William Blair

Prepared for
AFL Investments Limited

1Q 2017 Update
Macro Allocation Strategy

All data as of March 31, 2017

OBJECTIVE

Long-Term, Risk-Adjusted Total Return

CHARACTERISTICS

The strategy seeks to capitalize on global opportunities through active management across asset classes, geographies, currencies, and risk themes.

WHY CONSIDER THIS STRATEGY?

- **Diversify your portfolio:** Actively managed top-down exposure can complement portfolios with bottom-up managers by potentially providing a diversifying alpha source
  - May provide an uncorrelated return stream versus long equities, which seeks to reduce portfolio volatility over time
- **Manage macro risks:** Fundamental analysis combined with continuous macro market analysis, including game theory, identifies opportunities and provides insights on how to navigate macro risks
- **Seek to enhance return potential:** Broad, global mandate provides opportunistic exposure to specific macro events

PORTFOLIO MANAGEMENT

Brian Singer, CFA
Started in Industry: 1981
Education: M.B.A., University of Chicago; B.A., Northwestern University

Thomas Clarke
Started in Industry: 1990
Education: BSc., University of Manchester (UK)

ASSETS UNDER MANAGEMENT

Macro Allocation Strategy Assets ($bn)	$2.0
AFL Investments Limited Account Assets ($mm)	$36.7

INVESTMENT PERFORMANCE %

	Qtr	Since Inception (4/6/16)
AFL Investments Limited (net)	3.19	6.08
BofA Merrill Lynch 3-Month U.S. Treasury Bill Index[1]	0.10	0.35
Long-Term Comparative Index[2]	2.40	5.20

Performance cited represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the data quoted. Returns shown assume reinvestment of dividends and capital gains. Investment returns and principal will fluctuate with market and economic conditions and you may have a gain or loss. Account performance shown is net of fees and expenses.

EXPOSURES (%)[3]

Global Equity	26.8%
U.S.	-0.2%
Canada	-3.1%
Europe ex-U.K.	12.6%
United Kingdom	8.1%
Asia Developed	-0.3%
Emerging Markets	9.7%
Global Fixed Income[1]	**-8.5%**
U.S.[1*]	0.2%
Non-U.S.[1*]	-12.3%
• *Germany*	*0.0%*
• *France*	*-4.2%*
• *Japan*	*0.0%*
• *Switzerland*	*0.0%*
Emerging Markets	3.6%
Cash – Unencumbered[2]	**30.7%**
Other[3]	**51.0%**
• *Collateral*	*5.4%*
• *Synthetic Offset*	*45.6%*
TOTAL	**100%**

Active Currency	USD-Based
USD	-3.1%
CAD	-6.0%
Americas (ex-USD, CAD)	10.0%
EUR	-7.0%
CHF	-4.0%
GBP	5.0%
Other Europe (ex-GBP, EUR, CHF)	1.5%
AUD & NZD	-9.0%
JPY	-3.5%
CNY	3.5%
Asia (ex-JPY, CNY)**	7.8%
Other	4.8%
TOTAL	**0.0%**

***Credit Detail**	
U.S. Investment Grade Spread	*3.0%*
U.S. High Yield Spread	*1.3%*
U.S. MBS Spread	*0.0%*
Europe Investment Grade Spread	*3.0%*
Europe High Yield Spread	*1.0%*

***** Select Exposures**	
India Rupee	*7.0%*
Malaysia Ringgit	*2.2%*
Indonesia Rupiah	*0.0%*

PORTFOLIO CONSTRUCTION RANGES[3]

Current allocations within allocation ranges are highlighted with green diamonds.

	Lower Expectations[2]	Upper Expectations[2]	Current Allocation[3]
Global Equity	-20%	80%	18.0%
U.S. Equity	-15%	50%	-0.8%
Canada	-15%	25%	-3.0%
Europe (excluding U.K.)	-15%	25%	10.3%
U.K.	-15%	25%	6.2%
Asia Developed	-15%	25%	-0.3%
Emerging Markets	-15%	25%	5.7%
Global Fixed Income	-50%	130%	-8.5%
U.S. Treasury & Credit (10-Year)	-50%	75%	0.2%
Non-U.S. (10-Year)	-75%	90%	-12.3%
Emerging Markets	-25%	30%	3.6%
U.S. Dollar	-50%	50%	-2.4%
Canadian Dollar (CAD)	-30%	30%	-6.0%
Other Americas (individually)	-30%	30%	8.5%
Euro (EUR)	-50%	50%	-7.0%
Swiss Franc (CHF)	-30%	30%	-4.0%
British Pound (GBP)	-30%	30%	5.0%
Other Europe (individually)	-30%	30%	1.5%
AUD and NZD	-50%	50%	-8.0%
Japanese Yen (JPY)	-50%	50%	-2.5%
Chinese Yuan (CNY)	-30%	30%	3.5%
Asia (excluding JPY and CNY)	-30%	30%	6.6%
Other (individually)	-30%	30%	4.8%

Risks: The strategy involves a high level of risk and may not be appropriate for everyone. You could lose money by investing in the strategy. There can be no assurance that the strategy's investment objective will be achieved. The strategy holds equity exposures, which may decline in value due to both real and perceived general market, economic, and industry conditions. Investing in bond markets is subject to certain risks including market, interest-rate, issuer, credit, and inflation risk; investments may be worth more or less than the original cost when redeemed. Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested. Investment return, principal value, and yields of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Investments are subject to a number of types of risk, including counterparty and contractual default risk. The strategy is designed for long-term investors.

Alpha: A measure of a portfolio's return in excess of the market return, after both have been adjusted for risk. It is a mathematical estimate of the amount of return expected from a portfolio above and beyond the market return at any point in time. **Game Theory:** Events, geopolitics, and policy changes affect market prices. Game theory, which considers the interests and incentives of governmental and economic leaders, provides a framework for making sense of geopolitical and macroeconomic developments.

1. The Bank of America Merrill Lynch 3-Month U.S. Treasury Bill Index measures total return on cash, including price and interest income, based on short-term government Treasury Bills of about 90-day maturity. The Index is unmanaged, does not incur fees or expenses, and cannot be invested in directly.
2. The Long-Term Comparative Index return is comprised of the following indices: 40% Barclays Capital U.S. Aggregate Index, 30% MSCI All Country World Index (net), and 30% Bank of America/Merrill Lynch 3-month US Treasury Bill Index. The Index is unmanaged, does not incur fees or expenses, and cannot be invested in directly.
3. Information about the strategy's holdings should not be considered investment advice. There is no guarantee that the strategy will continue to hold any one particular security or stay invested in any one particular sector. Holdings are subject to change at any time. With respect to Portfolio Construction Guidelines, holding allocations are not expected to fall below lower expectation band more frequently than 10% of the trading days based on daily value of strategy; similarly, holding allocations are not expected to exceed upper expectation band more frequently than 10% of trading days based on daily value of strategy.
4. Unencumbered cash is residual cash and equivalents.
5. Collateral is cash and cash-like instruments (e.g., U.S. Treasuries) that are held to secure a derivative exposure. Synthetic Offset is an accounting offset associated with the use of derivative contracts, which provide economic exposure without an initial outlay of cash.

Sources: William Blair, Blackrock Solutions

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