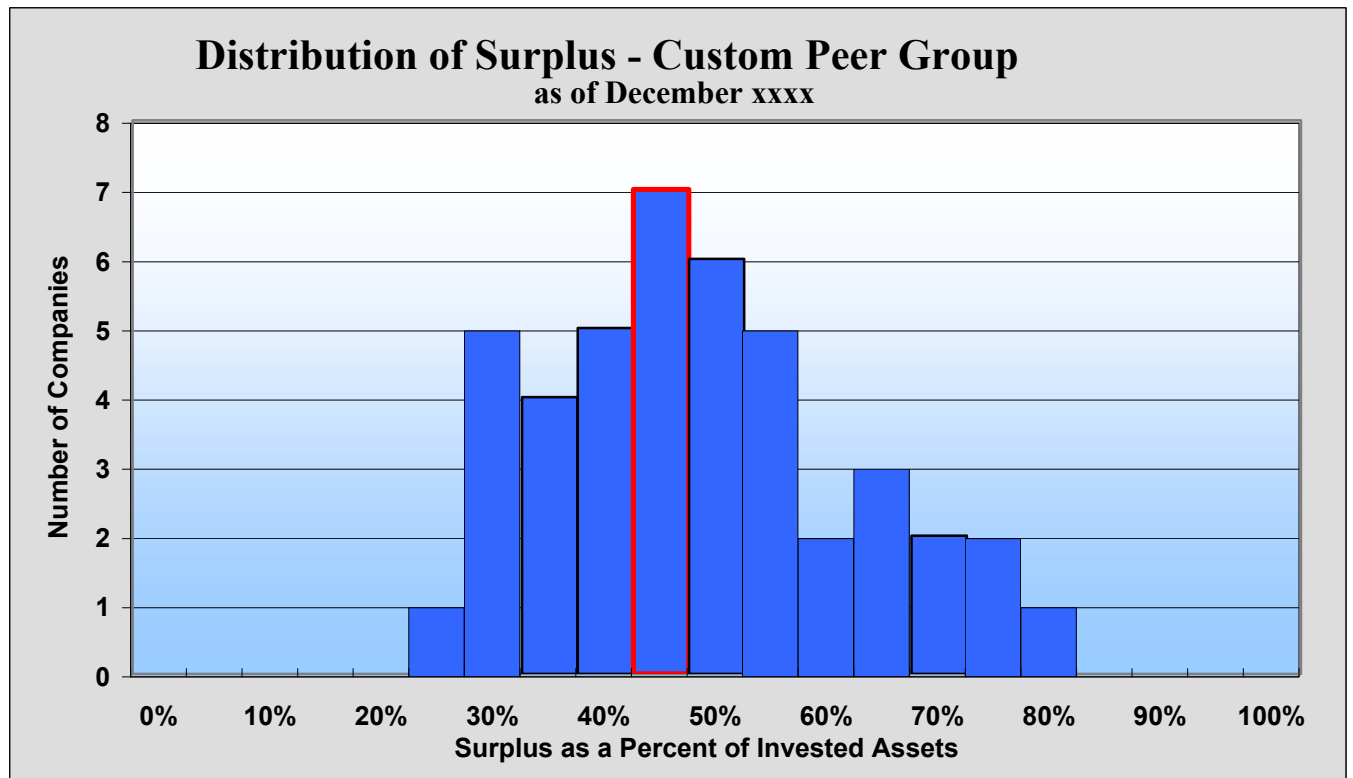
Total Return vs. Equity Allocation

Total Return vs. Underwriting Gain

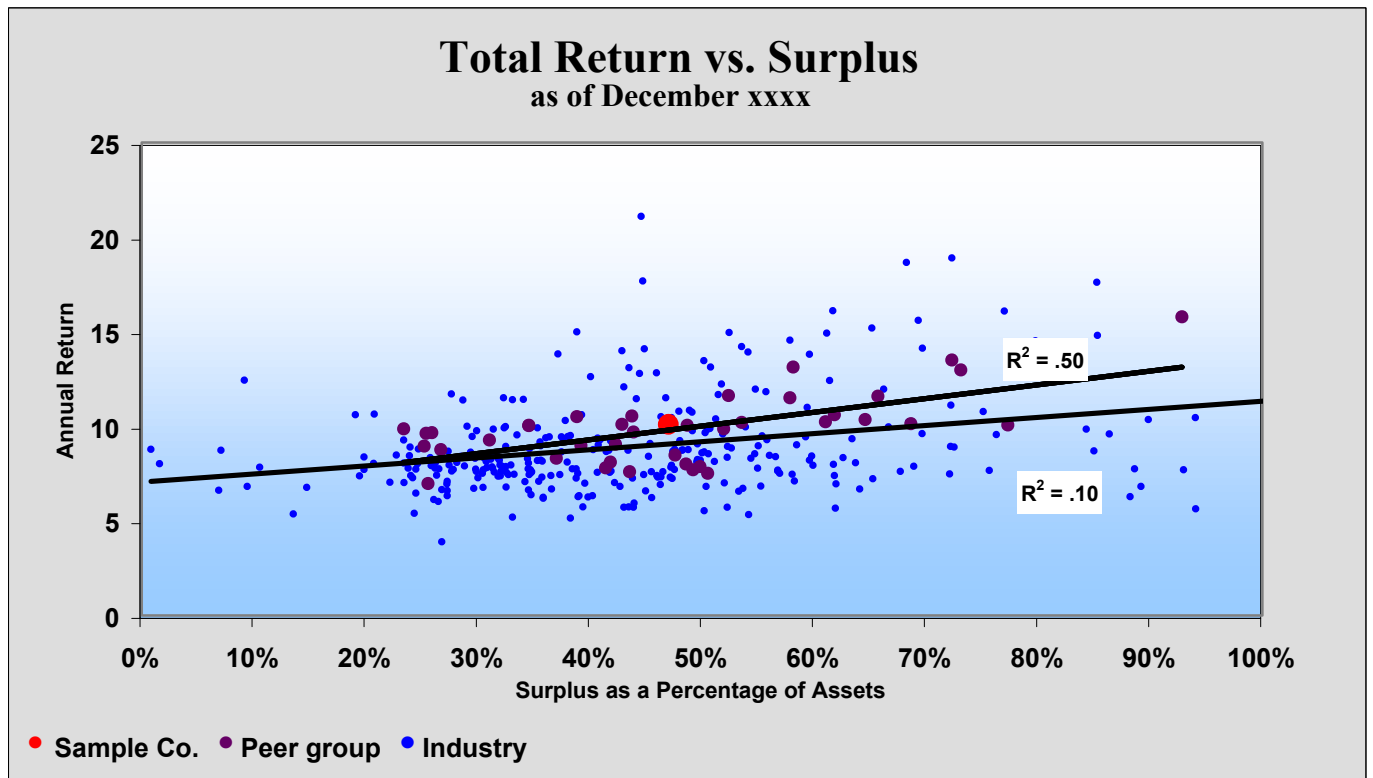
PROPERTY CASUALTY COMPANY PEER GROUP INVESTMENT COMPARISONS



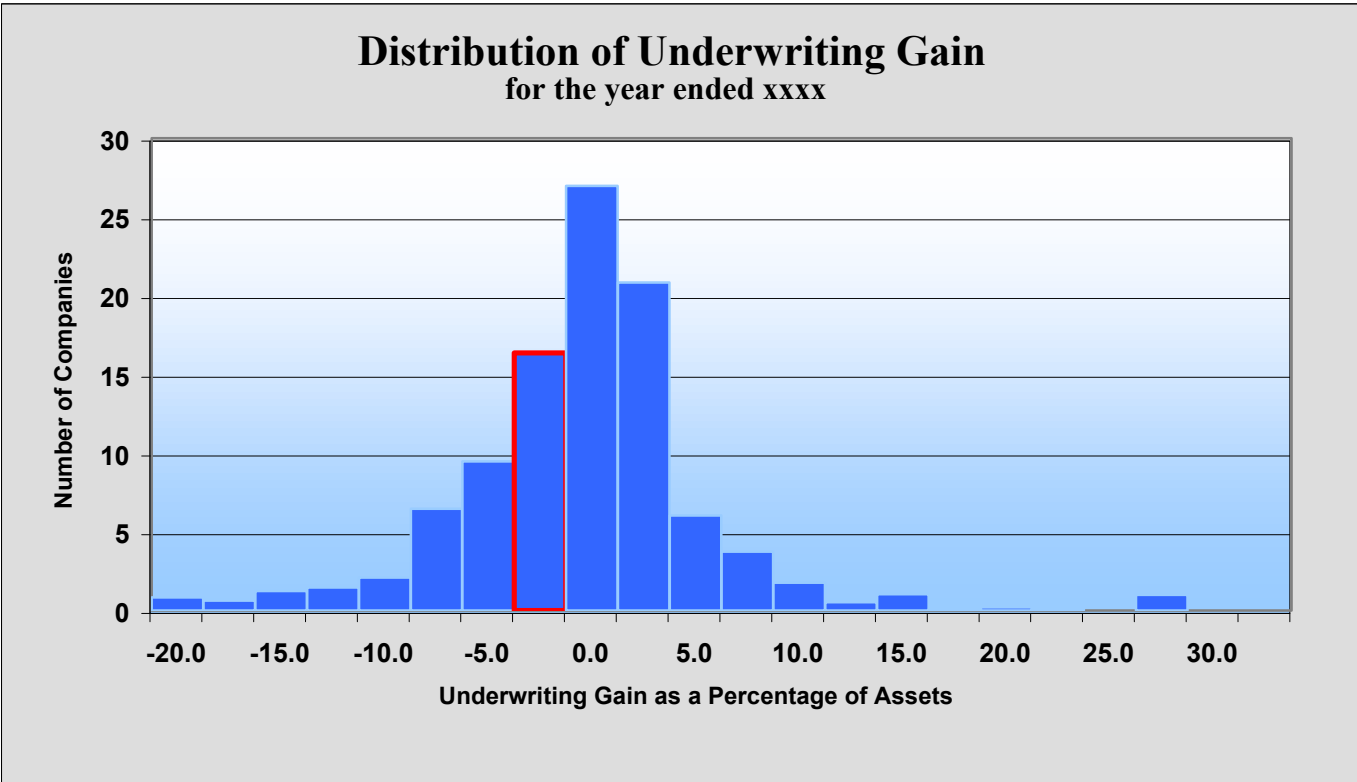
The above chart shows the distribution of 20xx surplus as a percent of investable assets for 400 property casualty companies. The Sample Co.'s surplus was 47% percent of assets at the end of 2001, compared to the property casualty company median of 41%.



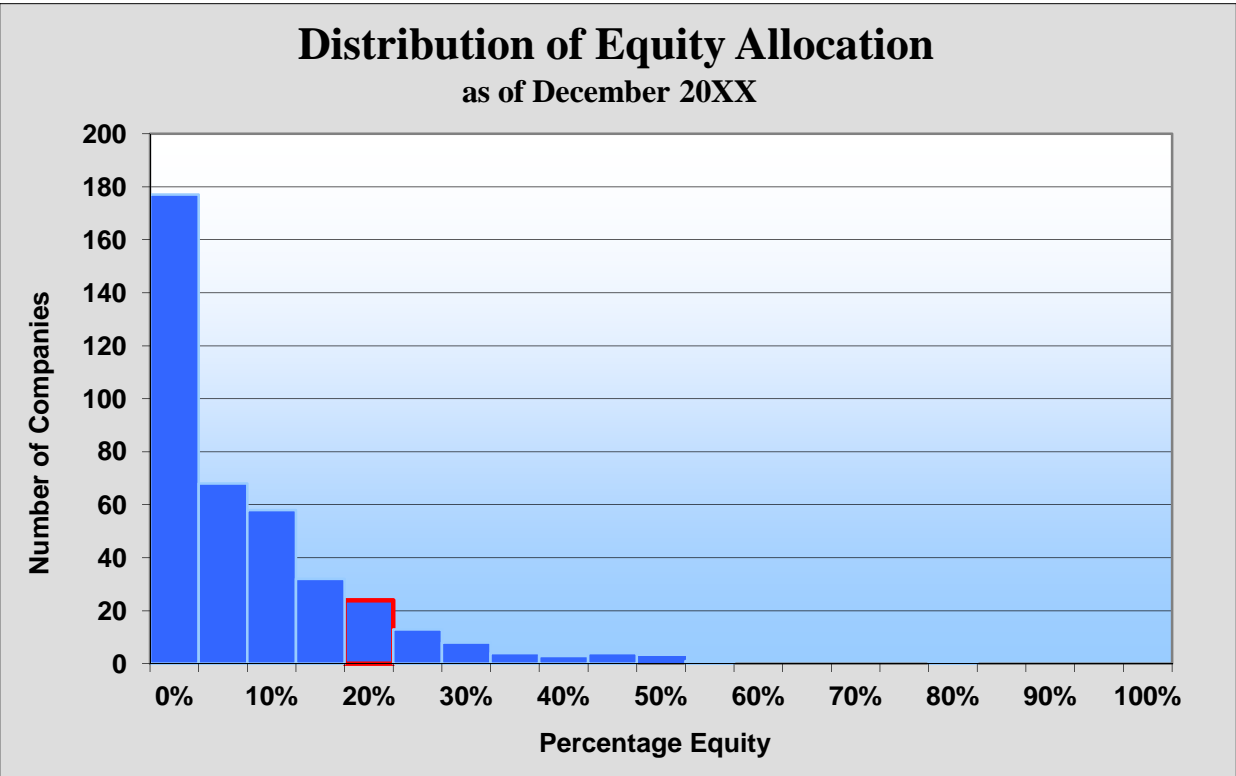
The above chart shows the distribution of xxxx surplus as a percent of investable assets for Custom Peer companies. The Sample Co.'s surplus was 47 percent of assets at the end of xxxx; the median surplus of the Custom Peer Group was 44 percent of assets at the end of xxxx.



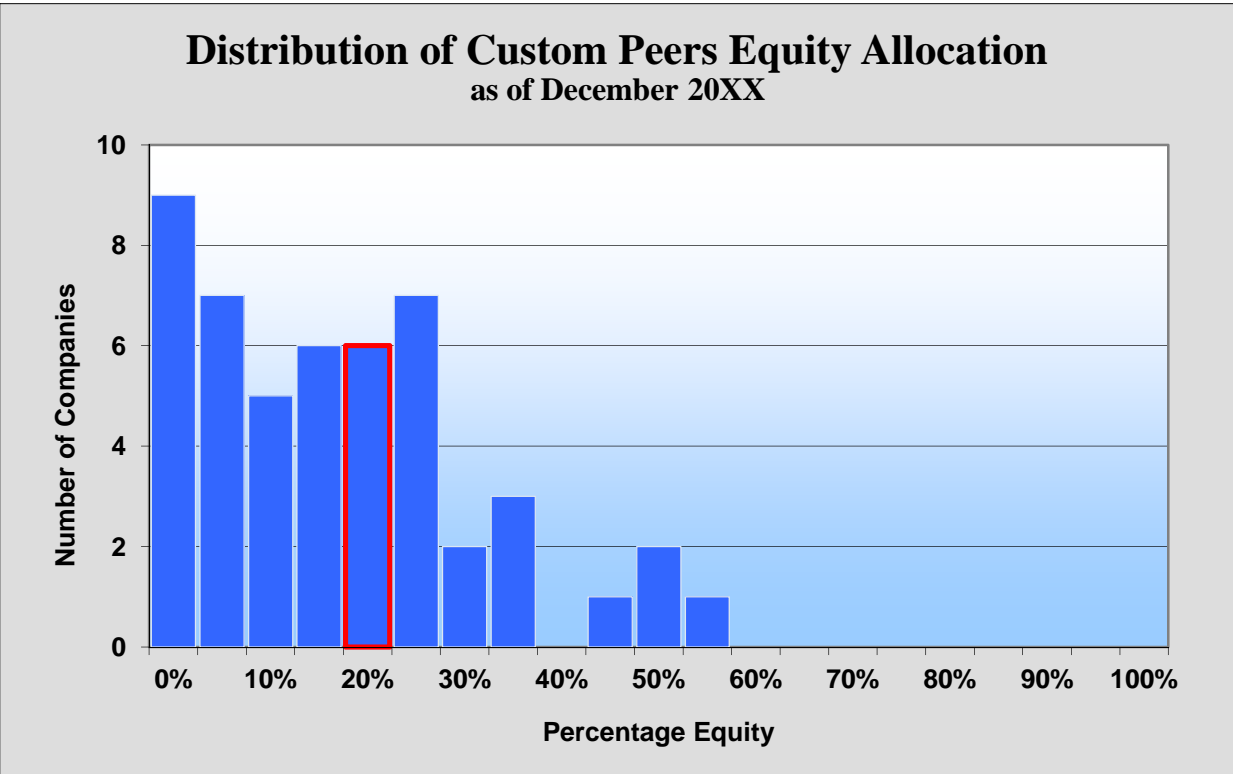
The above chart depicts the slight relationship between surplus as a percent of investable assets and total investment return. Both the broad population of property casualty companies and the Custom Peer subgroup of companies are shown. Only ten percent of total return is explained by surplus as a percentage of assets (R^2 of .10) in the overall population, but twenty-three percent is explained (R^2 of .50) in the Custom Peer Group.



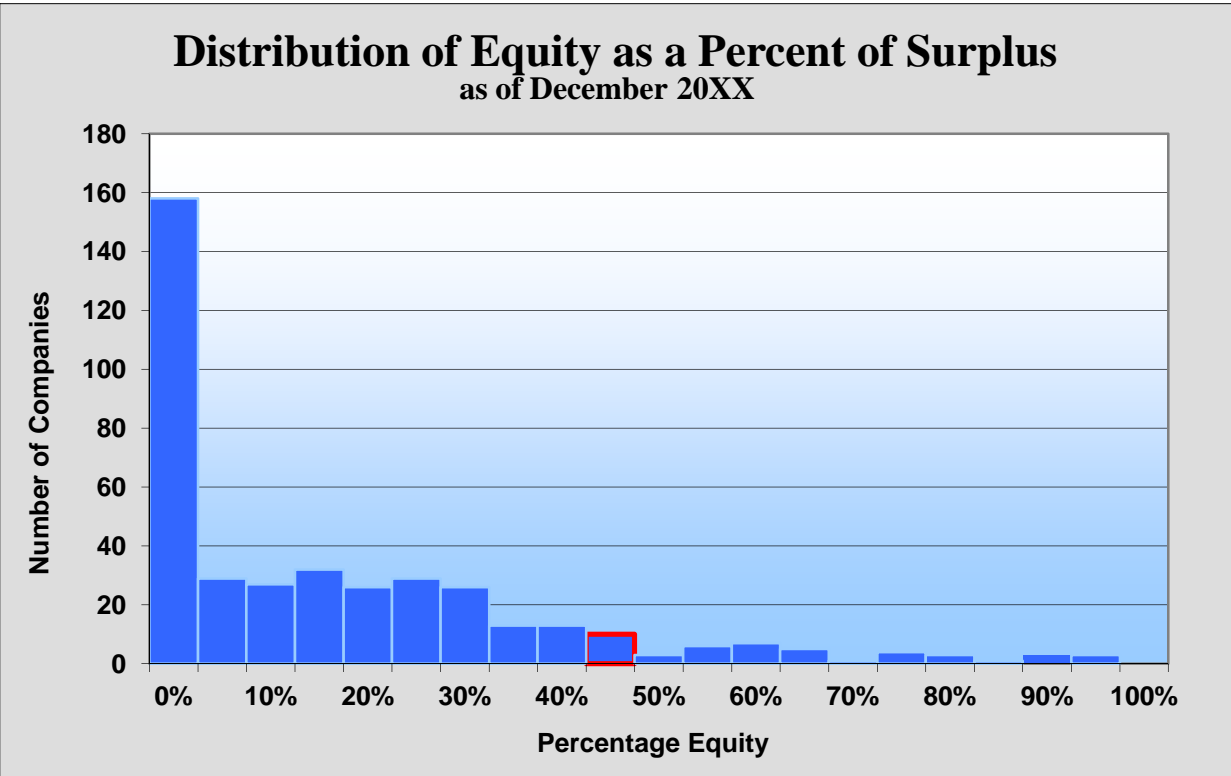
The chart above shows the distribution of average annual underwriting gains, over the last five years, for 400 property casualty companies. Underwriting gains exhibit an approximate normal distribution around zero percent.



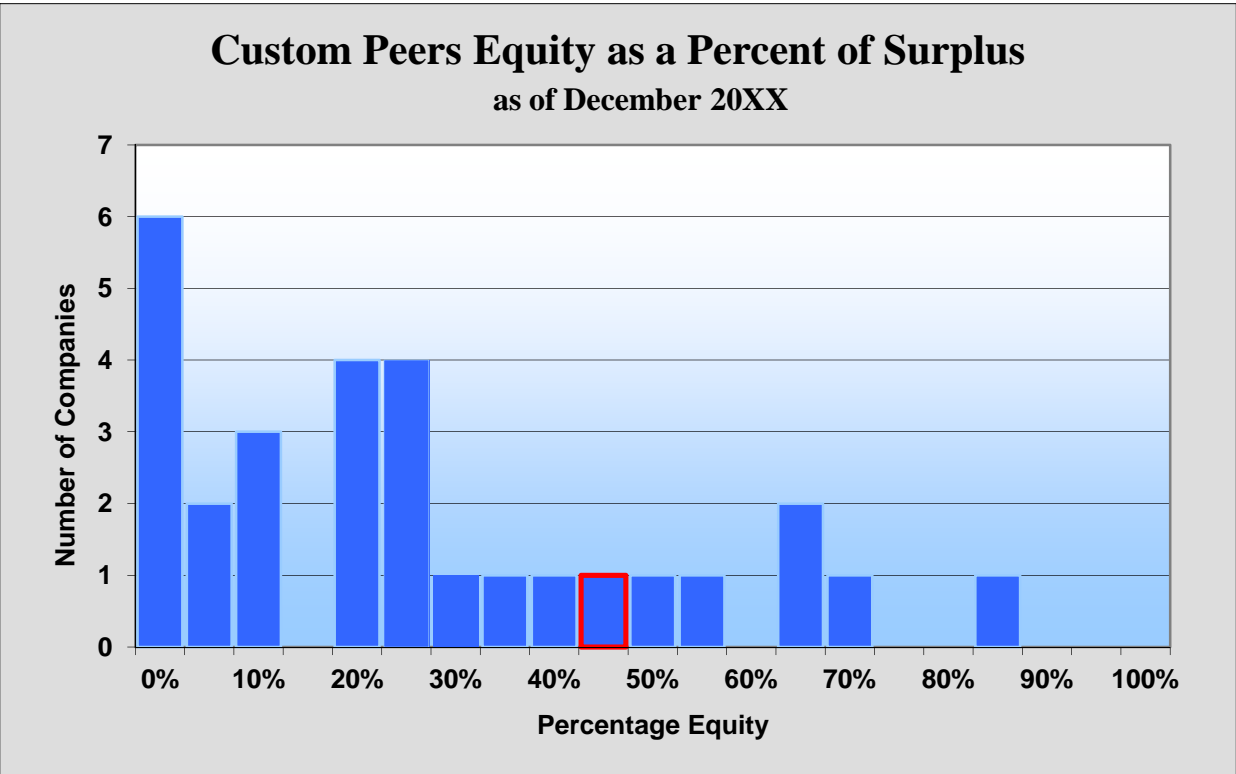
The chart above shows the distribution of (unaffiliated) equity commitment levels for the largest 400 property-casualty companies. The majority of companies had very low allocations to equity. The median equity allocation was five percent and 22 percent of companies had zero allocation to equity at the end of 20xx. Sample Co.'s equity allocation was 18 percent at the end of 20xx.



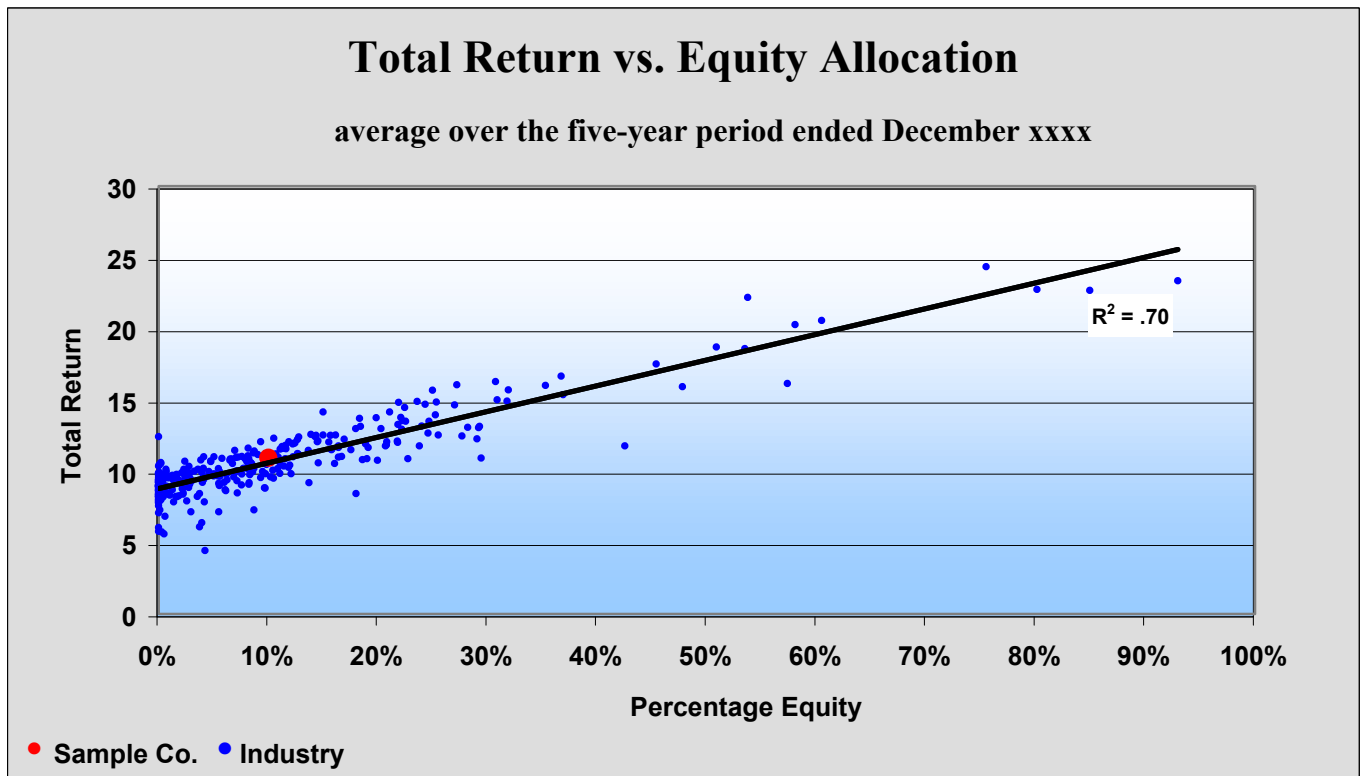
The chart above shows the distribution of 20xx equity allocation for the companies in the Custom Peer Group. Sample Co.'s equity allocation was 18 percent at the end of 20xx compared to the median of the Custom Peer Group of 22 percent.



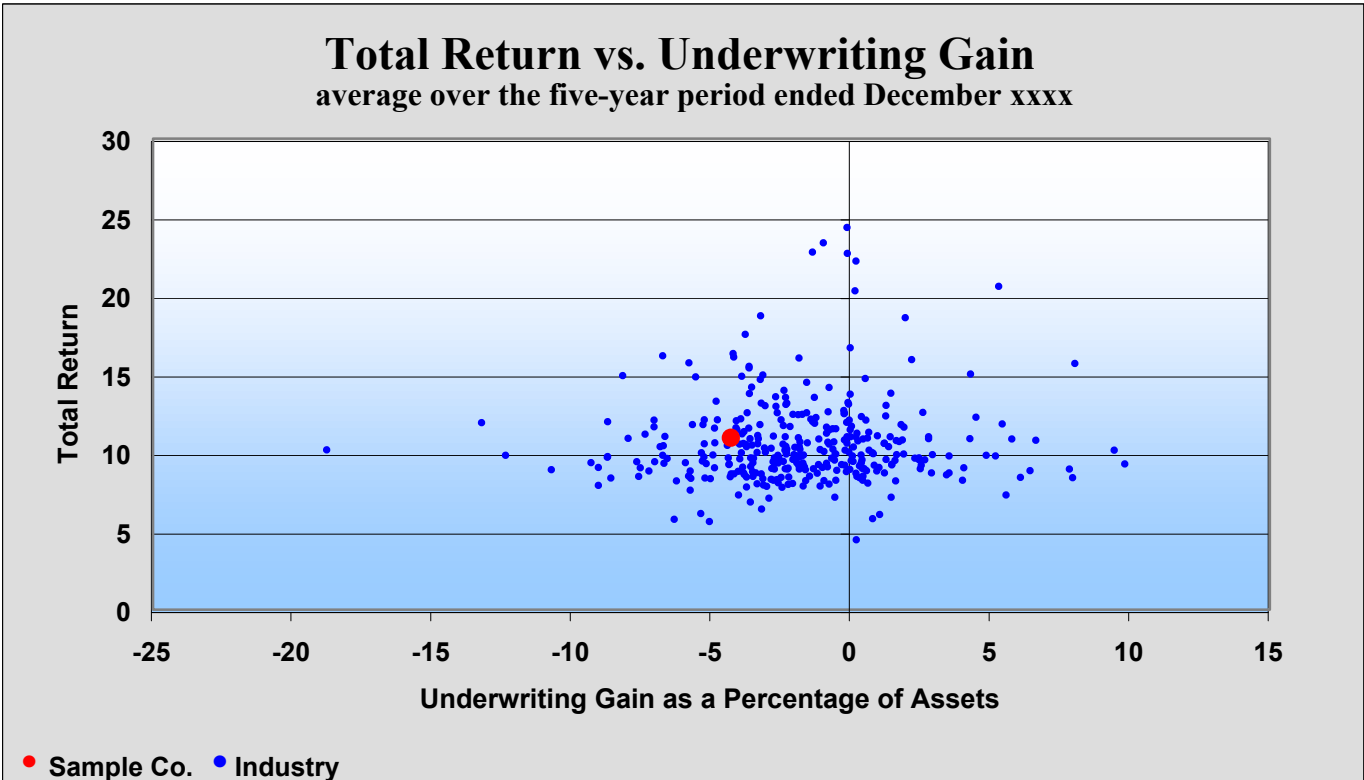
The chart above shows the distribution of (unaffiliated) equity commitment as a percent of surplus for 400 property casualty companies with assets of at least \$100 million. The majority of companies had very low allocations to equity. The median equity as a percent of surplus allocation was 10 percent at the end of 20xx. Sample Co.'s equity allocation as a percent of surplus was 45 percent at the end of 20xx.



The chart above shows the distribution of 20xx equity as a percent of surplus for the companies in the Custom Peer Group. Sample Co.'s equity allocation was 45 percent of surplus at the end of 20xx compared to the median of the Custom Peer group of 21 percent.



This chart shows the relationship between equity allocation and total return over the five-year period ending December xxxx. Average equity commitment level explains 70 percent (R^2 of .70) of total return over the last five years.



This chart describes the relative size and variability of underwriting gain as a percentage of assets and return on invested assets. As expected, most companies had underwriting losses which were offset by investment return.

APPENDIX

Methodology

Distribution of Investment Expense

Attribution Methodology

Custom Peer Group Company List

METHODOLOGY

This report includes total return and other investment performance related data for over 400 property casualty companies, each with investable assets of at least \$100 million. All performance data are calculated based on market values, net of affiliate investments, adjusted for cash flow, and are before tax. Tax-exempt bond income is grossed-up to a pre-tax equivalent using a 35% marginal tax rate assumption and net of the 15% dividend exclusion. This provides a meaningful comparison among fixed-income portfolios without the bias of tax advantages on municipal bonds. Individual property casualty companies with effective tax rates other than 35% will realize greater or lesser value with investments in tax-exempts.

ATTRIBUTION RELATIVE TO INDUSTRY SAMPLE

The Sample Company's total return for the five-year period ended December 2001 was 7.4. The property-casualty industry average return for the same period was 6.9. This difference of 0.5 percent is explained as follows:

Asset Allocation: The difference between The Sample Company's equity allocation and the industry average equity allocation multiplied by the difference between average equity return and average fixed income return.

$$\text{Asset Allocation} = (23.0 - 5.0) * (10.3 - 7.0) = 0.6 \text{ percent incremental return.}$$

Active Management: The difference between The Sample Company's return for equity and fixed income and the industry average return for equity and fixed income, weighted by The Sample Company's average allocation to each asset class over the time period.

Active Management

Fixed income	= 6.9 - 7.0	= -0.1
Equity	= 10.1 - 10.3	= <u>-0.2</u>
Total	= (.77*-0.1)+(0.23*-0.2)	= -0.1 percent incremental return.

Residual: The total difference in return less the explained difference.

$$\text{Residual} = 0.5 - (0.6 + -0.1) = 0.0 \text{ percent unexplained difference.}$$

ATTRIBUTION RELATIVE TO CUSTOM PEER GROUP

The Sample Company's total return for the five-year period ended December 2001 was 7.4. The peer group average return for the same period was 7.3. This difference of 0.1 percent is explained as follows:

Asset Allocation: The difference between The Sample Company's equity allocation and the peer group equity allocation multiplied by the difference between average equity return and average fixed income return.

$$\text{Asset Allocation} = (23.0 - 14) * (10.3 - 7.0) = 0.3 \text{ percent incremental return.}$$

Active Management: The difference between Sample Company's return for equity and fixed income and the industry average return for equity and fixed income, weighted by The Sample Company's average allocation to each asset class over the time period.

Active Management

Fixed income	= 6.9 - 7.0	= -0.1
Equity	= 10.1 - 10.3	= <u>-0.2</u>
Total	= (.77*-0.1)+(0.23*-0.2)	= -0.1 percent incremental return.

Residual: The total difference in return less the explained difference.

$$\text{Residual} = 0.1 - (0.3 + -0.1) = -0.1 \text{ percent unexplained difference.}$$

CUSTOM PEER GROUP

Company Name

Group Name

Peer Group Companies can be defined by the client or by

Peer Analytics based on criteria discussed with the client