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Thomas Gallagher, CFA
212-446-9439
Thomas.Gallagher@EvercoreISI.com
Glenn Schorr, CFA
212-653-9045
glenn.schorr@evercoreisi.com
Kaimon Chung, CFA
212-653-9019
kaimon.chung@evercoreisi.com
Nicolas Lu
212-497-0812
Nicolas.Lu@evercoreisi.com

Alternative Managers and Life Insurance Convergence – Thoughts on Valuation, Growth, Competition, and Regulation

Following the continuation of a busy period of alternative managers increasing exposure to the life insurance space, this report focuses on what we think it means for the competitive environment for life insurers and valuation implications for both sectors. With KKR announcing the buy-in of the remaining 37% of Global Atlantic (GA), the closing of sizable risk transfer deals between Fortitude Re / LNC and MET / GA, the acquisition of AEL by Brookfield, NWLI by Prosperity Life Group (Elliott affiliate), and recent comments by TPG that they have an interest in expanding their presence in life insurance, we think the convergence trend of alt managers moving into life insurance is alive and well.

In terms of implications for traditional life insurers, we view it as a near-term positive, though likely developing into a medium-term negative. The clear positive is that the alt-owned insurers are offering attractive exit multiples on certain types of spread and other capital-intensive liabilities like VA and even SGUL in some cases, which has helped traditional insurers accelerate business mix pivots in favor of capital light strategies. With the average alternative manager trading at around 19x, or about 14x for the ones with larger life insurance balance sheets, vs. the average life insurer at 7x, or 5x for the lifecos with the bigger balance sheets, this valuation arbitrage gap is wide enough to allow more deal activity, in our view.

The medium-term negative is the alt managers are becoming bigger competitors in the retail annuity space, institutional lines like PRT, and asset intensive global reinsurance. For Alt managers, we think the vanilla liability focus (ex CG) combined with some asset origination advantages (notably for APO) will likely allow them to generate better growth and returns over time than most traditional life insurers. After a deeper dive into the competitive landscape (including market share data by product), however, this excess growth may be limited by 1) distribution mix shift from DOL retirement proposal; 2) a narrower spread of net vs. gross yield advantage; and 3) the influence of mutual insurers and other alt partnership deals. Please see our full report for more details.

The continued push by alternative managers into the life insurance space

While APO, KKR, CG, and BX are the high profile and biggest players in the space, recent transactions by Brookfield and Prosperity Life (an Elliott Management affiliate) of publicly traded annuity companies and recent commentary by TPG suggest the landscape of alternative managers that own life insurers will continue to broaden. Going forward, the life insurance stocks that could garner outsized benefits associated with strategic partnerships, risk transfer, or even M&A over time include CRBG, LNC, and even BHF, in our view.

The recent DOL retirement secure rule proposal might create some sales challenges for some of these companies that have a large presence in IMO distribution channels, which could be negatively impacted, but distribution and product broadening should soften the blow. There have been some questions and concerns as to what the evolving Bermuda regulatory framework may mean for PE-backed insurers as Solvency II standards are adopted in ’24. Our understanding is that changes to reserving practices, which disallow the assumed portfolio repositioning as the baseline for a discount rate and instead uses actual portfolio yield, will create a greater focus on the assets being transferred being liquid enough to be more quickly sold and repositioned, i.e., more cash and fewer long-term bonds. While this may result in some changes in the assets being transferred, and this probably led to the delay in the LNC / Fortitude deal closing, it should not lead to a major change in Bermuda remaining a favorable jurisdiction vs US statutory standards.

Speaking of US statutory standards, changing regulation for CLOs will be implemented in 2024 on the lowest rated tranches and next could come higher risk charges to more medium quality CLOs, which could impact excess capital for some.

The broadening of the risk transfer market outside of just retail spread products has been an important positive development for the life insurance sector and has now included variable annuities, SGUL life insurance, and most recently even a long-term care risk transfer deal. It is worth noting, however, that the publicly traded alt insurers, while being involved in many of these deals, are ultimately not the ones bearing the risk of the more complex liabilities. The participation of KKR in the recent long term care risk transfer deal with MFC was that of a fronting company, who passed through the risk to a global reinsurer (while retaining more vanilla risk like Japan whole life insurance themselves). The VA deals have largely been done by private insurers, such as Venerable, which is affiliated with but not owned by APO. The alt affiliated insurer that has done the most non-standard deals is CG. While CG entities own around 70% of Fortitude, it is worth noting that the parent company’s direct ownership is only 10.5%, with other third-party investors owning the majority of the insurance business.

What do we think about the different approaches by the alts managers to life insurance business

At a high level, the vanilla liability focus – a focus on asset intensive spread products, and optimizing risk adjusted yields through greater allocations to less liquid investments – makes sense and will likely allow the alt managers to generate better growth and returns over time than most traditional life insurers, in our view. We think many traditional life insurers have operated under a risk aversion lens on the asset side, and probably sacrifice some total return over the cycle, and so the relatively higher investment risk strategy being taken by some of the alt managers seems like prudent incremental risk taking and not “gunning it” by stretching for yield. For instance, when we have looked at commercial mortgage loans, the alt managers have been willing to underwriting at something closer to 2.0x debt service coverage and 60% LTVs, vs. the traditional insurers who have been closer to 2.5x DSC / 50% LTVs. Both strategies are probably fine, and ironically, whether you wrote at 2.0x or 2.5x DSC may not matter as much as whether you underwrote office or industrial loans.

The approaches taken so far by the alt managers varied between the full ownership approach taken by APO and KKR to the strategic partnership deals with core equity stakes approach from BX (CRBG and Resolution) and the majority ownership by managed funds approach by CG. We see the longer-term strategic benefits to the full ownership approach taken by APO and KKR being the most seamless, though it needs to be balanced by the impact on valuation by owning a balance sheet and capital-intensive insurance company. APO and KKR both have meaningful sales and distribution platforms and are growing organically vs. the pure closed block, with no sales approach by CG with Fortitude Re. For CG to grow, it relies on chunky inforce deals to recur, while APO and KKR can continue to grow even in the absence of inforce deals given their organic growth. BX should generally have a growing future fee stream as well, as its two partners, CRBG and FG are both growing organically, while Resolution, like Fortitude, has grown through in force transactions.

When thinking about the goal of these insurance businesses of generated FRE, the CG current construct seems to have greater limitations at the moment with only around 20% of the Fortitude Re assets targeted to be managed in CG funds. BX, for equity stakes in CRBG of around $1.3bn (original investment of over $2bn) and $500mm for Resolution, currently has over $178bn in insurance AUM (we estimate $65bn of CRBG, $25bn of Resolution, $40bn of FG, and $26bn for Allstate Life). BX arguably has come away with the best outcome so far, as its "investment" or own capital contributed, has resulted in FRE generating assets of over 50x its investment, assuming the Allstate Life deal of $2.4bn was funded by an entity not directly owned by BX (Everlake Life Insurance Company). With the highest assets to equity leverage allowed under the insurance capital model being around 20-25x, even with the use of sidecars, so far, the BX approach has yielded more FRE return than the 100% ownership model, in our view. To be fair, this has come with some associated "cost" that some of the others have not yet experienced, such as the sizable markdown of its CRBG equity stake vs. its purchase price. We would argue that the NPV of the FRE will far outweigh this mark down of this investment, but it's still an adjustment worth factoring in.

How insurance results have been for the wholly owned and affiliated insurance companies

Overall, we see PE backed and affiliated insurers posting strong new business volume as well as ROEs in the low teens range. While growth in invested assets can be volatile in any given year, most companies have been able to also demonstrate book value growth over time. Within this group, we see Athene and Global Atlantic have been able to generate higher returns, while AEL has gained more recent momentum as it executes its strategy of increasing portfolio allocation to private assets.

We also note that CG marked the carrying value of its investments in Fortitude at $595mm as of 3Q23, representing 1.05x its equity invested of $565mm. Meanwhile, KKR transacted both of its GA deals at 1.0x book value, while APO acquired ATH (and formerly Aviva US) at a discount. At 10.5% ownership we view CG's valuation of Fortitude to be around $5.7bn, which is also at a premium to both total stat capital and surplus ($4.2bn) and GAAP BV (-$1.9bn) as of YE22.

Figure 1: Financial performances of PE owned and affiliated life insurers

Adjusted book value	3Q23	FY22	FY21	FY20	FY19	FY18
Athene	19,089	16,653	14,803	11,232	9,445	8,823
Global Atlantic	7,189	6,936	4,638	4,574	4,113	3,476
Fortitude		(1,945)	4,623	4,835	5,755	2,113
Resolution Life		5,726	5,360			
F&G	5,412	5,223	4,201	2,877	2,200	1,421
AEL	3,224	3,143	3,499	3,280	2,672	2,452
CRBG	24,221	23,437	21,626	26,804	25,446	

Invested assets growth	3Q23	FY22	FY21	FY20	FY19	FY18
Athene	5.9%	12.0%	16.7%	27.8%	5.8%	
Global Atlantic	2.4%	14.6%	30.7%	15.7%	16.2%	
Fortitude		(1.7%)	0.7%	5.6%	9.3%	
Resolution Life		(20.5%)				
F&G	13.2%	6.4%	24.8%	11.4%	17.0%	
AEL	(13.1%)	(15.0%)	12.6%	(5.8%)	15.1%	
CRBG	(1.5%)	(14.1%)	(1.5%)	9.0%		
Median	2.4%	(1.7%)	14.7%	10.2%	15.1%	

Implied return on adjusted BV	3Q23 LTM	FY22	FY21	FY20	FY19	FY18
Athene	16.3%	15.3%	18.2%	10.2%	14.2%	13.9%
Global Atlantic	15.9%	14.8%	23.6%	14.9%	15.9%	16.6%
Fortitude		NM	(2.5%)	36.6%	61.7%	(24.6%)
Resolution Life		9.1%	5.7%			
F&G	10.0%	8.0%	8.0%	15.0%		
AEL	18.6%	9.7%	10.1%	2.3%	21.4%	18.6%
CRBG	11.3%	9.1%	12.6%	9.8%	11.6%	
Median	15.9%	9.4%	10.1%	12.6%	15.9%	15.3%

Note: [1] Represents net income (loss) less comprehensive loss

Source: Company Data, Evercore ISI Research

Figure 2: Carrying / deal value vs. cost / book value for life / annuity businesses

APO / ATH at 03/08/21 merger announcement	0.87x
APO / ATH at 01/03/22 merger close	0.81
APO / Aviva US	0.60
KKR / GA at 11/29/23 transaction	1.00
KKR / GA at 06/09/20 transaction	1.00
CG / FGH as of 3Q23	1.05

Source: Company Data, Evercore ISI Research

ALM risks

The ALM risk on spread products received a lot of attention after the regional banking crisis unfolded earlier in 2023. We generally view this as a manageable risk for most companies, despite certain older fixed annuities have seen fairly notable increase in net outflows and surrenders over the last year or so.

The growth in institutional liabilities like funding agreements creates a bit more of a challenge potentially if we get into a greater credit and economic downturn, as companies will need to have enough liquidity to meet those lumpy contractual maturities. On the retail side, if a company gets into financial difficulty and receives ratings downgrades, it's possible to see a run on the bank type of spiral, but these situations are few and far between. The last time that some larger companies had "runs" were in 1999, which weren't retail-driven, but rather were driven by institutional funding agreement puts that were exercised and created ALM insolvencies for ARM

Financial and General American. Those 7-day put contracts are not offered in funding agreements anymore by insurers, which materially lessens the risks in our view.

Figure 3: Net flows for traditional insurers vs PE backed insurers

Company	3Q23	2Q23	1Q23	4Q22	3Q22
CRBG - fixed annuities	(10.3%)	(8.5%)	(0.7%)	(3.1%)	(1.9%)
CRBG - FIA	16.9%	19.4%	18.3%	15.6%	17.7%
CNO - FIA	6.3%	7.2%	6.1%	9.1%	9.0%
LNC - FA	(2.8%)	(7.1%)	7.3%	9.2%	9.3%
LNC - RILA	15.5%	18.7%	20.8%	25.9%	28.2%
Traditional insurer median	**6.3%**	**7.2%**	**7.3%**	**9.2%**	**9.3%**
AEL	0.1%	(0.6%)	(4.3%)	(5.2%)	(4.8%)
APO / ATH	4.6%	20.7%	11.5%	0.5%	14.0%
PE backed insurer median	**2.3%**	**10.0%**	**3.6%**	**(2.4%)**	**4.6%**

Source: Company Data, Evercore ISI Research

Why are alternative managers so attracted to the life insurance business, and how big is the yield advantage from origination platforms?

Part of the allure of the life insurance business to the alt managers, is the belief that they can earn better risk adjusted returns than most traditional lifecos over the cycle and can use that advantage to price annuities more aggressively and grow faster. To the broader business model advantage, they like the permanent capital advantage of having their owned insurers investing in the private credit and private equity businesses vs 3rd party investors who invest in funds that typically have an 8-year life span.

In terms of the origination platform advantage, as APO recently demonstrated at its investor event, they believe that owning several asset originators gives them a unique advantage that they expect can be translated into excess risk adjusted returns and growth over time. While APO highlighted that they believe they are generating excess spreads of 100-200 bps vs. comparable public corporates, the approximate 7% yield they are garnering on these strategies is likely leading to new money yield advantages of around 25-50 bps overall vs. traditional life insurance peers when comparing new money yields and overall portfolio yield disclosures.

Figure 4: Yield and spread trends over time

Investment yields	3Q23	2Q23	1Q23	4Q22	3Q22
CRBG - fixed annuities	4.97%	4.92%	4.65%	4.48%	3.92%
CRBG - FIA	4.77%	4.69%	4.30%	4.17%	3.69%
CNO - FIA	4.45%	4.36%	4.30%	4.30%	4.20%
LNC	4.15%	4.16%	4.18%	3.98%	3.67%
Traditional insurer median	**4.61%**	**4.53%**	**4.30%**	**4.24%**	**3.81%**
AEL	4.69%	4.42%	4.48%	4.30%	4.48%
APO / ATH	4.76%	4.69%	4.25%	4.19%	3.58%
KKR / GA	4.39%	4.18%	4.17%	4.16%	3.69%
PE backed insurer median	**4.69%**	**4.42%**	**4.25%**	**4.19%**	**3.69%**

Investment spreads					
CRBG - fixed annuities	2.00%	2.03%	1.83%	1.77%	1.21%
CRBG - FIA	2.71%	2.74%	2.51%	2.51%	2.14%
CNO - FIA	2.67%	2.67%	2.70%	2.76%	2.72%
LNC	1.41%	1.57%	1.69%	1.60%	1.43%
Traditional insurer median	**2.34%**	**2.35%**	**2.17%**	**2.14%**	**1.78%**
AEL	2.73%	2.57%	2.69%	2.54%	2.73%
APO / ATH	2.14%	2.13%	2.08%	1.95%	1.81%
KKR / GA	1.78%	1.57%	1.75%	1.87%	1.54%
PE backed insurer median	**2.14%**	**2.13%**	**2.08%**	**1.95%**	**1.81%**

Company	3Q23	2Q23	1Q23	4Q22	3Q22
CRBG - fixed annuities	(10.3%)	(8.5%)	(0.7%)	(3.1%)	(1.9%)
CRBG - FIA	16.9%	19.4%	18.3%	15.6%	17.7%
CNO - FIA	6.3%	7.2%	6.1%	9.1%	9.0%
LNC - FA	(2.8%)	(7.1%)	7.3%	9.2%	9.3%
LNC - RILA	15.5%	18.7%	20.8%	25.9%	28.2%
Traditional insurer median	**6.3%**	**7.2%**	**7.3%**	**9.2%**	**9.3%**
AEL	0.1%	(0.6%)	(4.3%)	(5.2%)	(4.8%)
APO / ATH	4.6%	20.7%	11.5%	0.5%	14.0%
PE backed insurer median	**2.3%**	**10.0%**	**3.6%**	**(2.4%)**	**4.6%**

Source: Company Data, Evercore ISI Research

Positive for risk transfer, negative for competition

In terms of how the alternative managers are impacting traditional life insurers, we see them as having been more of a positive than a negative to date, as the benefits of paying better private market values for certain life and annuity blocks vs what public markets imply has outweighed the pricing pressure they have created as aggressive new entrants. It is also worth noting that they are not yet that disruptive to the RILA space, where they have pretty small market share and EQH is a leader. They have been more impactful to the FA and FIA markets, both through IMO and broker deal channels.

We also note PRU setting up its own closed block vehicle Prismic, represents a new competitive threat to future alt owned insurer growth, not because we expect PRU to win many if any third-party mandates, but more because PRU still probably has some sizeable deal activity left to do on its own, and this could spur some other traditional insurers to consider similar sidecar vehicles.

Figure 5: Select precedent transactions in life / annuity space

Date	Acquiror	Seller	Deal value	Block size	Implied multiples to NTM EPS	Implied multiples to BV ex-AOCI
12/11/23	Global Atlantic / Third party global reinsurer	Manulife	888	9,615	9.5	1.00
11/29/23	KKR	Remaining 37% of Global Atlantic	2,700	-	-	1.00
10/09/23	Prosperity Life	National Western Life Group	1,900	-	19.3	0.74
07/24/23	Somerset Re	Prudential	450	12,500	-	-
07/05/23	Brookfield	American Equity	4,300	-	8.1	1.45
05/25/23	Global Atlantic	MetLife	3,250	19,200	16.3	-
05/24/23	Constellation	Prudential	650	10,000	13.0	-
05/17/23	Resolution Life	Zurich - Farmers New World Life	-	-	-	-
05/02/23	Fortitude Re	Lincoln	-	28,000	-	-
12/08/22	Elliott / Prosperity Life	Unsolicited offer for AEL	3,868	-	9.0	0.82
11/15/21	Venerable	Manulife	2,000	-	10.2	-
09/15/21	Fortitude Re	Prudential - PALAC	2,200	31,000	8.9	-
08/09/21	Brookfield	American National	5,100	-	22.7	0.76
07/21/21	Great West / Empower	Prudential - Full-service Retirement	3,550	-	8.1	1.50
07/14/21	Blackstone	AIG - 9.9% Equity Stake in L&R	2,200	-	-	-
03/29/21	Wilton Re	Allstate - ALNY	220	-	-	-
03/08/21	Apollo	Athene	11,000	-	6.0	0.87
01/26/21	Blackstone	Allstate - ALIC	2,800	23,000	6.0	-
10/27/20	Venerable	Equitable	1,200	-	8.0	-
10/19/20	Brookfield	20% minority investment in AEL	3,389	-	8.0	1.02
10/01/20	Athene / MassMutual	Unsolicited offer for AEL	3,297	-	7.8	0.99
09/08/20	Great West / Empower	MassMutual - Retirement Services	3,350	-	9.3	-
07/08/20	KKR	Global Atlantic	4,400	-	-	1.00
12/18/19	Resolution Life	Voya - Individual Life	1,700	-	-	-
04/09/19	Principal	Wells Fargo - Institutional Retirement & Trust	1,200	-	10.0	-
Median					**9.0x**	**1.00x**
Mean					**10.6x**	**1.01x**

Source: Company Data, Evercore ISI Research

How we think about relative value between alternative managers vs life insurers

Alternative mangers currently trade at a sizable premium to life insurers at 19.5x 2024 P/E vs life insurers at around 7.5x. If we narrow down to alt managers with sizable life ops vs lifecos with larger general account balance sheets, the multiples fall to 14x and 5.5x, respectively.

A main investor concern related to the push by alt managers into insurance is whether the shift into more capital and balance sheet intensive business will compress the valuation and offset much of the strategic and financial benefits of owning life insurance businesses. While this is a multi-dimensional question and not easily answered by a single factor model, we think isolating the most important factor, on balance sheet investment risk, can help illustrate the valuation implications of scaling the insurance ops for an alt manager.

The exhibit below shows our estimates for both total general account and risk assets within the general accounts and compares it to market cap across selected alt managers and larger balance sheet lifecos. Even after overlaying the material increase in balance sheet size and the higher risk investment portfolios, the alts owned insurers still have a lower exposure to risk assets as a percentage of market cap by nearly a factor of 4x. On an earnings basis, the gap narrows, but risk assets as a percentage of earnings are still quite a bit lower for the alt managers vs. the traditional life insurers by around 50%, which implies to us that the current premium that the alts currently trade at makes directional sense, even before considering other reasons the SOTP valuation argument for the alts should add additional spread over the life insurers.

If we consider that the balance sheet light alt managers like BX, ARES, and TPG currently trade at a 20x ’24 P/E, and assume that’s a reasonable valuation for the non-insurance earnings for the group, and then apply an average 7-8x P/E to the insurance ops, this would imply that KKR’s rough split of 80/20 for non-insurance vs. insurance earnings (also includes fee income associated with insurance AUM) would warrant a 18x P/E, roughly in line with its current valuation. It’s unclear whether the 20x vs. 7x spread will be a more durable valuation spread between these different businesses, but the strong secular growth and low capital intensity of the non-insurance businesses of the alt managers should warrant a major premium over the foreseeable future. Will the potential better growth prospects and generally cleaner liability structures of the alt managers warrant a premium for their insurance ops (over the 7-8x P/E average for traditional life insurers currently) fueled in part by some asset origination advantages? Potentially, but the generally higher asset risk profile will likely limit any size of a valuation uplift in our view.

We also note that not all alt managers have chosen the lower liability profile route, as CG in particular has executed 2 deals with businesses that carry a greater level of tail risk in VA with living benefits (PALAC deal with PRU) and some SGUL exposure, in the case of the LNC deal. But we view CG as somewhat of a special situation because its 71% stake in Fortitude Re is technically owned within a fund and not at the corporate level. We think many investors likely view the economic exposure still resting with CG for Fortitude Re on the 71% stake, despite the fact that shareholders of CG technically only own 10.5% of Fortitude Re. We think the reality is somewhere in between 10.5% and 71%, as the strategic importance of Fortitude Re to CG suggests its economic exposure is above that implied by a 10.5% stake in the event that capital needs arise in the future. Still, because the CG holding company only technically owns 10.5% of Fortitude Re, AIG 2%, and its LPs and partners owning 87%, the liability risk isn't the same as it is for APO and KKR, who have chosen to now own 100% of the insurance liabilities, a decision made easier by their preference for simple / vanilla liabilities.

Figure 6: Trading comparables for life insurers and alt managers

US life insurance	Price	P / 2023 EPS	P / 2024 EPS
American Equity Investment Life	$55.58	7.7x	7.8x
Aflac	82.61	13.1	12.9
Ameriprise Financial	356.29	12.0	10.8
Brighthouse Financial	52.61	3.4	3.0
CNO Financial	26.87	9.6	8.8
Corebridge Financial	20.41	5.0	4.1
Equitable Holdings	31.26	6.8	5.2
Globe Life	123.34	11.7	10.8
Jackson Financial	48.40	3.5	3.1
Lincoln National Corp.	24.13	4.3	3.4
Manulife Financial Corporation	19.72	8.1	7.5
MetLife	63.76	8.5	6.9
Principal Financial Group	74.53	11.6	10.1
Prudential Financial	97.74	8.3	7.3
Reinsurance Group of America	163.48	8.4	8.5
Sun Life Financial	50.99	11.2	10.4
Unum Group	43.08	5.6	5.5
Voya Financial	71.45	9.6	8.1
US life insurance median		**8.3x**	**7.6x**

Alt managers		P / 2023 EPS	P / 2024 EPS
Apollo Global Management	$92.70	15.1	13.3
Ares Management Corporation	111.81	30.6	22.9
Brookfield Asset Management	36.06	26.6	23.3
Blackstone	114.28	45.0	26.1
The Carlyle Group	35.18	14.5	10.8
KKR & Co.	74.87	26.2	18.4
TPG	35.44	27.2	19.5
US alts managers median		**26.6x**	**19.5x**

Note: alternative asset managers P/E multiples adjust for equity based compensation

Source: FactSet, Evercore ISI Research

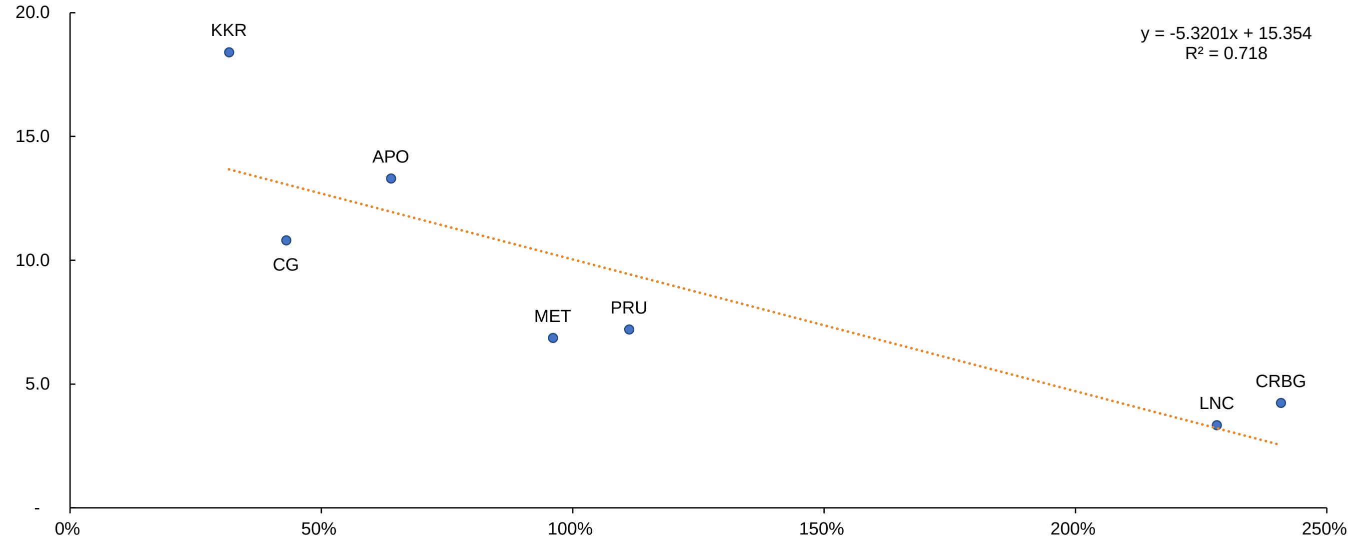
Figure 7: Valuation vs on balance sheet investment risks

				YE22 risk assets[1]		
Company	**GA investments**	**Market cap**	**GA / market cap**	**Amount**	**% of GA**	**% of market cap**
Apollo Global Management	208,095	51,437.5	4.0x	32,842	15.8%	63.8%
The Carlyle Group[2,3]	37,183	12,422.2	3.0	5,342	14.4%	43.0%
KKR & Co.[4]	149,881	61,401.9	2.4	19,410	13.0%	31.6%
Alts median			3.0x		14.4%	43.0%
Corebridge Financial	216,910	13,238.9	16.4	31,887	14.7%	240.9%
Lincoln National Corp.[3]	104,495	4,066.8	25.7	9,276	8.9%	228.1%
MetLife[4]	416,462	46,772.6	8.9	44,920	10.8%	96.0%
Prudential Financial[5]	359,566	34,616.3	10.4	38,497	10.7%	111.2%
Life insurance median			17.3x		9.8%	162.1%

Note: [1] Represents YE22 statutory results, please refer to our report "Assessing Investment Risk for Life Insurers" published on 6/20/23 for more details; [2] Assume CG risk assets as a % of GA in-line with peers, and applying a illustrative haircut to GA investments as part of its ownership structure; [3] Pro forma for $28bn of ULSG, MoneyGuard, and fixed annuity liabilities reinsured from LNC in 2023; [4] Pro forma for $19.2bn life insurance and fixed annuity reinsurance transaction for KKR / MET in 2023; [5] Represents PFI excluding Closed Block Division

Source: Company Data, Evercore ISI Research

Figure 8: Regression between on balance sheet investment risks vs P / 2024 EPS



Source: FactSet, Company Data, Evercore ISI Research

What about FRE

Another question worth considering is how to think about the more balance sheet intensive insurance spread earnings vs. the fee stream of earnings that are garnered by the asset management capabilities of the alt managers for their insurance ops, and whether the FRE earnings contributions will warrant a premium vs. the 7-8x P/E that lifecos have been limited to.

We note there are plenty of examples of insurance companies that have asset management arms that manage both the insurance ops general account and third-party investor funds as well, such as EQH, PRU, PFG, VOYA, MFC, VOYA, SLF, MET, and AMP. Only those who have much lower sized general accounts and capital at risk, such as AMP, SLF, and PFG have been awarded valuation multiples well above the life sector average of 7-8x, while the rest of the pack continues to be constrained. Net / net it appears to us that the 7-8x should generally be reflective of both the life insurance spread earnings and the FRE associated with the insurance assets for the alt managers.

Sales and market share trends in retail annuity space

Sales of retail spread products across the life insurance sector have soared higher over the last several years as the increase in interest rate levels have made these products more attractive. While surrenders also picked up across the industry, particularly for older fixed deferred annuities with minimal surrender charges, we believe the surge in deposits has exceeded the surrender pickup overall. A look at some of the LIMRA sales and market share data shows that deferred fixed annuities have surged YTD through Sept 2023 across the industry, and now represent the biggest retail annuity product by a wide margin at $77bn of industry sales, well above FIAs ($62bn) and RILAs ($34bn). The biggest market share shift we have seen in '23 has a big ramp-up by Athene (APO) in the deferred fixed annuity space, with almost $14bn in 9 mo sales, on pace to almost double its '22 volumes and putting ATH as the clear market share leader in that product, and well above the prior market share leaders, mutuals NY Life and MassMutual. This led to Athene taking a step back in the FIA market, where Allianz regained the lead with the most YTD '23 sales, with ATH and CRBG running a closer 2nd and 3rd place. Global Atlantic has seen more gradual growth across both the FIA and fixed annuity space over the last several years, remaining in the middle of the pack in terms of market share.

A look across the fixed deferred and the FIA space shows us that CRBG is really the only larger publicly traded traditional life insurer selling those products (though Allianz Life is part of European giant Allianz and the smaller FG is a top 10 player in both products), while the RILA space has become the main product of choice for the traditional insurers that used to focus on VA with living benefits. EQH and BHF were among the early adopters of this product, and EQH gained a commanding market share lead since the beginning of '22, while BHF, PRU, LNC, AMP, and JXN have all made this the main retail annuity product of focus (though JXN continues to sell VA with living benefits and LNC has done a fair amount of FIA sales as well).

One of the big, longer-term questions for the industry is if the origination platforms for private credit represent an advantage for the alt managers, and if they can turn that advantage into a higher sustained growth rate over the next several years, as higher risk adjusted new money yields leads to higher crediting rates thus higher growth rates, all else equal. While that's sounds reasonable in theory, in reality, the main players that the alt managers are competing against in the retail space include two companies, CRBG and AEL, who are now partnered with major alt managers (BX and BAM), and 3 big mutuals NY Life, MassMutual, and Nationwide each of whom likely has lower return hurdles and enough excess capital to take on some investment risk. Thus, we think this will make the structurally higher growth argument a higher hurdle to clear.

Figure 9: Sales and market share trends over time – FIA

Rank	Company	3Q23 YTD	Company	FY22	Company	FY21	Company	FY20
1	Allianz Life of North America	8,544,233	Athene Annuity & Life	10,069,119	Athene Annuity & Life	7,678,614	Athene Annuity & Life	5,846,106
2	Athene Annuity & Life	7,593,590	Allianz Life of North America	8,193,195	Allianz Life of North America	6,878,095	Allianz Life of North America	5,016,919
3	Corebridge Financial	6,869,579	Corebridge Financial	6,689,473	Corebridge Financial	5,969,207	Corebridge Financial	4,542,675
4	Sammons Financial Companies	5,437,273	Sammons Financial Companies	5,567,141	Fidelity & Guaranty Life	4,309,179	Sammons Financial Companies	3,743,678
5	American Equity Investment Life	5,055,656	Fidelity & Guaranty Life	4,550,211	Sammons Financial Companies	4,255,953	Fidelity & Guaranty Life	3,458,101
6	Nationwide	4,435,100	Massachusetts Mutual Life	4,375,100	American Equity Investment Life	3,449,456	Global Atlantic Financial Group	3,071,197
7	Security Benefit Life	3,893,291	Global Atlantic Financial Group	4,151,070	Global Atlantic Financial Group	3,365,027	Nationwide	2,935,700
8	Fidelity & Guaranty Life	3,558,577	Nationwide	3,984,900	Security Benefit Life	2,971,736	Security Benefit Life	2,882,395
9	Massachusetts Mutual Life	2,561,280	Security Benefit Life	3,373,386	Nationwide	2,874,500	Great American	2,348,040
10	Global Atlantic Financial Group	2,539,406	American Equity Investment Life	3,164,399	Massachusetts Mutual Life	2,389,591	American Equity Investment Life	2,338,390
11	Lincoln Financial Group	2,089,143	Lincoln Financial Group	2,959,079	National Life Group	1,518,551	EquiTrust Life	1,624,196
12	Pacific Life	2,008,316	Symetra Financial	2,417,744	Delaware Life	1,490,888	Delaware Life	1,601,571
13	National Life Group	1,374,753	Pacific Life	1,859,675	EquiTrust Life	1,460,501	Lincoln Financial Group	1,449,640
14	Symetra Financial	1,264,253	National Life Group	1,646,659	Bankers Life & Casualty	1,333,882	National Life Group	1,309,393
15	EquiTrust Life	1,072,851	EquiTrust Life	1,636,064	Great American	1,228,492	Protective Life	1,279,550
16	Prudential Annuities	1,004,881	Bankers Life & Casualty	1,486,636	Symetra Financial	984,229	Bankers Life & Casualty	1,109,115
17	Bankers Life & Casualty	985,869	Delaware Life	1,339,108	Lincoln Financial Group	943,847	Symetra Financia	1,091,988
18	Nassau	821,035	Nassau	889,656	American National	798,180	Pacific Life	1,012,959
19	Ameritas Life	641,537	Prudential Annuities	549,839	Protective Life	701,162	Jackson National Life	1,000,778
20	Delaware Life	618,062	Ameritas Life	529,711	Nassau	691,284	Prudential Annuities	837,668
Total industry		**62,368,685**		**79,800,000**		**63,700,000**		**55,500,000**

Rank	Company	3Q23 YTD	Company	FY22	Company	FY21	Company	FY20
1	Allianz Life of North America	13.7%	Athene Annuity & Life	12.6%	Athene Annuity & Life	12.1%	Athene Annuity & Life	10.5%
2	Athene Annuity & Life	12.2%	Allianz Life of North America	10.3%	Allianz Life of North America	10.8%	Allianz Life of North America	9.0%
3	Corebridge Financial	11.0%	Corebridge Financial	8.4%	Corebridge Financial	9.4%	Corebridge Financial	8.2%
4	Sammons Financial Companies	8.7%	Sammons Financial Companies	7.0%	Fidelity & Guaranty Life	6.8%	Sammons Financial Companies	6.7%
5	American Equity Investment Life	8.1%	Fidelity & Guaranty Life	5.7%	Sammons Financial Companies	6.7%	Fidelity & Guaranty Life	6.2%
6	Nationwide	7.1%	Massachusetts Mutual Life	5.5%	American Equity Investment Life	5.4%	Global Atlantic Financial Group	5.5%
7	Security Benefit Life	6.2%	Global Atlantic Financial Group	5.2%	Global Atlantic Financial Group	5.3%	Nationwide	5.3%
8	Fidelity & Guaranty Life	5.7%	Nationwide	5.0%	Security Benefit Life	4.7%	Security Benefit Life	5.2%
9	Massachusetts Mutual Life	4.1%	Security Benefit Life	4.2%	Nationwide	4.5%	Great American	4.2%
10	Global Atlantic Financial Group	4.1%	American Equity Investment Life	4.0%	Massachusetts Mutual Life	3.8%	American Equity Investment Life	4.2%
11	Lincoln Financial Group	3.3%	Lincoln Financial Group	3.7%	National Life Group	2.4%	EquiTrust Life	2.9%
12	Pacific Life	3.2%	Symetra Financial	3.0%	Delaware Life	2.3%	Delaware Life	2.9%
13	National Life Group	2.2%	Pacific Life	2.3%	EquiTrust Life	2.3%	Lincoln Financial Group	2.6%
14	Symetra Financial	2.0%	National Life Group	2.1%	Bankers Life & Casualty	2.1%	National Life Group	2.4%
15	EquiTrust Life	1.7%	EquiTrust Life	2.1%	Great American	1.9%	Protective Life	2.3%
16	Prudential Annuities	1.6%	Bankers Life & Casualty	1.9%	Symetra Financial	1.5%	Bankers Life & Casualty	2.0%
17	Bankers Life & Casualty	1.6%	Delaware Life	1.7%	Lincoln Financial Group	1.5%	Symetra Financia	2.0%
18	Nassau	1.3%	Nassau	1.1%	American National	1.3%	Pacific Life	1.8%
19	Ameritas Life	1.0%	Prudential Annuities	0.7%	Protective Life	1.1%	Jackson National Life	1.8%
20	Delaware Life	1.0%	Ameritas Life	0.7%	Nassau	1.1%	Prudential Annuities	1.5%
Total industry growth yoy				**25.3%**		**14.8%**		

Source: LIMRA U.S. Individual Annuities Sales Survey (2023, LL Global, Inc.)

Figure 10: Sales and market share trends over time – Fixed rate deferred annuities

Rank	Company	3Q23 YTD	Company	FY22	Company	FY21	Company	FY20
1	Athene Annuity & Life	13,783,763	New York Life	14,857,784	New York Life	6,157,532	New York Life	6,787,935
2	Massachusetts Mutual Life	10,606,734	Massachusetts Mutual Life	11,900,949	Massachusetts Mutual Life	6,026,707	Massachusetts Mutual Life	5,393,216
3	New York Life	6,732,040	Athene Annuity & Life	9,714,648	Corebridge Financial	4,263,407	Sammons Financial Companies	4,272,313
4	Corebridge Financial	6,348,444	Corebridge Financial	7,146,379	Global Atlantic Financial Group	4,247,467	Corebridge Financial	3,565,230
5	Global Atlantic Financial Group	4,450,368	Western Southern Group	6,230,513	Symetra Financial	2,639,611	Global Atlantic Financial Group	3,432,954
6	Western Southern Group	4,264,501	Global Atlantic Financial Group	5,159,947	Western Southern Group	2,523,760	Western Southern Group	2,035,737
7	Symetra Financial	4,036,591	Pacific Life	4,512,947	American Equity Investment Life	2,459,465	Brighthouse Financial	2,010,519
8	American National	3,789,451	USAA Life	4,155,154	USAA Life	1,929,885	Symetra Financial	1,932,348
9	USAA Life	3,552,346	Fidelity & Guaranty Life	3,740,550	Fidelity & Guaranty Life	1,804,561	Athene Annuity & Life	1,797,732
10	Fidelity & Guaranty Life	3,306,829	Brighthouse Financial	3,704,850	Pacific Life	1,261,064	Security Benefit Life	1,313,987
11	Pacific Life	2,679,632	Symetra Financial	2,954,492	Sammons Financial Companies	1,243,789	American Equity Investment Life	1,311,348
12	Delaware Life	2,373,409	Sammons Financial Companies	2,745,169	Great American	973,965	Pacific Life	1,183,891
13	Nationwide	2,225,400	Reliance Standard Life Ins. Co.	1,457,344	American National	907,172	Delaware Life	1,069,900
14	Brighthouse Financial	1,783,382	Nationwide	1,301,800	Reliance Standard Life Ins. Co.	858,810	Great American	995,922
15	Security Benefit Life	1,564,267	Delaware Life	1,148,882	Delaware Life	762,505	Protective Life	938,337
16	Reliance Standard Life Ins. Co.	1,380,786	American National	937,996	Athene Annuity & Life	602,452	Reliance Standard Life Ins. Co.	911,787
17	The Standard	1,210,698	Security Benefit Life	926,412	Protective Life	538,870	USAA Life	858,423
18	National Life Group	1,114,529	The Standard	750,428	Knights of Columbus	505,955	Fidelity & Guaranty Life	775,142
19	EquiTrust Life	975,809	Thrivent Financial for Lutherans	744,781	Security Benefit Life	476,683	Principal Financial Group	511,488
20	Thrivent Financial for Lutherans	952,180	Mutual of Omaha	688,054	The Standard	432,952	Knights of Columbus	385,011
Total industry		**77,131,158**		**84,779,080**		**53,100,000**		**52,100,000**

Rank	Company	3Q23 YTD	Company	FY22	Company	FY21	Company	FY20
1	Athene Annuity & Life	17.9%	New York Life	17.5%	New York Life	11.6%	New York Life	13.0%
2	Massachusetts Mutual Life	13.8%	Massachusetts Mutual Life	14.0%	Massachusetts Mutual Life	11.3%	Massachusetts Mutual Life	10.4%
3	New York Life	8.7%	Athene Annuity & Life	11.5%	Corebridge Financial	8.0%	Sammons Financial Companies	8.2%
4	Corebridge Financial	8.2%	Corebridge Financial	8.4%	Global Atlantic Financial Group	8.0%	Corebridge Financial	6.8%
5	Global Atlantic Financial Group	5.8%	Western Southern Group	7.3%	Symetra Financial	5.0%	Global Atlantic Financial Group	6.6%
6	Western Southern Group	5.5%	Global Atlantic Financial Group	6.1%	Western Southern Group	4.8%	Western Southern Group	3.9%
7	Symetra Financial	5.2%	Pacific Life	5.3%	American Equity Investment Life	4.6%	Brighthouse Financial	3.9%
8	American National	4.9%	USAA Life	4.9%	USAA Life	3.6%	Symetra Financial	3.7%
9	USAA Life	4.6%	Fidelity & Guaranty Life	4.4%	Fidelity & Guaranty Life	3.4%	Athene Annuity & Life	3.5%
10	Fidelity & Guaranty Life	4.3%	Brighthouse Financial	4.4%	Pacific Life	2.4%	Security Benefit Life	2.5%
11	Pacific Life	3.5%	Symetra Financial	3.5%	Sammons Financial Companies	2.3%	American Equity Investment Life	2.5%
12	Delaware Life	3.1%	Sammons Financial Companies	3.2%	Great American	1.8%	Pacific Life	2.3%
13	Nationwide	2.9%	Reliance Standard Life Ins. Co.	1.7%	American National	1.7%	Delaware Life	2.1%
14	Brighthouse Financial	2.3%	Nationwide	1.5%	Reliance Standard Life Ins. Co.	1.6%	Great American	1.9%
15	Security Benefit Life	2.0%	Delaware Life	1.4%	Delaware Life	1.4%	Protective Life	1.8%
16	Reliance Standard Life Ins. Co.	1.8%	American National	1.1%	Athene Annuity & Life	1.1%	Reliance Standard Life Ins. Co.	1.8%
17	The Standard	1.6%	Security Benefit Life	1.1%	Protective Life	1.0%	USAA Life	1.6%
18	National Life Group	1.4%	The Standard	0.9%	Knights of Columbus	1.0%	Fidelity & Guaranty Life	1.5%
19	EquiTrust Life	1.3%	Thrivent Financial for Lutherans	0.9%	Security Benefit Life	0.9%	Principal Financial Group	1.0%
20	Thrivent Financial for Lutherans	1.2%	Mutual of Omaha	0.8%	The Standard	0.8%	Knights of Columbus	0.7%
Total industry growth yoy				**59.7%**		**1.9%**		

Represents US lifecos under Evercore coverage universe

Represents PE backed insurers

Source: LIMRA U.S. Individual Annuities Sales Survey (2023, LL Global, Inc.)

Figure 11: Sales and market share trends over time – Payout annuities

Rank	Company	3Q23 YTD	Company	FY22	Company	FY21	Company	FY20
1	New York Life	3,869,523	New York Life	3,326,752	New York Life	2,263,343	New York Life	3,097,121
2	MetLife	2,296,600	USAA Life	1,816,861	Massachusetts Mutual Life	1,260,007	MetLife	1,183,401
3	Massachusetts Mutual Life	2,006,855	Pacific Life	1,699,086	MetLife	1,145,907	Pacific Life	1,091,542
4	USAA Life	1,644,135	Massachusetts Mutual Life	1,357,310	USAA Life	1,144,225	USAA Life	890,871
5	Pacific Life	1,180,620	MetLife	1,260,050	Northwestern Mutual Life	903,160	Western Southern Group	868,455
6	Guardian Life of America	1,164,831	Western Southern Group	1,180,960	Berkshire Hathaway	883,631	Northwestern Mutual Life	774,248
7	Northwestern Mutual Life	900,776	Northwestern Mutual Life	875,133	Pacific Life	808,343	Berkshire Hathaway	706,649
8	Nationwide	852,500	Guardian Life of America	815,788	Western Southern Group	604,121	Massachusetts Mutual Life	486,651
9	Prudential Annuities	702,269	Berkshire Hathaway	776,810	Guardian Life of America	384,730	Corebridge Financial	414,030
10	Western Southern Group	668,868	Corebridge Financial	694,383	Corebridge Financial	311,092	Prudential Annuities	360,783
11	Corebridge Financial	566,826	Nationwide	654,200	Modern Woodmen	173,840	Nationwide	296,600
12	Penn Mutual	344,938	Penn Mutual	239,878	Principal Financial Group	140,702	Principal Financial Group	265,356
13	Symetra Financial	138,225	Mutual of Omaha	168,838	Global Atlantic Financial Group	135,684	Guardian Life of America	164,491
14	RiverSource Life Insurance	100,123	Prudential Annuities	129,568	Nationwide	133,800	Modern Woodmen	139,757
15	Mutual of Omaha	90,950	The Standard	129,247	The Standard	130,175	Symetra Financial	132,389
16	Securian Financial	88,872	Lincoln Financial Group	110,923	Prudential Annuities	123,485	Global Atlantic Financial Group	124,309
17	Global Atlantic Financial Group	85,293	Modern Woodmen	108,959	Securian Financial	98,605	American National	115,343
18	The Standard	76,289	Global Atlantic Financial Group	82,653	Penn Mutual	96,569	Mutual of Omaha	108,429
19	Thrivent Financial for Lutherans	74,635	Equitable Financial	64,825	American National	89,733	The Standard	85,312
20	Lincoln Financial Group	71,417	Symetra Financial	64,806	Symetra Financial	88,246	Penn Mutual	80,183
Total industry		**16,924,874**		**17,110,000**		**12,474,000**		**12,795,000**

Rank	Company	3Q23 YTD	Company	FY22	Company	FY21	Company	FY20
1	New York Life	22.9%	New York Life	19.4%	New York Life	18.1%	New York Life	24.2%
2	MetLife	13.6%	USAA Life	10.6%	Massachusetts Mutual Life	10.1%	MetLife	9.2%
3	Massachusetts Mutual Life	11.9%	Pacific Life	9.9%	MetLife	9.2%	Pacific Life	8.5%
4	USAA Life	9.7%	Massachusetts Mutual Life	7.9%	USAA Life	9.2%	USAA Life	7.0%
5	Pacific Life	7.0%	MetLife	7.4%	Northwestern Mutual Life	7.2%	Western Southern Group	6.8%
6	Guardian Life of America	6.9%	Western Southern Group	6.9%	Berkshire Hathaway	7.1%	Northwestern Mutual Life	6.1%
7	Northwestern Mutual Life	5.3%	Northwestern Mutual Life	5.1%	Pacific Life	6.5%	Berkshire Hathaway	5.5%
8	Nationwide	5.0%	Guardian Life of America	4.8%	Western Southern Group	4.8%	Massachusetts Mutual Life	3.8%
9	Prudential Annuities	4.1%	Berkshire Hathaway	4.5%	Guardian Life of America	3.1%	Corebridge Financial	3.2%
10	Western Southern Group	4.0%	Corebridge Financial	4.1%	Corebridge Financial	2.5%	Prudential Annuities	2.8%
11	Corebridge Financial	3.3%	Nationwide	3.8%	Modern Woodmen	1.4%	Nationwide	2.3%
12	Penn Mutual	2.0%	Penn Mutual	1.4%	Principal Financial Group	1.1%	Principal Financial Group	2.1%
13	Symetra Financial	0.8%	Mutual of Omaha	1.0%	Global Atlantic Financial Group	1.1%	Guardian Life of America	1.3%
14	RiverSource Life Insurance	0.6%	Prudential Annuities	0.8%	Nationwide	1.1%	Modern Woodmen	1.1%
15	Mutual of Omaha	0.5%	The Standard	0.8%	The Standard	1.0%	Symetra Financial	1.0%
16	Securian Financial	0.5%	Lincoln Financial Group	0.6%	Prudential Annuities	1.0%	Global Atlantic Financial Group	1.0%
17	Global Atlantic Financial Group	0.5%	Modern Woodmen	0.6%	Securian Financial	0.8%	American National	0.9%
18	The Standard	0.5%	Global Atlantic Financial Group	0.5%	Penn Mutual	0.8%	Mutual of Omaha	0.8%
19	Thrivent Financial for Lutherans	0.4%	Equitable Financial	0.4%	American National	0.7%	The Standard	0.7%
20	Lincoln Financial Group	0.4%	Symetra Financial	0.4%	Symetra Financial	0.7%	Penn Mutual	0.6%
Total industry growth yoy				**37.2%**		**(2.5%)**		

Represents US lifecos under Evercore coverage universe

Represents PE backed insurers

Source: LIMRA U.S. Individual Annuities Sales Survey (2023, LL Global, Inc.)

Figure 12: Sales and market share trends over time – RILA

Rank	Company	3Q23 YTD	Company	FY22	Company	FY21	Company	FY20
1	Equitable Financial	8,184,515	Equitable Financial	8,533,963	Equitable Financial	7,632,466	Lincoln Financial Group	5,016,478
2	Brighthouse Financial	5,047,215	Allianz Life of North America	5,864,752	Allianz Life of North America	7,007,007	Equitable Financial	4,891,290
3	Allianz Life of North America	4,850,618	Brighthouse Financial	5,853,947	Brighthouse Financial	6,233,119	Allianz Life of North America	4,802,628
4	Prudential Annuities	3,607,255	Prudential Annuities	4,996,693	Prudential Annuities	5,739,794	Brighthouse Financial	4,346,877
5	Lincoln Financial Group	3,339,283	Lincoln Financial Group	4,726,389	Lincoln Financial Group	4,910,225	Prudential Annuities	1,954,677
6	RiverSource Life Insurance	2,218,244	RiverSource Life Insurance	2,799,046	RiverSource Life Insurance	2,699,437	RiverSource Life Insurance	1,268,326
7	New York Life	1,827,768	New York Life	1,654,877	CMFG Life Insurance Company	1,557,949	CMFG Life Insurance Company	1,166,756
8	Jackson National Life	1,695,901	Jackson National Life	1,649,945	New York Life	715,043	Symetra Financial	189,845
9	TruStage	775,603	CMFG Life Insurance Company	1,291,798	Athene Annuity & Life	566,003	Athene Annuity & Life	186,959
10	Nationwide	660,300	Massachusetts Mutual Life	904,194	Nationwide	480,600	Great American	135,777
11	Athene Annuity & Life	649,600	Athene Annuity & Life	903,282	Symetra Financial	468,418	Nationwide	48,000
12	Massachusetts Mutual Life	540,384	Nationwide	898,100	Massachusetts Mutual Life	384,418	Protective Life	24,332
13	Transamerica	358,028	Symetra Financial	681,697	Great American	125,261		
14	Symetra Financial	279,301	Transamerica	117,426	Protective Life	97,101		
15	Sammons Financial Companies	100,566	Protective Life	80,587	Jackson National Life	95,882		
16	Principal Financial Group	99,618	Global Atlantic Financial Group	27,818				
17	Global Atlantic Financial Group	68,570	Sammons Financial Companies	12,789				
18	Protective Life	15,605						
19								
20								
Total industry		**34,400,000**		**41,110,000**		**38,745,000**		**24,070,000**

Rank	Company	3Q23 YTD	Company	FY22	Company	FY21	Company	FY20
1	Equitable Financial	23.8%	Equitable Financial	20.8%	Equitable Financial	19.7%	Lincoln Financial Group	20.8%
2	Brighthouse Financial	14.7%	Allianz Life of North America	14.3%	Allianz Life of North America	18.1%	Equitable Financial	20.3%
3	Allianz Life of North America	14.1%	Brighthouse Financial	14.2%	Brighthouse Financial	16.1%	Allianz Life of North America	20.0%
4	Prudential Annuities	10.5%	Prudential Annuities	12.2%	Prudential Annuities	14.8%	Brighthouse Financial	18.1%
5	Lincoln Financial Group	9.7%	Lincoln Financial Group	11.5%	Lincoln Financial Group	12.7%	Prudential Annuities	8.1%
6	RiverSource Life Insurance	6.4%	RiverSource Life Insurance	6.8%	RiverSource Life Insurance	7.0%	RiverSource Life Insurance	5.3%
7	New York Life	5.3%	New York Life	4.0%	CMFG Life Insurance Company	4.0%	CMFG Life Insurance Company	4.8%
8	Jackson National Life	4.9%	Jackson National Life	4.0%	New York Life	1.8%	Symetra Financial	0.8%
9	TruStage	2.3%	CMFG Life Insurance Company	3.1%	Athene Annuity & Life	1.5%	Athene Annuity & Life	0.8%
10	Nationwide	1.9%	Massachusetts Mutual Life	2.2%	Nationwide	1.2%	Great American	0.6%
11	Athene Annuity & Life	1.9%	Athene Annuity & Life	2.2%	Symetra Financial	1.2%	Nationwide	0.2%
12	Massachusetts Mutual Life	1.6%	Nationwide	2.2%	Massachusetts Mutual Life	1.0%	Protective Life	0.1%
13	Transamerica	1.0%	Symetra Financial	1.7%	Great American	0.3%		
14	Symetra Financial	0.8%	Transamerica	0.3%	Protective Life	0.3%		
15	Sammons Financial Companies	0.3%	Protective Life	0.2%	Jackson National Life	0.2%		
16	Principal Financial Group	0.3%	Global Atlantic Financial Group	0.1%				
17	Global Atlantic Financial Group	0.2%	Sammons Financial Companies	0.0%				
18	Protective Life	0.0%						
19								
20								
Total industry growth yoy				**6.1%**		**61.0%**		

Represents US lifecos under Evercore coverage universe

Represents PE backed insurers

Source: LIMRA U.S. Individual Annuities Sales Survey (2023, LL Global, Inc.)

Investment risk for life insurers and alt owned insurers

Please see table below for our view of risk assets across traditional life insurers and the alt owned insurers, Athene (APO) and Global Atlantic (KKR). Some of the main differences that we see in the approach of the alt managers vs. the traditional life companies is higher allocations to alternatives, not surprisingly (8-10% vs. 3-4% more typical of the traditional life insurers, MFC being the exception), a greater willingness to invest in medium quality structured securities (Athene has an outsized BBB CLO allocation), and a larger allocation to private placements vs. public bonds (both Athene and Global Atlantic are well above 50% on privates vs. the industry average of around 40%).

Despite the higher risk profile of the alt owned insurers, it doesn't appear obvious through the yield or investment spread disclosures that there are any major EPS benefits flowing through. This may be partly driven by a higher level of fees paid under the IMAs by the alt managers (the traditional insurers who manage their own general accounts tend to have pretty-low overall investments expenses of 10-20 bps), creating a bigger expense adjustment for the insurance businesses for the alt managers. We also view it as a directional sign that the risk-taking differences are not outsized, and thus in a credit downturn, we would expect moderately higher, not massively higher investment losses vs. the traditional life cos.

Figure 13: Investment risks overview

Risk assets summary	AEL	AFL	APO	AMP	CRBG	BHF	CNO	EQH	GL	KKR	JXN	LNC	MET	MFC	PFG	PRU	RGA	SLF	UNM	VOYA	Median
Risk assets ex-BBB structureds as % of total invested assets ex-cash																					
YE22	9%	13%	23%	3%	14%	9%	12%	7%	5%	15%	15%	7%	10%	18%	9%	9%	9%	11%	7%	14%	10%
YE21	9%	11%	23%	5%	14%	8%	13%	7%	5%	11%	15%	6%	8%	16%	9%	8%	10%	7%	8%	14%	9%
Risk assets ex-BBB structureds % of BV ex-AOCI																					
YE22	79%	55%	197%	21%	124%	109%	81%	92%	13%	97%	95%	88%	87%	136%	69%	108%	75%	99%	27%	85%	88%
YE21	84%	59%	290%	32%	121%	84%	110%	93%	20%	79%	107%	94%	68%	161%	64%	98%	79%	44%	38%	98%	84%
Alternatives as % of total invested assets ex-cash																					
YE22	2.5%	2.0%	8.3%	0.2%	3.7%	4.3%	2.3%	2.5%	1.1%	9.7%	5.2%	2.3%	4.3%	13.0%	3.7%	2.9%	3.1%	5.3%	2.7%	4.6%	3.4%
YE21	1.7%	1.3%	7.6%	0.4%	2.8%	3.6%	2.1%	2.0%	1.0%	7.1%	3.8%	1.9%	3.0%	10.8%	1.2%	2.2%	2.8%	5.3%	1.9%	4.4%	2.5%
GAAP asset leverage																					
YE22	10.3x	4.3x	10.4x	7.9x	8.7x	14.7x	6.9x	15.7x	2.8x	6.3x	6.4x	12.8x	9.3x	7.5x	7.8x	12.1x	8.3x	8.6x	3.6x	6.6x	8.1x
YE21	16.0x	4.9x	17.3x	6.1x	9.4x	10.3x	8.3x	10.2x	3.4x	7.1x	6.2x	10.7x	9.0x	7.5x	7.4x	11.4x	8.1x	6.5x	4.3x	6.5x	7.8x
Stat asset leverage																					
YE22	13.8x	4.4x	10.2x	6.5x	14.5x	10.1x	12.9x	9.2x	11.6x	12.6x	9.3x	13.2x	11.2x	7.8x	15.4x	9.1x	11.5x	NA	8.3x	10.3x	10.3x
YE21	13.0x	5.0x	8.3x	6.6x	13.5x	8.0x	12.4x	9.9x	11.9x	11.0x	10.4x	12.0x	10.7x	8.3x	12.3x	7.4x	11.9x	NA	8.1x	9.1x	10.4x

Note: represents risk assets of Athene / Global Atlantic and book values of APO / KKR

2022 risk assets breakdown	AEL	AFL	APO	AMP	CRBG	BHF	CNO	EQH	GL	KKR	JXN	LNC	MET	MFC	PFG	PRU	RGA	SLF	UNM	VOYA
Below IG bonds	622	2,086	6,463	595	15,455	2,791	1,319	2,566	475	3,261	2,355	3,614	13,565	9,727	2,998	16,534	3,026	966	1,990	1,690
High risk CMLs	320	9,080	4,474	8	2,118	1,474	-	394	109	2,358	1,072	237	7,571	757	606	4,620	161	1,075	22	100
Alternatives	1,267	2,290	12,079	92	8,376	4,775	589	2,400	201	12,245	3,449	3,061	18,914	53,700	3,646	12,594	2,327	10,102	1,194	1,781
Equities	22	1,091	1,737	-	170	89	135	728	-	18	316	427	1,684	11,266	958	4,671	138	7,148	-	336
BBB structureds	2,246	438	8,089	570	5,768	1,037	955	1,029	78	1,528	2,728	1,937	3,186	232	434	78	999	2,618	139	1,594
BBB ex-structureds	10,188	21,271	54,026	7,320	44,068	22,686	6,649	20,057	8,518	18,389	8,549	37,293	70,008	63,009	12,301	67,504	16,581	18,050	17,316	12,164
Total risk assets	14,665	36,255	86,868	8,585	75,955	32,852	9,647	27,174	9,381	37,799	18,469	46,569	114,928	138,691	20,943	106,001	23,232	39,959	20,662	17,665
Risk assets ex-BBB structureds	4,477	14,984	32,842	1,265	31,887	10,166	2,998	7,117	863	19,410	9,919	9,276	44,920	75,682	8,641	38,497	6,651	21,909	3,346	5,501
Total invested assets ex-cash	51,418	116,691	145,382	48,608	223,726	111,290	25,335	96,223	18,927	126,635	66,885	134,223	441,302	414,001	98,031	432,076	74,015	190,780	44,905	38,703
BV ex-AOCI	5,665	27,062	16,692	6,129	25,622	9,343	3,696	7,701	6,807	19,963	10,413	10,486	51,341	55,565	12,588	35,785	8,890	22,064	12,410	6,499

2021 risk assets breakdown	AEL	AFL	APO	AMP	CRBG	BHF	CNO	EQH	GL	KKR	JXN	LNC	MET	MFC	PFG	PRU	RGA	SLF	UNM	VOYA
Below IG bonds	1,154	3,389	7,102	1,130	18,093	4,085	1,975	2,742	783	2,345	3,930	4,045	15,671	8,804	4,293	20,052	3,645	957	2,977	2,079
High risk CMLs	218	7,777	4,059	11	1,773	323	-	649	76	542	861	265	2,947	547	404	1,768	114	1,084	10	81
Alternatives	1,000	1,858	9,873	138	6,242	4,300	608	2,100	234	8,975	2,831	2,896	14,600	46,300	3,400	10,930	1,996	9,109	979	1,997
Equities	103	1,603	1,170	291	109	101	131	817	9	289	163	318	1,269	28,100	1,564	5,587	151	9,113	23	240
BBB structureds	2,872	296	7,348	325	3,876	987	944	660	111	1,807	3,090	1,859	3,492	227	1,337	80	928	2,468	269	1,788
BBB ex-structureds	19,004	29,423	52,492	6,943	58,049	26,648	8,967	25,711	11,546	21,505	21,636	46,271	81,717	65,443	20,758	77,232	19,451	20,228	17,165	15,543
Total risk assets	24,351	44,346	82,044	8,838	88,142	36,444	12,625	32,679	12,759	35,463	32,512	55,654	119,696	149,421	31,756	115,649	26,285	42,959	21,423	21,728
Risk assets ex-BBB structureds	5,347	14,923	29,552	1,895	30,093	9,796	3,658	6,968	1,213	13,958	10,875	9,382	37,979	83,978	10,998	38,417	6,834	22,731	4,258	6,185
Total invested assets ex-cash	60,377	137,927	177,567	35,810	222,128	118,225	28,926	105,111	22,758	125,712	74,227	154,339	494,821	427,098	101,947	492,199	71,574	172,244	52,151	45,283

2022 risk assets allocation	AEL	AFL	APO	AMP	CRBG	BHF	CNO	EQH	GL	KKR	JXN	LNC	MET	MFC	PFG	PRU	RGA	SLF	UNM	VOYA	Median
Below IG bonds	1%	2%	4%	1%	7%	3%	5%	3%	3%	3%	4%	3%	3%	2%	3%	4%	4%	1%	4%	4%	3%
AAA-rated bonds	15%	0%	5%	7%	11%	11%	16%	3%	4%	12%	5%	5%	8%	8%	11%	3%	3%	5%	3%	17%	6%
AA-rated bonds	2%	0%	0%	0%	1%	1%	2%	0%	3%	2%	1%	1%	1%	10%	2%	1%	1%	5%	2%	1%	1%
A-rated bonds	5%	1%	3%	1%	3%	2%	5%	1%	7%	4%	2%	4%	1%	24%	2%	1%	1%	13%	2%	2%	2%
CM1 CMLs	4%	1%	1%	3%	3%	3%	3%	3%	0%	4%	10%	9%	2%	2%	11%	2%	5%	1%	5%	11%	3%
CM2 CMLs	2%	0%	7%	0%	10%	5%	1%	7%	0%	10%	4%	2%	4%	1%	6%	1%	2%	1%	1%	3%	2%
High risk CMLs	1%	8%	3%	0%	1%	1%	0%	0%	1%	2%	2%	0%	2%	0%	1%	1%	0%	1%	0%	0%	1%
High risk CMBS	0%	0%	1%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	1%	0%
Alternatives	2%	2%	8%	0%	4%	4%	2%	2%	1%	10%	5%	2%	4%	13%	4%	3%	3%	5%	3%	5%	3%
BBB structureds	4%	0%	6%	1%	3%	1%	4%	1%	0%	1%	4%	1%	1%	0%	0%	0%	1%	1%	0%	4%	1%
BBB ex-structureds	20%	18%	37%	15%	20%	20%	26%	21%	45%	15%	13%	28%	16%	15%	13%	16%	22%	9%	39%	31%	20%

2021 risk assets allocation	AEL	AFL	APO	AMP	CRBG	BHF	CNO	EQH	GL	KKR	JXN	LNC	MET	MFC	PFG	PRU	RGA	SLF	UNM	VOYA	Median
Below IG bonds	2%	2%	4%	3%	8%	3%	7%	3%	3%	2%	5%	3%	3%	2%	4%	4%	5%	1%	6%	5%	3%
AAA-rated bonds	12%	0%	3%	10%	10%	9%	12%	2%	3%	11%	4%	4%	8%	10%	11%	3%	3%	7%	2%	7%	7%
AA-rated bonds	2%	0%	0%	0%	1%	1%	1%	0%	2%	1%	1%	1%	0%	11%	2%	0%	0%	7%	1%	7%	1%
A-rated bonds	4%	0%	1%	1%	3%	2%	3%	1%	4%	3%	2%	3%	1%	25%	3%	1%	1%	17%	2%	1%	2%
CM1 CMLs	4%	1%	1%	5%	4%	3%	3%	3%	0%	3%	9%	8%	3%	2%	11%	2%	6%	1%	4%	10%	3%
CM2 CMLs	1%	0%	4%	0%	9%	4%	1%	5%	0%	7%	4%	2%	3%	1%	5%	2%	2%	1%	1%	2%	2%
High risk CMLs	0%	6%	2%	0%	1%	0%	0%	1%	0%	0%	1%	0%	1%	0%	0%	0%	0%	1%	0%	0%	0%
High risk CMBS	0%	0%	1%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	1%	0%
Alternatives	2%	1%	6%	0%	3%	4%	2%	2%	1%	7%	4%	2%	3%	11%	3%	2%	3%	5%	2%	4%	3%
BBB structureds	5%	0%	4%	1%	2%	1%	3%	1%	0%	1%	4%	1%	1%	0%	1%	0%	1%	1%	1%	4%	1%
BBB ex-structureds	31%	21%	30%	19%	26%	23%	31%	24%	51%	17%	29%	30%	17%	15%	20%	16%	27%	12%	33%	34%	25%

Risk assets 2022 vs 2021	AEL	AFL	ATH	AMP	CRBG	BHF	CNO	EQH	GL	KKR	JXN	LNC	MET	MFC	PFG	PRU	RGA	SLF	UNM	VOYA	Median
Below IG bonds	-46%	-38%	-9%	-47%	-15%	-32%	-33%	-6%	-39%	39%	-40%	-11%	-13%	10%	-30%	-18%	-17%	1%	-33%	-19%	-18%
High risk CMLs	47%	17%	10%	-24%	19%	356%	-	-39%	44%	335%	25%	-10%	157%	38%	50%	161%	41%	-1%	120%	23%	38%
Alternatives	27%	23%	22%	-33%	34%	11%	-3%	14%	-14%	36%	22%	6%	30%	16%	7%	15%	17%	11%	22%	-11%	16%
Equities	-79%	-32%	48%	-100%	56%	-12%	3%	-11%	-100%	-94%	94%	34%	33%	-60%	-39%	-16%	-9%	-22%	-100%	40%	-14%
BBB structureds	-22%	48%	10%	76%	49%	5%	1%	56%	-30%	-15%	-12%	4%	-9%	2%	-68%	-3%	8%	6%	-48%	-11%	2%
BBB ex-structureds	-46%	-28%	3%	5%	-24%	-15%	-26%	-22%	-26%	-14%	-60%	-19%	-14%	-4%	-41%	-13%	-15%	-11%	1%	-22%	-17%
Total risk assets	-40%	-18%	6%	-3%	-14%	-10%	-24%	-17%	-26%	7%	-43%	-16%	-4%	-7%	-34%	-8%	-12%	-7%	-4%	-19%	-13%
Risk assets ex-BBB structureds	-16%	0%	11%	-33%	6%	4%	-18%	2%	-29%	39%	-9%	-1%	18%	-10%	-21%	0%	-3%	-4%	-21%	-11%	-3%
Total invested assets ex-cash	-15%	-15%	-18%	36%	1%	-6%	-12%	-8%	-17%	1%	-10%	-13%	-11%	-3%	-4%	-12%	3%	11%	-14%	-15%	-10%

Source: Company Data, Evercore ISI Research

Regulatory changes on the horizon

There are a number of regulatory changes on the horizon to consider which may impact both the alt owned insurers and some traditional life insurers as well. The list includes the DOL Retirement Security Rule proposal, some NAIC changes for risk charges on CLOs, and an evolving Bermuda regulatory framework.

The DOL proposal may make sales of annuities through non-registered rep channels like IMOs more challenging, which could impact sales of FIAs, and we believe a large portion of industry FIA sales are through these channels which are largely net regulated by the SEC. It's still too early to tell if this will have a meaningful adverse impact on FIA sales, as there may be work arounds, the regulation may be altered, and the rule could also ultimately be scrapped if there is a change in the White House in 2024.

Our understanding is that the Bermuda adoption of Solvency II is not likely to be an onerous new regulation per se, but just putting in place a more robust framework for a regulatory regime that has seen a seismic shift in life insurance growth between the alts and the captives of traditional lifecos, and as a result, greater structure and rules are now needed. We believe that changes to reserving practices, which disallow the assumed portfolio repositioning as the baseline for a discount rate and instead use actual portfolio yield, will create a greater focus on the assets being transferred being liquid enough to be more quickly sold and repositioned, i.e., more cash and fewer long-term bonds. Net / net, there should continue to be some advantages in Bermuda over the US statutory and Japan regulatory framework after these changes, so we don't see the new regulation being a game changer.

Finally, on asset risk charge changes for CLOs for US statutory, the change that is expected for 2024 should be minor for most, though it's possible there could be further changes in '25 / '26 which may be more consequential for medium quality CLOs.

TIMESTAMP

(Article 3(1)e and Article 7 of MAR)

Time of dissemination:

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The analysts, Glenn Schorr, Kaimon Chung, Thomas Gallagher, Nicolas Lu, primarily responsible for the preparation of this research report attest to the following: (1) that the views and opinions rendered in this research report reflect his or her personal views about the subject companies or issuers; and (2) that no part of the research analyst's compensation was, is, or will be directly related to the specific recommendations or views in this research report.

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Current Ratings Definition

Evercore ISI's recommendations are based on a stock's total forecasted return over the next 12 months. Total forecasted return is equal to the expected percentage price return plus gross dividend yield. We divide our stocks under coverage into three primary ratings categories, with the following return guidelines:

Outperform- the total forecasted return is expected to be greater than the expected total return of the analyst's coverage sector.
In Line- the total forecasted return is expected to be in line with the expected total return of the analyst's coverage sector.
Underperform- the total forecasted return is expected to be less than the expected total return of the analyst's coverage sector.
Coverage Suspended- the rating and target price have been removed pursuant to Evercore ISI policy when Evercore is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.*
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*Prior to October 10, 2015, the "Coverage Suspended" and "Rating Suspended" categories were included in the category "Suspended."

FINRA requires that members who use a ratings system with terms other than "Buy," "Hold/Neutral" and "Sell" to equate their own ratings to these categories. For this purpose, and in the Evercore ISI ratings distribution below, our Outperform, In Line, and Underperform ratings can be equated to Buy, Hold and Sell, respectively.

Historical Ratings Definitions

Prior to March 2, 2017, Evercore ISI's recommendations were based on a stock's total forecasted return over the next 12 months:

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Sell -the total forecasted return is expected to be less than 0%

On October 31, 2014, Evercore Partners acquired International Strategy & Investment Group LLC ("ISI Group") and ISI UK (the "Acquisition") and transferred Evercore Group's research, sales and trading businesses to ISI Group. On December 31, 2015, the combined research, sales and trading businesses were transferred back to Evercore Group in an internal reorganization. Since the Acquisition, the combined research, sales and trading businesses have operated under the global marketing brand name Evercore ISI.

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Strong Buy- Return > 20%
Buy- Return 10% to 20%
Neutral - Return 0% to 10%
Cautious- Return -10% to 0%
Sell- Return< -10%

For disclosure purposes, ISI Group and ISI UK ratings were viewed as follows: Strong Buy and Buy equate to Buy, Neutral equates to Hold, and Cautious and Sell equate to Sell.

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Underweight -the stock is expected to underperform the average total return of the analyst's coverage universe over the next 12 months.
Suspended- the company rating, target price and earnings estimates have been temporarily suspended.

For disclosure purposes, Evercore Group's prior "Overweight," "Equal-Weight" and "Underweight" ratings were viewed as "Buy," "Hold" and "Sell," respectively.

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Long- the stock is a positive holding in the model portfolio; the total forecasted return is expected to be greater than 0%.
Short- the stock is a negative holding in the model portfolio; the total forecasted return is expected to be less than 0%.
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Coverage Suspended- the rating and target price have been removed pursuant to Evercore ISI policy when Evercore is acting in an advisory capacity in a merger or strategic transaction involving this company, and in certain other circumstances; a stock in the model portfolio is removed.
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Stocks included in the model portfolio will be weighted from 0 to 100% for Long and 0 to -100% for Short. A stock's weight in the portfolio reflects the analyst's degree of conviction in the stock's rating relative to other stocks in the portfolio. The model portfolio may also include a cash component. At any given time the aggregate weight of the stocks included in the portfolio and the cash component must equal100%.

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Evercore ISI rating (as of 04/02/2024)

Coverage Universe			**Investment Banking Services I Past 12 Months**		
Ratings	**Count**	**Pct.**	**Ratings**	**Count**	**Pct.**
Buy	444	57	Buy	57	13
Hold	303	39	Hold	23	8
Sell	11	1	Sell	0	0
Coverage Suspended	22	3	Coverage Suspended	8	36
Rating Suspended	4	1	Rating Suspended	1	25

Issuer-Specific Disclosures (as of April 02, 2024)

Price Charts

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