

The Periodic Table Of Investments For Life Insurance

What you didn't know about Index Market Volatility



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Hello, and thanks for joining me for today's discussion.

We're going to talk about the impact that Market Volatility can have on index insurance products. Along the way you'll probably learn a few things you didn't know.

By learning the concepts we'll discuss today, you should be more knowledgeable about how index universal life policies **actually work**, the impact that **real-world volatility** can have on those products, and you'll be able to better position these products to help your clients achieve their financial goals.

Important Notes

This information is general in nature, was developed for educational use only, and is not intended to provide financial, legal, fiduciary, accounting or tax advice, nor is it intended to make any recommendations. Applicable laws and regulations are complex and subject to change. Please consult with your financial professional regarding your situation. For legal, accounting or tax advice, consult the appropriate professional.

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Before we begin, here are some important notes about today's conversation.

Important Notes

These examples **DO NOT** use the actual index accounts available within any AIG Index Universal Life policy. The values expressed in this presentation reflect the returns of the retail index accounts; and then Caps, Floors and Participation Rates are applied as disclosed throughout the presentation footnotes.

None of the calculations shown in this presentation are meant to be representative of the actual returns credited to any life insurance policy.

The examples shown here are for hypothetical purposes only, and are intended to help you understand indexing **concepts** related to volatility based on past performance.

All of these examples are predicated on past performance of the various retail indices. Past performance is no indication of any potential future performance of any index, investment or life insurance policy.

For advice concerning your individual circumstances, consult an attorney, financial advisor, tax advisor or accountant.

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And here are some additional very important notes about what we'll discuss today.
(These notes are critical to this discussion and should be read to the audience.)

Periodic Table Of Elements

The periodic table displays elements from Hydrogen (1) to Oganesson (118). It includes the Lanthanide and Actinide series at the bottom. Each element cell contains its atomic number, symbol, name, and atomic weight. The table is organized into groups (columns) and periods (rows). The groups are labeled at the top: IIA, IIIA, IVA, VA, VIA, VIIA, and VIII. The periods are labeled on the left: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18.

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I'm sure many of you can remember back to your high school chemistry class when you learned about **the periodic table of elements**.

If you've forgotten, here's a picture of that **periodic table of elements** to refresh your memory!

Periodic Table Of Investments: Annual Returns

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Russell 2000 Value 22.83%	Russell 2000 Value 14.02%	Barclays Aggregate Bond 10.26%	MSCI Emerging Markets 56.28%	MSCI Emerging Markets 25.95%	MSCI Emerging Markets 34.54%	MSCI Emerging Markets 32.55%	MSCI Emerging Markets 39.78%	Barclays Aggregate Bond 5.24%	MSCI Emerging Markets 79.02%	Russell 2000 Growth 29.09%	Barclays Aggregate Bond 7.84%	MSCI Emerging Markets 18.63%	Russell 2000 Growth 43.30%	S&P 500 Growth Index 14.89%	S&P 500 Growth Index 5.52%	Russell 2000 Value 37.74%	MSCI Emerging Markets 37.28%	S&P 500 Growth Index 16.97%	S&P 500 Value Index 31.63%
Barclays Aggregate Bond 8.43%	Barclays Aggregate Bond -1.41%	Barclays Corporate High-Yield 46.54%	Russell 2000 Growth 22.25%	Russell 2000 Value 14.47%	MSCI World Ex-USA 25.71%	MSCI World Ex-USA 14.47%	MSCI World Ex-USA 12.44%	Barclays Corporate High-Yield -5.11%	Barclays Corporate High-Yield 58.21%	Russell 2000 Small-Cap 26.85%	Barclays Corporate High-Yield 4.98%	Russell 2000 Value 18.05%	Russell 2000 Small-Cap 38.82%	S&P 500 Value 13.69%	S&P 500 Value 1.38%	Russell 2000 Small-Cap 21.31%	S&P 500 Growth Index 27.44%	Russell 2000 Value 15.72%	S&P 500 Growth Index 11.22%
S&P 500 Value 6.08%	Barclays Corporate High-Yield 5.28%	MSCI Emerging Markets -6.00%	Russell 2000 Small-Cap 47.25%	MSCI World Ex-USA 20.38%	S&P 500 Value 5.82%	Russell 2000 Value 23.48%	S&P 500 Growth Index 9.13%	Russell 2000 Value -28.52%	Russell 2000 Growth 34.47%	Russell 2000 Value 24.50%	S&P 500 Growth Index 4.65%	Russell 2000 Value 17.68%	Russell 2000 Value 34.52%	S&P 500 Value 12.36%	Russell 2000 Aggregate Bond 0.55%	S&P 500 Value Index 17.40%	MSCI World Ex-USA 24.21%	S&P 500 Value Index 20.37%	S&P 500 Growth Index 30.77%
Russell 2000 Small-Cap -3.02%	Russell 2000 Small-Cap 2.49%	Russell 2000 Value 11.43%	Russell 2000 Value 46.03%	Russell 2000 Small-Cap 18.35%	S&P 500 Index 4.91%	S&P 500 Index 20.81%	Russell 2000 Value 7.05%	Russell 2000 Small-Cap -33.72%	MSCI World Ex-USA 31.43%	MSCI Emerging Markets 19.29%	S&P 500 Value 2.11%	Russell 2000 Ex-USA 16.41%	S&P 500 Index 32.39%	S&P 500 Index 5.60%	MSCI World Ex-USA -3.04%	Barclays Corporate High-Yield 17.13%	Russell 2000 Growth 22.17%	Russell 2000 Value 7.84%	Russell 2000 Growth 28.48%
Barclays Corporate High-Yield -5.80%	MSCI Emerging Markets -2.37%	MSCI World Ex-USA -15.80%	MSCI World Ex-USA 39.42%	S&P 500 Value Index 15.71%	Russell 2000 Small-Cap 4.71%	Russell 2000 Small-Cap 20.81%	Barclays Aggregate Bond 7.05%	S&P 500 Growth Index 31.57%	S&P 500 Growth Index 15.12%	Barclays Corporate High-Yield 15.12%	S&P 500 Value -0.48%	Russell 2000 Small-Cap 16.35%	S&P 500 Growth Index 32.75%	Barclays Aggregate Bond 5.97%	Russell 2000 Growth -1.38%	S&P 500 Index 11.96%	S&P 500 Index 21.83%	Russell 2000 Small-Cap 6.29%	Russell 2000 Small-Cap 25.39%
S&P 500 Index -9.11%	Russell 2000 Growth -9.23%	Russell 2000 Small-Cap -20.48%	Barclays Corporate High-Yield 28.97%	Russell 2000 Growth 14.31%	Russell 2000 Small-Cap 4.55%	S&P 500 Index 15.79%	S&P 500 Index 5.49%	S&P 500 Index -17.09%	Russell 2000 Small-Cap 37.17%	S&P 500 Index 15.10%	Russell 2000 Growth -2.91%	S&P 500 Index 16.09%	S&P 500 Index 31.99%	Russell 2000 Small-Cap -4.89%	S&P 500 Value -3.13%	MSCI Emerging Markets 11.60%	S&P 500 Value Index 15.36%	S&P 500 Value Index 9.36%	MSCI World Ex-USA 22.94%
MSCI World Ex-USA -13.37%	S&P 500 Value Index -11.71%	S&P 500 Value Index -20.85%	S&P 500 Value Index 26.68%	Barclays Corporate High-Yield 11.11%	Russell 2000 Growth 4.15%	Russell 2000 Growth 20.81%	Russell 2000 Value 1.99%	Russell 2000 Growth -38.54%	S&P 500 Value Index 16.47%	S&P 500 Index 15.06%	Russell 2000 Small-Cap -4.18%	Barclays Corporate High-Yield 15.81%	MSCI World Ex-USA 21.02%	Russell 2000 Value 4.22%	Russell 2000 Small-Cap -4.41%	S&P 500 Growth 11.32%	Russell 2000 Growth 14.65%	Barclays Corporate High-Yield 1.80%	Russell 2000 Value 22.01%
S&P 500 Growth Index -22.08%	S&P 500 Index -11.89%	S&P 500 Index -23.10%	S&P 500 Growth Index 25.66%	S&P 500 Index 10.89%	S&P 500 Growth Index 4.00%	Barclays Corporate High-Yield 11.85%	Barclays Corporate High-Yield 1.87%	S&P 500 Value Index -59.22%	S&P 500 Value Index 11.77%	S&P 500 Growth Index 15.05%	Russell 2000 Value -5.50%	Barclays Corporate High-Yield 14.61%	Barclays Corporate High-Yield 7.44%	Barclays Corporate High-Yield 2.05%	Barclays Corporate High-Yield -4.47%	S&P 500 Growth Index 6.89%	Russell 2000 Growth 7.84%	MSCI World Ex-USA -1.36%	MSCI Emerging Markets 18.20%
Russell 2000 Growth Index -22.43%	S&P 500 Growth Index -12.73%	S&P 500 Growth Index -23.59%	S&P 500 Value Index 15.71%	S&P 500 Growth Index 6.13%	Barclays Corporate High-Yield 2.74%	Barclays Corporate High-Yield 11.01%	Russell 2000 Small-Cap -1.57%	MSCI World Ex-USA -53.18%	Russell 2000 Value 5.93%	MSCI World Ex-USA 8.95%	MSCI World Ex-USA -12.21%	Barclays Corporate High-Yield 14.59%	Barclays Aggregate Bond -2.02%	Barclays Emerging Markets -1.82%	Russell 2000 Value -7.47%	Barclays Aggregate Bond 2.65%	Barclays Corporate High-Yield 7.50%	Barclays Aggregate Bond -1.73%	Barclays Corporate High-Yield 14.88%
MSCI Emerging Markets -30.61%	MSCI World Ex-USA -21.40%	Russell 2000 Growth -30.26%	Barclays Aggregate Bond 4.10%	Barclays Aggregate Bond 4.34%	Barclays Aggregate Bond 2.43%	Barclays Aggregate Bond 4.33%	Russell 2000 Value -9.76%	MSCI Emerging Markets -53.18%	Barclays Aggregate Bond 5.93%	Barclays Aggregate Bond 6.54%	MSCI Emerging Markets -18.17%	Barclays Aggregate Bond 4.21%	MSCI Emerging Markets -2.27%	MSCI World Ex-USA -4.32%	MSCI Emerging Markets -14.60%	MSCI World Ex-USA 2.75%	Barclays Aggregate Bond 3.54%	MSCI Emerging Markets -8.31%	Barclays Aggregate Bond 8.84%

Source: <https://www.zeninvestor.org/periodic-table-of-asset-class-returns/>. All values exclude annual fees that can reduce policy values. Prolonged "down markets" can result in values below the original principal amount. All results shown are historical results, and none of this data suggests or guarantees similar performance in the future.

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As you might have guessed, we're not here to talk about chemistry today. But we will talk about something that has some similarities to the **periodic table of elements**.

I like to call it **"the periodic table of investments."**

Over the years you may have seen leading economists from various money management firms using this **periodic table of investments** to highlight the variability of returns of various asset classes.

One of the main points they like to drive home with this **periodic table of investments** is the unpredictability of returns from one asset class to another as you go from one year to the next.

If you choose any one of the colors in the first column (*under the year 2000*), and follow that color through the chart over the years, you'll see that in some years each investment may be one of the top performers, while in other years it may be one of the bottom performers, and in other years it may be somewhere in between.

The point is that you can never predict what the best-performing asset class will be **next year**.

But there are some things about this **periodic table of investments** that I've always found a little bit confounding. See if you agree.

In the middle of the chart you can see where I've circled the **S&P 500 growth** index.

Notice that, between the year 2008 and 2009, this index went from a 34% negative return to a 31% positive return... that's a swing of about 65%, yet that asset class held the exact same position on the **periodic table of investments**. Does that seem to make any sense? It seems a little strange to me... but that's the way this **periodic table** works.

And below that, you can see where I've circled the three blue boxes for the S&P 500 index. In 2006 that index had a return of nearly 16%, followed in 2007 by a return of around 5 1/2%, then followed in 2008 by return of negative 37%. So in three years its return dropped by over 50%, but it still held the same position within the **periodic table of investments**. Again, something about that just doesn't seem quite right... but that's the way the chart works.

Then notice how the S&P 500 performance improved from 2008's negative 37% return to deliver a much improved 26% positive return in 2009.... An improvement of over 60%... followed by another 15% positive return in 2010 , yet in 2009 and 2010 this index had a lower spot on the **periodic table of investments** than it did in 2008 when it had a negative 37% return. It improved it's return by about 60%, but still lost ground on **the Periodic Table!**

Also notice , at the top of the grid in 2008 and 2009, the best performing asset class had a 5¼% return in one year followed by a 79% return for a different asset class the following year. That's about a 75% difference in return for the top performing asset class, one year over another.

Similarly, at the bottom of the chart, notice that the worst performing asset class in 2008 delivered a negative 53% return while the worst performing asset class in the following year produced nearly a 6% positive return. These are dramatic year over year differences, and it's difficult to understand why these dramatically different returns should both hold the top-spot on the chart.

The last observation we'll make about the periodic table is when you look at the best performing asset class in 2008. The Barclays aggregate bond average delivered a return of around 5 1/4%. It was the best performing asset class in 2008. In 2009, the Barclays aggregate bond fund return increased to nearly 6%, but it fell from the top performing asset class to become the worst performing asset class one year later, even though it produced an improved return. Again, those idiosyncrasies seem difficult to explain... but understanding the Periodic Table still has some benefits.

Let's evaluate our takeaways:

1. First of all, the **periodic table of investments** allows us to see that it's impossible to predict which asset class will be the best performer at any point in the future.
2. Secondly, the **periodic table of investments** suggests that there's significant volatility within each asset class.
3. And finally, we realize that we can't make all of our investment decisions based on what we see in the **periodic table of investments** because, as we've noticed, there are numerous peculiarities within the **chart**.

Why is this a relevant precursor to our conversation?

Because, in the world of index universal life, we like to believe that the caps, floors, and participation rates have a tendency to stabilize the results and calm the volatility.

So I wondered: *"What would the S&P 500 index returns look like on **the periodic table of investments** if we limited the S&P 500 index returns with a 10% cap and a zero percent floor?"*

(continued on next slide)

Periodic Table Of Investments: Annual Returns

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Russell 2000 Value 22.33%	Russell 2000 Value 14.92%	Barclays Aggregate Bond 10.26%	MSCI Emerging Markets 16.28%	MSCI Emerging Markets 25.99%	MSCI Emerging Markets 34.54%	MSCI Emerging Markets 32.59%	MSCI Emerging Markets 33.78%	Barclays Aggregate Bond 9.79%	MSCI Emerging Markets 79.62%	Russell 2000 Growth 22.33%	Barclays Aggregate Bond 9.79%	MSCI Emerging Markets 79.62%	Russell 2000 Growth 22.33%	S&P 500 Growth 19.32%	S&P 500 Growth Index 9.32%	Russell 2000 Value 15.74%	MSCI Emerging Markets 37.78%	S&P 500 Growth Index 16.97%	S&P 500 Value Index 31.63%
Barclays Aggregate Bond 11.63%	Barclays Aggregate Bond 8.43%	Barclays Corporate High-Yield -1.41%	Russell 2000 Growth 45.54%	Russell 2000 Value 22.25%	MSCI World Ex-USA 14.47%	MSCI World Ex-USA 25.71%	MSCI World Ex-USA 12.44%	Barclays Corporate High-Yield 26.13%	Barclays Corporate High-Yield 55.21%	Russell 2000 Growth 22.33%	Barclays Aggregate Bond 9.79%	MSCI Emerging Markets 79.62%	Russell 2000 Growth 22.33%	S&P 500 Growth 19.32%	S&P 500 Growth Index 9.32%	Russell 2000 Value 15.74%	MSCI Emerging Markets 37.78%	S&P 500 Growth Index 16.97%	S&P 500 Value Index 31.63%
S&P 500 Value Index 6.03%	Barclays Corporate High-Yield 5.20%	MSCI Emerging Markets -6.00%	Russell 2000 Small-Cap 47.25%	MSCI World Ex-USA 20.38%	S&P 500 Value Index 5.82%	Russell 2000 Value Index 23.43%	S&P 500 Growth Index 9.13%	Russell 2000 Value Index -22.22%	Russell 2000 Value Index 34.47%	Russell 2000 Growth 22.33%	Barclays Aggregate Bond 9.79%	MSCI Emerging Markets 79.62%	Russell 2000 Growth 22.33%	S&P 500 Growth 19.32%	S&P 500 Growth Index 9.32%	Russell 2000 Value 15.74%	MSCI Emerging Markets 37.78%	S&P 500 Growth Index 16.97%	S&P 500 Value Index 31.63%
Russell 2000 Small-Cap -3.02%	Russell 2000 Small-Cap 11.42%	Russell 2000 Value 46.83%	Russell 2000 Value 33.35%	S&P 500 Value Index 20.81%	S&P 500 Value Index 20.81%	Russell 2000 Value Index 20.81%	Russell 2000 Value Index 20.81%	Barclays Corporate High-Yield 6.97%	S&P 500 Growth Index 34.23%	S&P 500 Growth Index 34.23%	Barclays Corporate High-Yield 15.12%	S&P 500 Value Index -5.48%	Russell 2000 Small-Cap 16.35%	S&P 500 Growth Index 32.75%	Barclays Aggregate Bond 5.97%	Russell 2000 Value 11.91%	S&P 500 Growth Index 17.13%	Russell 2000 Value 22.17%	Russell 2000 Value 28.46%
Barclays Corporate High-Yield -5.50%	MSCI Emerging Markets -3.77%	MSCI World Ex-USA -15.80%	MSCI World Ex-USA 38.42%	S&P 500 Value Index 15.71%	Russell 2000 Value Index 4.71%	Russell 2000 Value Index 10.37%	Barclays Corporate High-Yield 6.97%	S&P 500 Growth Index -34.23%	S&P 500 Growth Index 34.23%	Barclays Corporate High-Yield 15.12%	S&P 500 Value Index -5.48%	Russell 2000 Small-Cap 16.35%	S&P 500 Growth Index 32.75%	Barclays Aggregate Bond 5.97%	Russell 2000 Value 11.91%	S&P 500 Growth Index 17.13%	Russell 2000 Value 22.17%	Russell 2000 Value 28.46%	Russell 2000 Value 28.46%
S&P 500 Index -9.11%	Russell 2000 Growth -9.23%	Russell 2000 Small-Cap -20.48%	Barclays Corporate High-Yield 26.97%	Russell 2000 Growth 14.31%	Russell 2000 Growth 4.55%	S&P 500 Index 15.79%	S&P 500 Index 15.79%	S&P 500 Index -57.06%	S&P 500 Index 27.37%	S&P 500 Index 15.10%	Russell 2000 Small-Cap 16.35%	S&P 500 Index 15.09%	S&P 500 Index 15.09%	S&P 500 Index 15.09%	S&P 500 Index 15.09%	S&P 500 Index 15.09%	S&P 500 Index 15.09%	S&P 500 Index 15.09%	S&P 500 Index 15.09%
MSCI World High-Yield -13.39%	S&P 500 Value Index -11.73%	S&P 500 Value Index -20.85%	S&P 500 Index 26.65%	Barclays Corporate High-Yield 11.11%	Russell 2000 Growth 4.15%	Russell 2000 Growth 13.35%	Barclays Corporate High-Yield 13.35%	S&P 500 Index -38.54%	S&P 500 Index -38.54%	S&P 500 Index -38.54%	S&P 500 Index -38.54%	S&P 500 Index -38.54%	S&P 500 Index -38.54%	S&P 500 Index -38.54%	S&P 500 Index -38.54%	S&P 500 Index -38.54%	S&P 500 Index -38.54%	S&P 500 Index -38.54%	S&P 500 Index -38.54%
S&P 500 Growth Index -22.08%	S&P 500 Index -11.59%	S&P 500 Index -22.59%	S&P 500 Index 25.66%	S&P 500 Growth Index 39.33%	S&P 500 Growth Index 4.89%	S&P 500 Growth Index 1.87%	Barclays Corporate High-Yield 1.87%	S&P 500 Value Index -38.22%	S&P 500 Value Index -38.22%	S&P 500 Value Index -38.22%	S&P 500 Value Index -38.22%	S&P 500 Value Index -38.22%	S&P 500 Value Index -38.22%	S&P 500 Value Index -38.22%	S&P 500 Value Index -38.22%	S&P 500 Value Index -38.22%	S&P 500 Value Index -38.22%	S&P 500 Value Index -38.22%	S&P 500 Value Index -38.22%
Russell 2000 Growth Index -22.43%	S&P 500 Growth Index -12.73%	S&P 500 Growth Index -23.59%	S&P 500 Value Index 11.74%	S&P 500 Growth Index 6.13%	Barclays Corporate High-Yield 2.74%	S&P 500 Growth Index 11.74%	Russell 2000 Small-Cap -1.57%	Russell 2000 Value Index -43.56%	Russell 2000 Value Index -43.56%	Russell 2000 Value Index -43.56%	Russell 2000 Value Index -43.56%	Russell 2000 Value Index -43.56%	Russell 2000 Value Index -43.56%	Russell 2000 Value Index -43.56%	Russell 2000 Value Index -43.56%	Russell 2000 Value Index -43.56%	Russell 2000 Value Index -43.56%	Russell 2000 Value Index -43.56%	Russell 2000 Value Index -43.56%
MSCI Emerging Markets -30.61%	MSCI World Ex-USA -21.40%	Russell 2000 Growth -30.20%	Barclays Aggregate Bond 4.10%	Barclays Aggregate Bond 4.34%	Barclays Aggregate Bond 2.43%	Barclays Aggregate Bond 4.33%	Russell 2000 Value Index -9.70%	MSCI Emerging Markets -53.18%	Barclays Aggregate Bond 5.93%	Barclays Aggregate Bond 6.54%	MSCI Emerging Markets -18.17%	Barclays Aggregate Bond 4.21%	MSCI Emerging Markets -2.27%	MSCI World Ex-USA -4.32%	MSCI Emerging Markets -14.60%	MSCI World Ex-USA 2.75%	Barclays Aggregate Bond 3.54%	MSCI Emerging Markets -8.31%	Barclays Aggregate Bond 8.84%

S&P 500 with 10% Cap & 0% Floor

Source: <https://www.zeninvestor.org/periodic-table-of-asset-class-returns/>. All values exclude annual fees that can reduce policy values. Prolonged "down markets" can result in values below the original principal amount. All results shown are historical results, and none of this data suggests or guarantees similar performance in the future.



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So here I've overlaid on top of the **periodic table of investments** the S&P 500 index returns, with the volatility controlled by adding a 10% cap and a zero percent floor.

My original expectation was that it would create a relatively smooth line by controlling the volatility, but I was wrong.

One of my takeaways from this slide is recognizing that there may be more volatility in an index universal life policy's returns than I originally anticipated... and that's something I wanted to explore further.

(Continued on the next slide)

Periodic Table Of Investments: Annual Returns

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Russell 2000 Value 22.37%	Russell 2000 Value 14.92%	Barclays Aggregate Bond 10.26%	MSCI Emerging Markets 56.28%	MSCI Emerging Markets 25.59%	MSCI Emerging Markets 34.54%	MSCI Emerging Markets 32.59%	MSCI Emerging Markets 33.78%	Barclays Aggregate Bond 5.79%	MSCI Emerging Markets 73.62%	Russell 2000 Growth 20.25%	Barclays Aggregate 5.79%	MSCI Emerging 5.79%	Russell 2000 5.52%	S&P 500 Growth 5.52%	S&P 500 Growth Index 5.52%	Russell 2000 Value 53.74%	MSCI Emerging Markets 37.28%	S&P 500 Growth Index 18.59%	S&P 500 Value Index 21.83%
Barclays Aggregate Bond 11.67%	Barclays Aggregate Bond 8.43%	Barclays Corporate High-Yield -1.41%	Russell 2000 Growth 45.54%	Russell 2000 Value 22.25%	MSCI World Ex-USA 14.47%	MSCI World Ex-USA 25.71%	MSCI World Ex-USA 12.44%	Barclays Corporate High-Yield 24.11%	Barclays Corporate High-Yield 55.21%	Russell 2000 Small-Cap 24.59%	Russell 2000 Small-Cap 24.59%	Russell 2000 Small-Cap 24.59%	Russell 2000 Small-Cap 24.59%	Russell 2000 Small-Cap 24.59%	Russell 2000 Small-Cap 24.59%	Russell 2000 Small-Cap 24.59%	Russell 2000 Small-Cap 24.59%	Russell 2000 Small-Cap 24.59%	Russell 2000 Small-Cap 24.59%
S&P 500 Value Index 6.03%	Barclays Corporate High-Yield 5.22%	MSCI Emerging Markets -6.00%	Russell 2000 Small-Cap 47.25%	MSCI World Ex-USA 20.38%	S&P 500 Value Index 5.82%	Russell 2000 Value Index 23.40%	S&P 500 Growth Index 9.13%	Russell 2000 Value Index -22.92%	Barclays Corporate High-Yield 34.47%	Russell 2000 Value Index 24.59%	Russell 2000 Value Index 24.59%	Russell 2000 Value Index 24.59%	Russell 2000 Value Index 24.59%	Russell 2000 Value Index 24.59%	Russell 2000 Value Index 24.59%	Russell 2000 Value Index 24.59%	Russell 2000 Value Index 24.59%	Russell 2000 Value Index 24.59%	Russell 2000 Value Index 24.59%
Russell 2000 Small-Cap 3.02%	Russell 2000 Small-Cap 11.42%	Russell 2000 Small-Cap 46.83%	Russell 2000 Small-Cap 33.35%	S&P 500 Value Index 20.81%	Russell 2000 Value Index 20.81%	Russell 2000 Value Index 20.81%	Russell 2000 Value Index 20.81%	Russell 2000 Value Index 20.81%	Russell 2000 Value Index 20.81%	Russell 2000 Value Index 20.81%	Russell 2000 Value Index 20.81%	Russell 2000 Value Index 20.81%	Russell 2000 Value Index 20.81%	Russell 2000 Value Index 20.81%	Russell 2000 Value Index 20.81%	Russell 2000 Value Index 20.81%	Russell 2000 Value Index 20.81%	Russell 2000 Value Index 20.81%	Russell 2000 Value Index 20.81%
Barclays Corporate High-Yield -5.86%	Russell 2000 Small-Cap -2.37%	MSCI World Ex-USA -15.50%	MSCI World Ex-USA 35.42%	S&P 500 Value Index 35.71%	Russell 2000 Value Index 4.71%	Russell 2000 Value Index 10.37%	Barclays Aggregate Bond 6.97%	S&P 500 Growth Index -34.29%	S&P 500 Growth Index 31.57%	Barclays Corporate High-Yield 15.12%	S&P 500 Value Index 10.48%	Russell 2000 Small-Cap 16.35%	S&P 500 Growth Index 32.75%	Barclays Aggregate Bond 5.97%	Russell 2000 Small-Cap 11.06%	S&P 500 Value Index 11.06%	S&P 500 Value Index 11.06%	Russell 2000 Small-Cap 6.29%	Russell 2000 Small-Cap 25.39%
S&P 500 Index -9.11%	Russell 2000 Growth -8.22%	Russell 2000 Small-Cap -20.44%	Barclays Corporate High-Yield 34.33%	Russell 2000 Growth 14.33%	Russell 2000 Growth 15.79%	S&P 500 Index 4.55%	S&P 500 Index 15.79%	S&P 500 Index -37.80%	Russell 2000 Small-Cap 27.17%	S&P 500 Index 15.10%	Russell 2000 Small-Cap 15.10%	S&P 500 Index 15.10%	S&P 500 Index 15.10%	S&P 500 Index 15.10%	S&P 500 Index 15.10%	S&P 500 Index 15.10%	S&P 500 Index 15.10%	S&P 500 Index 15.10%	S&P 500 Index 15.10%
MSCI World -13.37%	S&P 500 Value Index -11.71%	S&P 500 Value Index -20.55%	S&P 500 Value Index 20.65%	Barclays Corporate High-Yield 11.11%	Russell 2000 Growth 4.15%	Russell 2000 Growth 13.35%	S&P 500 Index 1.99%	Russell 2000 Growth -35.54%	S&P 500 Index 26.47%	S&P 500 Index 15.00%	Russell 2000 Small-Cap -4.10%	Barclays Corporate High-Yield 15.81%	S&P 500 Index 21.76%	MSCI World Ex-USA 2.42%	Russell 2000 Small-Cap -4.41%	Barclays Corporate High-Yield 4.40%	S&P 500 Index 7.34%	Russell 2000 Small-Cap 1.88%	MSCI World Ex-USA 22.01%
S&P 500 Growth Index -22.66%	S&P 500 Index -11.93%	S&P 500 Index -22.10%	S&P 500 Growth Index 35.66%	S&P 500 Growth Index 30.33%	Barclays Corporate High-Yield 4.00%	Russell 2000 Growth 1.07%	Barclays Corporate High-Yield -99.22%	S&P 500 Index -11.71%	MSCI World Ex-USA 15.71%	MSCI World Ex-USA 15.71%	MSCI World Ex-USA 15.71%	MSCI World Ex-USA 15.71%	MSCI World Ex-USA 15.71%	MSCI World Ex-USA 15.71%	MSCI World Ex-USA 15.71%	MSCI World Ex-USA 15.71%	MSCI World Ex-USA 15.71%	MSCI World Ex-USA 15.71%	MSCI World Ex-USA 15.71%
Russell 2000 Growth Index -22.43%	S&P 500 Growth Index -12.73%	S&P 500 Growth Index -23.59%	S&P 500 Value Index 15.71%	S&P 500 Value Index 6.13%	Barclays Corporate High-Yield 2.74%	S&P 500 Growth 11.71%	MSCI World Ex-USA -1.57%	Russell 2000 Small-Cap -43.50%	MSCI World Ex-USA 8.95%	MSCI World Ex-USA -12.21%	MSCI World Ex-USA -12.21%	MSCI World Ex-USA -12.21%	MSCI World Ex-USA -12.21%	MSCI World Ex-USA -12.21%	MSCI World Ex-USA -12.21%	MSCI World Ex-USA -12.21%	MSCI World Ex-USA -12.21%	MSCI World Ex-USA -12.21%	MSCI World Ex-USA -12.21%
MSCI Emerging Markets -30.61%	MSCI World Ex-USA -31.40%	Russell 2000 Growth -30.26%	Barclays Aggregate Bond 4.10%	Barclays Aggregate Bond 4.34%	Barclays Aggregate Bond 2.43%	Barclays Aggregate Bond 4.33%	Russell 2000 Value -9.78%	MSCI Emerging Markets -51.18%	Barclays Aggregate Bond 5.93%	Barclays Aggregate Bond 6.54%	MSCI Emerging Markets -18.17%	Barclays Aggregate Bond 4.21%	MSCI Emerging Markets -4.12%	MSCI World Ex-USA -4.12%	MSCI World Ex-USA -4.12%	MSCI World Ex-USA -4.12%	Barclays Aggregate Bond 2.75%	MSCI Emerging Markets -6.31%	Barclays Aggregate Bond 8.84%

S&P 500 with 10% Cap & 0% Floor

Source: <https://www.zeninvestor.org/periodic-table-of-asset-class-returns/>. All values exclude annual fees that can reduce policy values. Prolonged "down markets" can result in values below the original principal amount. All results shown are historical results, and none of this data suggests or guarantees similar performance in the future.

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Before we leave the periodic table of investments, I also wanted to point out, highlighted in pink, all of the situations throughout the years where a zero percent floor would have prevented a negative return.

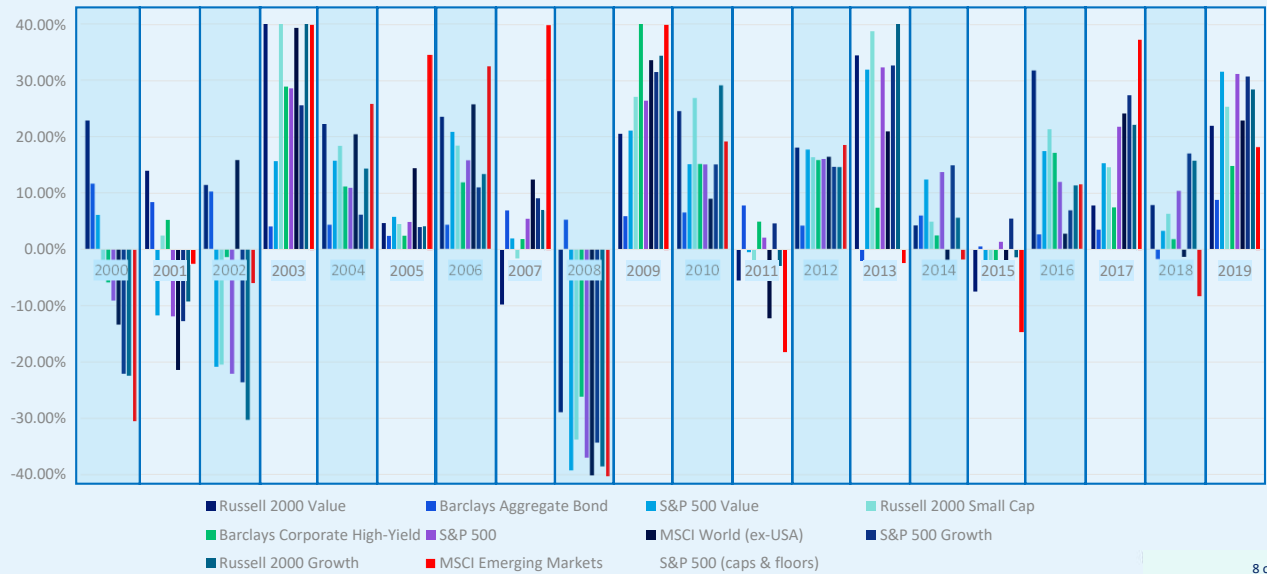
That's a great visual to showcase one of the benefits of an index universal life policy with a 0% floor.

This is where we like to say: ***"Upside market potential with no downside market risk."***

But you might ask yourself: "We were able to identify the peculiarities between the different asset classes on the periodic table of investments, but how do they actually perform over time? What are their actual rates of return relative to one another?"

Let's explore some of these questions.

Periodic Table Of Investments: Annual Returns



Source: <https://www.zeninvestor.org/periodic-table-of-asset-class-returns/>. All values exclude annual fees that can reduce policy values. Prolonged "down markets" can result in values below the original principal amount. All results shown are historical results, and none of this data suggests or guarantees similar performance in the future.

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So to give it a bit of a different perspective, here I've graphed the annual returns of each of those 10 asset classes , year over year, from 2000 through 2019.

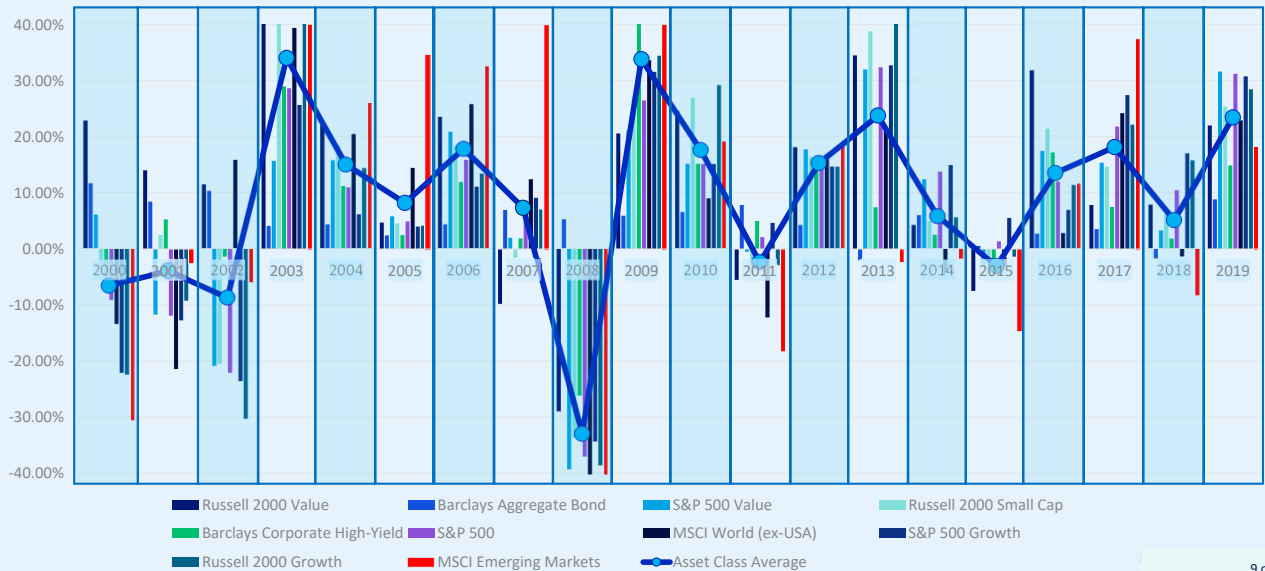
I think you'll agree that there's a lot of embedded volatility in all of these asset classes.

In the years 2000 through 2002 you can see that most asset classes produced negative returns.

From 2003 through 2007, all of the asset classes tended to produce relatively strong positive returns.

Then all but one asset class generated steep negative returns in 2008, during what we now call "The Great Recession," followed by relatively strong overall performance in each of the next 10 years.

Periodic Table Of Investments: Annual Returns



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Source: <https://www.zeninvestor.org/periodic-table-of-asset-class-returns/>. All values exclude annual fees that can reduce policy values. Prolonged "down markets" can result in values below the original principal amount. All results shown are historical results, and none of this data suggests or guarantees similar performance in the future.

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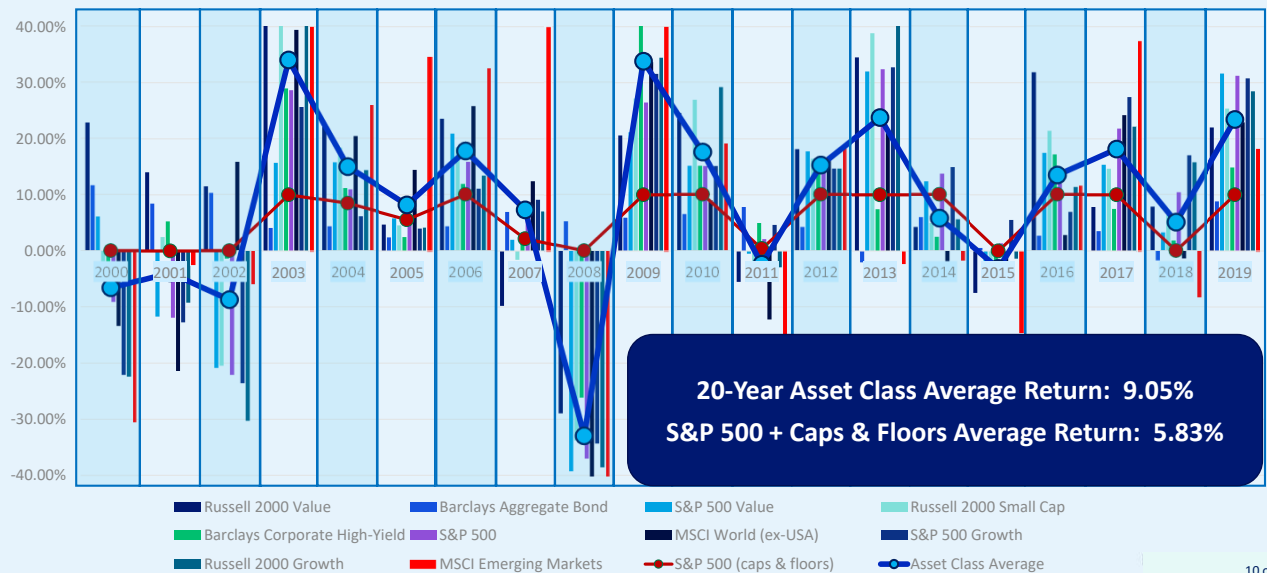


To make the volatility a little bit easier to see, I added a line showing the average return of all 10 asset classes in each year.

As you can see, this collection of 10 asset classes certainly had a fair amount of volatility.

But what would that volatility look like compared to the S&P 500 index with 10% caps and 0% floors?

Periodic Table Of Investments: Annual Returns



Source: <https://www.zeninvestor.org/periodic-table-of-asset-class-returns/> All values exclude annual fees that can reduce policy values. Prolonged "down markets" can result in values below the original principal amount. All results shown are historical results, and none of this data suggests or guarantees similar performance in the future.

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To show you the impact, on this graph I've overlaid the S&P 500 index returns controlled by a 10% cap and a zero percent floor.

As you can see, the S&P 500 index with caps and floors is far less volatile than any of the other asset classes, and significantly less volatile than the average of all 10 asset classes.

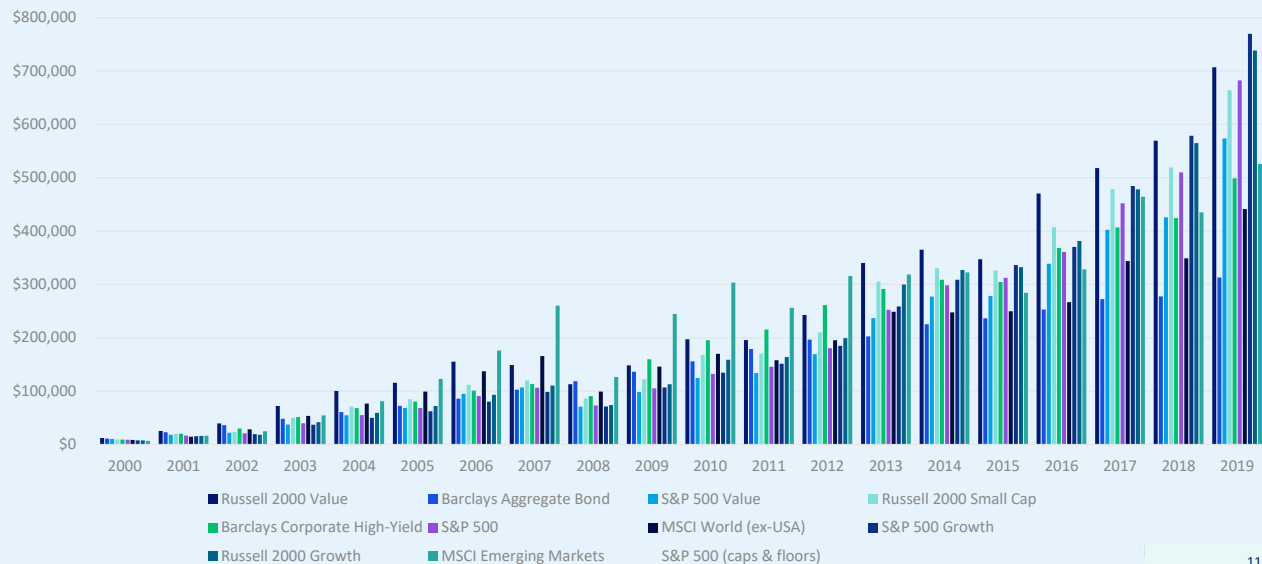
So people might be attracted to index returns because of the reduced volatility.

From our financial studies, we know there's supposed to be a general relationship between risk and return. Intuitively we'd think that "less volatility = less "risk"... therefore I should expect a lower return when I reduce the volatility, right?

That's a key question. Let's explore **that** a little bit.

Periodic Table Of Investments: Annual Contributions

Annual Contributions of \$10,000



Source: <https://www.zeninvestor.org/periodic-table-of-asset-class-returns/>

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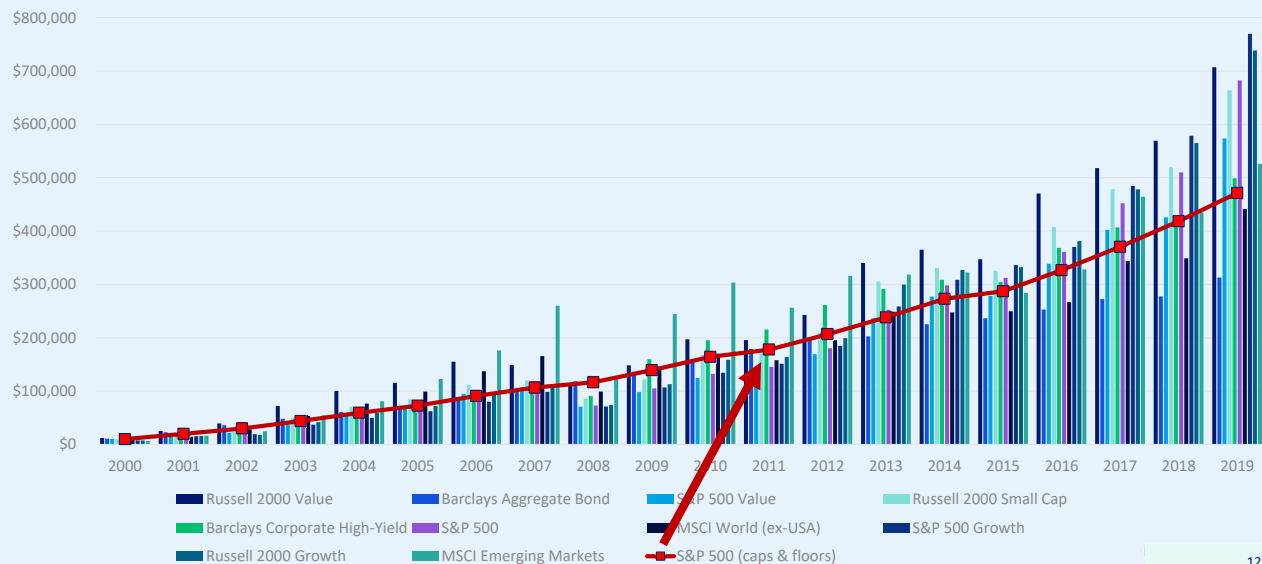
In the previous example we explored what would happen to a **single sum investment** if it was invested at the returns of the 10 different asset classes, compared to the S&P 500 index with the 10% caps and 0% floors.

Here we'll take a look at **annual contributions** of \$10,000 being invested at the returns of each of the 10 asset classes.

Again you can see that all 10 asset classes performed relatively similarly.... All of them producing around \$400,000 to \$600,000 of projected value.

Periodic Table Of Investments: Annual Contributions

Annual Contributions of \$10,000



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Source: <https://www.zeninvestor.org/periodic-table-of-asset-class-returns/>

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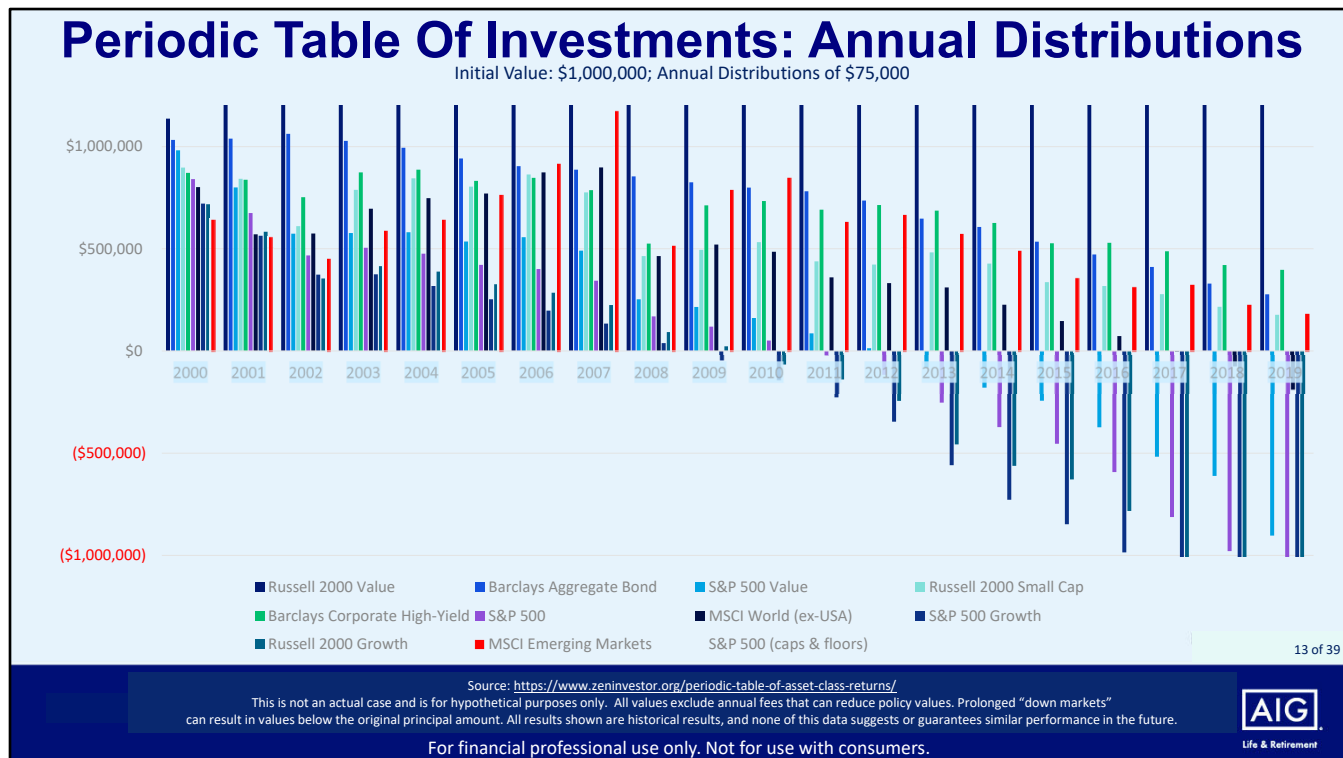
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But what I think is more interesting, is that the red line showing the S&P 500 index with 10% caps and 0% floors dramatically reduced the volatility of the investment returns, but produced results that seemed to be about average compared to the 10 other asset classes that had significantly more volatility.

The S&P 500 with a 10% cap and a 0% floor is projected at just over \$470,000.

Again we see substantially less volatility with similar overall results.



And Lastly, I wanted to see the impact of the 10% cap and 0% floor on **distributions**.

In this chart, I started with \$1,000,000, and invested that \$1,000,000 at each of the 10 asset class's annual returns, while taking annual distributions of \$75,000 at the beginning of each year.

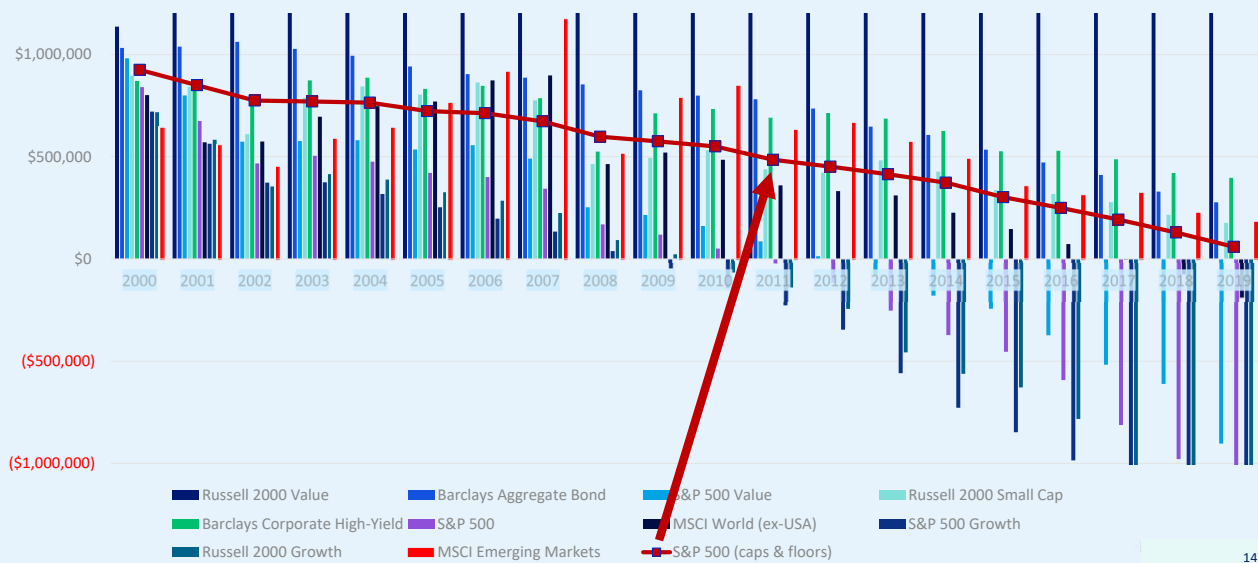
Once again, the Russell 2000 value index produced a real outlier generating significant future value in spite of the \$75,000 annual withdrawals.

But look at the other nine asset classes.

Several of those asset classes began running out of money as early as 2009 and 2010, and several asset classes produced significantly negative values by the year 2019... some of them producing negative values in excess of \$1,000,000.

Periodic Table Of Investments: Annual Distributions

Initial Value: \$1,000,000; Annual Distributions of \$75,000



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Source: <https://www.zeninvestor.org/periodic-table-of-asset-class-returns/>
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Now look at the results of the red line, which reflects the S&P 500 index with a 10% cap and 0% floor. Once again, the caps and floors significantly reduced the volatility, but the fund still produces generally strong results. In fact, notice that the S&P 500 index with 10% caps and 0% floors not only performed similarly to some of the better performing asset classes, but also didn't run out of money in this example.

So, overall, we're able to see that, during both accumulation and distribution, adding caps and floors to index returns has the potential to reduce the overall volatility, but still has the potential to produce relatively good overall results.



What's The Point?



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So what's the point of learning about **the periodic table of investments**, and examining the volatility of the returns of the various asset classes during accumulation and distribution?

What's The Point?

Index Caps & Floors tend to reduce volatility, but maintain relatively good performance

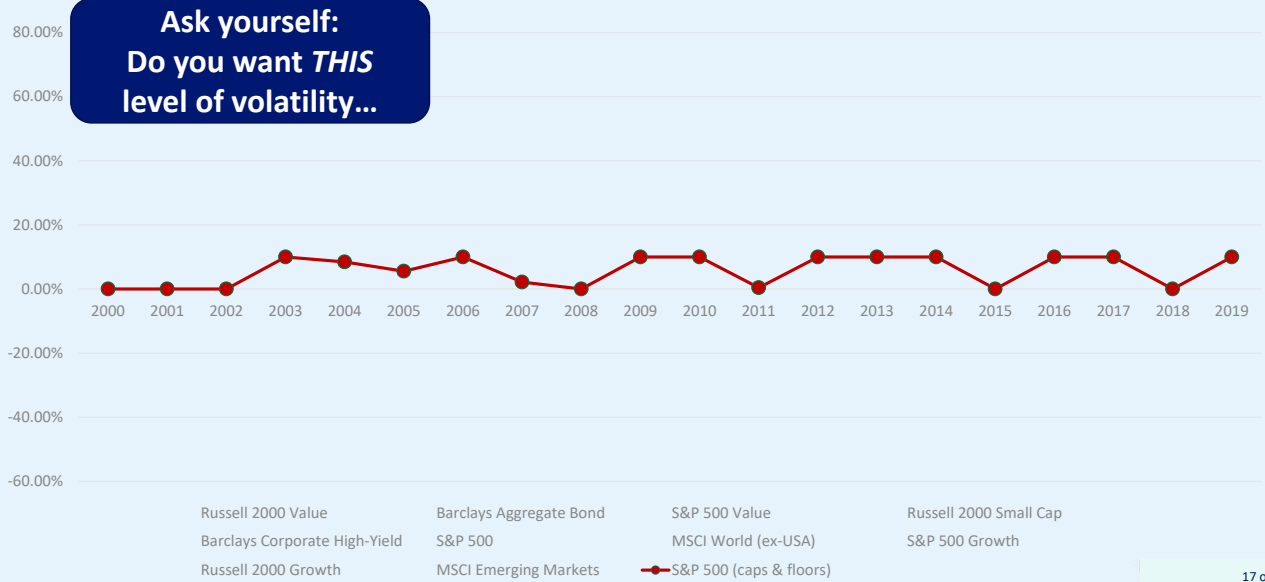
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The point is to learn that Index caps and floors tend to reduce overall volatility while maintaining relatively good performance.

Periodic Table Of Investments: Annual Returns



Source: <https://www.zeninvestor.org/periodic-table-of-asset-class-returns/>
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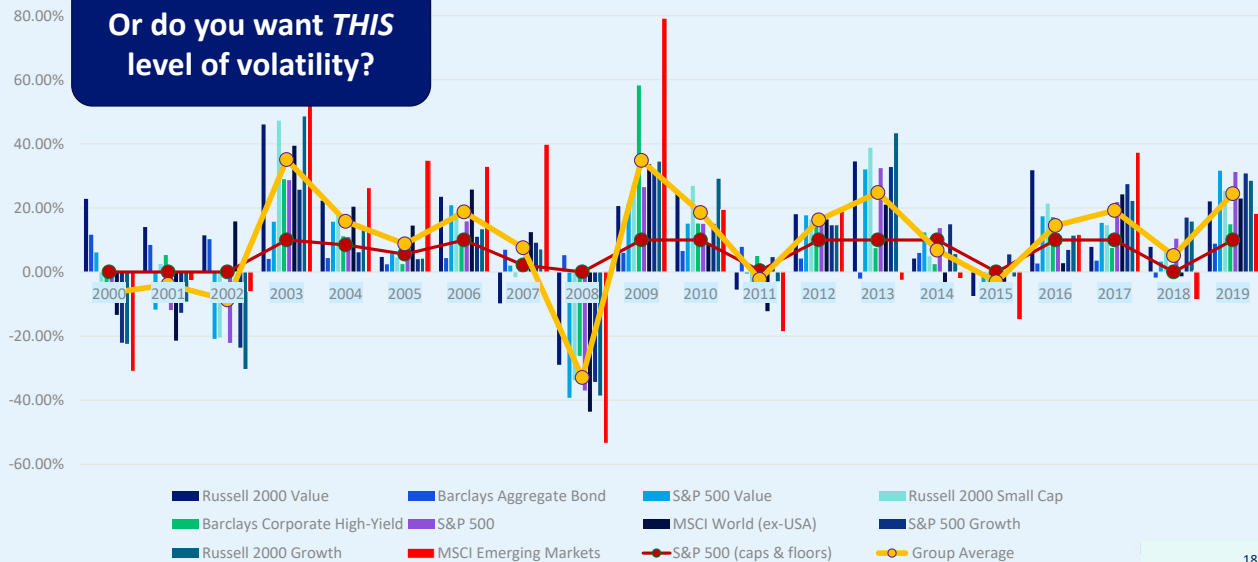


So the question you may ask yourself is: "How much volatility are you comfortable with?"

Would you rather have volatility that looks something like this?

(Continued on the next slide)

Periodic Table Of Investments: Annual Returns



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Source: <https://www.zeninvestor.org/periodic-table-of-asset-class-returns/>
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Or volatility that looks more like this?

I'm guessing that many people would think that, if there's a way that they can produce relatively strong results with substantially less volatility, they'd like to do it.

So what's my point?

By looking at volatility through these different lenses, I'm hoping you're able to see how volatile many asset classes really are, and how the concepts of indexing have the potential to reduce the level of volatility while retaining the potential to produce relatively good results.

Remember that these results are hypothetical only, do not represent any actual case, and that past performance is no indication of future results.



How About Diversification Within An IUL Policy?



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How can we now take what we've learned about volatility and apply it to what we know about index returns a bit more?

Maybe there are some lessons we can learn from **the periodic table of investments** that encourage us to adjust our thinking a little bit.

Maybe there's an opportunity to think about "*diversification within an IUL policy.*"

Let's see...

Periodic Table Of Investments: Annual Returns

2001
MLSB 100% Par Rate 1.00%
PIMCO 80% Par Rate 0%
S&P 500 Cap: 10% Floor: 0% 0%

Reminder: The values and returns shown do not directly reflect any specific Index Account within any Index Universal Life policy. The values reflect returns from the retail indices, then modified by fictitious caps, floors and participation rates that aren't intended to replicate any particular Index Account or Index Universal Life Policy. The equity index accounts provide benefits linked to an external equity index. The equity index account does not participate directly in the equity markets.

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Here you can see that I'm showing the beginnings of a different "**Periodic Table**"... this one is comprised of three index accounts: the Merrill Lynch Strategic Balanced index, the PIMCO Global Optima Index, and the S&P 500 index from 2001.

Remember that this chart reflects the results of the retail indexes for each of these accounts, and then they're modified by hypothetical caps, floors and participation rates. None of these rates of return or scenarios are designed to reflect any actual index account from any Index Universal Life policy, nor do they reflect the actual performance of any Index Universal Life policy.

I've color-coded the three different indices so that we can see how they performed, relative to one another, over this 19 year scenario.

For example, you can see that, in 2001, after applying a participation rate of 100%, the MLSB retail index produced a return of just 1%.

The PIMCO and S&P 500 retail indexes both produced negative returns, but after applying our 0% floor, they each produced an adjusted return of 0%.

Periodic Table Of Investments: Annual Returns

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
MLSB 100% Par Rate 1.00%	MLSB 100% Par Rate 5.70%	PIMCO 80% Par Rate 18.66%	PIMCO 80% Par Rate 12.23%	PIMCO 80% Par Rate 10.90%	PIMCO 80% Par Rate 15.32%	MLSB 100% Par Rate 10.71%	PIMCO 80% Par Rate 0%	PIMCO 80% Par Rate 14.42%	MLSB 100% Par Rate 12.77%	MLSB 100% Par Rate 10.15%	S&P 500 Cap: 10% Floor: 0% 10.00%	S&P 500 Cap: 10% Floor: 0% 10.00%	MLSB 100% Par Rate 11.01%	PIMCO 80% Par Rate 0%	S&P 500 Cap: 10% Floor: 0% 10.00%	PIMCO 80% Par Rate 19.03%	PIMCO 80% Par Rate 0%	MLSB 100% Par Rate 14.54%
PIMCO 80% Par Rate 0%	PIMCO 80% Par Rate 0%	S&P 500 Cap: 10% Floor: 0% 10.00%	S&P 500 Cap: 10% Floor: 0% 8.44%	S&P 500 Cap: 10% Floor: 0% 5.55%	S&P 500 Cap: 10% Floor: 0% 10.00%	PIMCO 80% Par Rate 7.53%	MLSB 100% Par Rate 0%	S&P 500 Cap: 10% Floor: 0% 10.00%	S&P 500 Cap: 10% Floor: 0% 10.00%	PIMCO 80% Par Rate 0.58%	MLSB 100% Par Rate 8.18%	PIMCO 80% Par Rate 7.78%	S&P 500 Cap: 10% Floor: 0% 10.00%	MLSB 100% Par Rate 0%	PIMCO 80% Par Rate 5.60%	S&P 500 Cap: 10% Floor: 0% 10.00%	MLSB 100% Par Rate 0%	PIMCO 80% Par Rate 12.14%
S&P 500 Cap: 10% Floor: 0% 0%	S&P 500 Cap: 10% Floor: 0% 0%	MLSB 100% Par Rate 9.80%	MLSB 100% Par Rate 7.76%	MLSB 100% Par Rate 3.25%	MLSB 100% Par Rate 5.84%	S&P 500 Cap: 10% Floor: 0% 2.16%	S&P 500 Cap: 10% Floor: 0% 0%	MLSB 100% Par Rate 3.78%	PIMCO 80% Par Rate 9.22%	S&P 500 Cap: 10% Floor: 0% 0.41%	PIMCO 80% Par Rate 7.64%	MLSB 100% Par Rate 2.11%	PIMCO 80% Par Rate 1.18%	S&P 500 Cap: 10% Floor: 0% 0%	MLSB 100% Par Rate 3.35%	MLSB 100% Par Rate 7.73%	S&P 500 Cap: 10% Floor: 0% 0%	S&P 500 Cap: 10% Floor: 0% 10.00%

Reminder: The values and returns shown do not directly reflect any specific Index Account within any Index Universal Life policy. The values reflect returns from the retail indices, then modified by fictitious caps, floors and participation rates that aren't intended to replicate any particular Index Account or Index Universal Life Policy. The equity index accounts provide benefits linked to an external equity index. The equity index account does not participate directly in the equity markets.

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Here you can see the rest of the returns for the remaining 19 years.

Periodic Table Of Investments: Annual Returns

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
MLSB 100% Par Rate 1.00%	MLSB 100% Par Rate 5.7%	PIMCO 80% Par Rate 18.66%	PIMCO 80% Par Rate 12.23%	PIMCO 80% Par Rate 10.90%	PIMCO 80% Par Rate 15.32%	MLSB 100% Par Rate 7.7%	PIMCO 80% Par Rate 0%	PIMCO 80% Par Rate 14.42%	MLSB 100% Par Rate 7.7%	MLSB 100% Par Rate 10.15%	S&P 500 Cap: 10% Floor: 0% 10.00%	S&P 500 Cap: 10% Floor: 0% 10.00%	MLSB 100% Par Rate 7.7%	PIMCO 80% Par Rate 0%	S&P 500 Cap: 10% Floor: 0% 10.00%	PIMCO 80% Par Rate 19.03%	PIMCO 80% Par Rate 0%	MLSB 100% Par Rate 4.54%
PIMCO 80% Par Rate 0%	PIMCO 80% Par Rate 0%	S&P 500 Cap: 10% Floor: 0% 10.00%	S&P 500 Cap: 10% Floor: 0% 8.44%	S&P 500 Cap: 10% Floor: 0% 5.55%	S&P 500 Cap: 10% Floor: 0% 10.00%	PIMCO 80% Par Rate 7.53%	MLSB 100% Par Rate 0%	S&P 500 Cap: 10% Floor: 0% 10.00%	S&P 500 Cap: 10% Floor: 0% 10.00%	PIMCO 80% Par Rate 0.58%	MLSB 100% Par Rate 8.18%	PIMCO 80% Par Rate 7.78%	S&P 500 Cap: 10% Floor: 0% 10.00%	MLSB 100% Par Rate 0%	PIMCO 80% Par Rate 5.60%	S&P 500 Cap: 10% Floor: 0% 10.00%	MLSB 100% Par Rate 0%	PIMCO 80% Par Rate 12.14%
S&P 500 Cap: 10% Floor: 0% 0%	S&P 500 Cap: 10% Floor: 0% 0%	MLSB 100% Par Rate 9.80%	MLSB 100% Par Rate 7.76%	MLSB 100% Par Rate 3.25%	MLSB 100% Par Rate 5.84%	S&P 500 Cap: 10% Floor: 0% 2.16%	S&P 500 Cap: 10% Floor: 0% 0%	MLSB 100% Par Rate 3.78%	PIMCO 80% Par Rate 9.22%	S&P 500 Cap: 10% Floor: 0% 0.41%	PIMCO 80% Par Rate 7.64%	MLSB 100% Par Rate 2.11%	PIMCO 80% Par Rate 1.18%	S&P 500 Cap: 10% Floor: 0% 0%	MLSB 100% Par Rate 3.35%	MLSB 100% Par Rate 7.73%	S&P 500 Cap: 10% Floor: 0% 0%	S&P 500 Cap: 10% Floor: 0% 10.00%

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If you begin with the blue boxes... The Merrill Lynch Strategic Balanced index... You notice that it was the best performer out of the three options in 2001 and 2002.

But then it was the worst performer of the three from 2003 through 2006.

And it was the best performer again in 2007, followed by being the worst performer in 2009, and then the best performer again in 2010 and 2011, then zig-zagging between best-performer and worst-performer the rest of the way to 2019.

Do you see any apparent volatility in this chart?

If you were an investor choosing between these three indices in the year 2001, and you were trying to get the best return possible, you'd probably be pretty happy if you had your money in the MLSB index in 2001 and 2002.

But if you stayed in the MLSB, in the next 4 years your money would've been in the worst-performing index of the group.

After four consecutive years of finishing in last-place out of the three, you finally decided the MLSB wasn't doing so well by 2006, and so you might choose to move your money to the PIMCO index at the end of 2006, only to miss out on the MLSB being the best performer of the group in 2007.

So then you jump back in to MLSB, only to get a 0% return in 2008, and to be in the worst performer in 2009.

So you get out of MLSB again, and miss two great years in 2010 and 2011 when it was the best performer of the group.

You would continue this chaos all the way through to 2019, ending up in the worst-performing group more often than you were in the best performing group.

Unfortunately, people that "chase the best returns" can often be victims of this kind of chaos.

Periodic Table Of Investments: Annual Returns

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
MLSB 100% Par Rate 1.00%	MLSB 100% Par Rate 5.70%	PIMCO 80% Par Rate 8.66%	PIMCO 80% Par Rate 12.23%	PIMCO 80% Par Rate 10.90%	PIMCO 80% Par Rate 15.32%	MLSB 100% Par Rate 10.71%	PIMCO 80% Par Rate 0%	PIMCO 80% Par Rate 14.41%	MLSB 100% Par Rate 12.77%	MLSB 100% Par Rate 10.15%	S&P 500 Cap: 10% Floor: 0% 10.00%	S&P 500 Cap: 10% Floor: 0% 10.00%	MLSB 100% Par Rate 11.01%	PIMCO 80% Par Rate 0%	S&P 500 Cap: 10% Floor: 0% 10.00%	PIMCO 80% Par Rate 19.03%	PIMCO 80% Par Rate 0%	MLSB 100% Par Rate 14.54%
PIMCO 80% Par Rate 0%	PIMCO 80% Par Rate 0%	S&P 500 Cap: 10% Floor: 0% 10.00%	S&P 500 Cap: 10% Floor: 0% 8.44%	S&P 500 Cap: 10% Floor: 0% 5.55%	S&P 500 Cap: 10% Floor: 0% 10.00%	PIMCO 80% Par Rate 7.53%	MLSB 100% Par Rate 0%	S&P 500 Cap: 10% Floor: 0% 10.00%	S&P 500 Cap: 10% Floor: 0% 10.00%	PIMCO 80% Par Rate 0.58%	MLSB 100% Par Rate 8.18%	PIMCO 80% Par Rate 7.78%	S&P 500 Cap: 10% Floor: 0% 10.00%	MLSB 100% Par Rate 0%	PIMCO 80% Par Rate 5.60%	S&P 500 Cap: 10% Floor: 0% 10.00%	MLSB 100% Par Rate 0%	PIMCO 80% Par Rate 12.14%
S&P 500 Cap: 10% Floor: 0% 0%	S&P 500 Cap: 10% Floor: 0% 0%	MLSB 100% Par Rate 9.80%	MLSB 100% Par Rate 7.76%	MLSB 100% Par Rate 3.25%	MLSB 100% Par Rate 5.84%	S&P 500 Cap: 10% Floor: 0% 2.16%	S&P 500 Cap: 10% Floor: 0% 0%	MLSB 100% Par Rate 3.78%	MLSB 100% Par Rate 9.22%	S&P 500 Cap: 10% Floor: 0% 0.41%	PIMCO 80% Par Rate 7.64%	MLSB 100% Par Rate 2.11%	PIMCO 80% Par Rate 1.18%	S&P 500 Cap: 10% Floor: 0% 0%	MLSB 100% Par Rate 3.35%	MLSB 100% Par Rate 7.73%	S&P 500 Cap: 10% Floor: 0% 0%	S&P 500 Cap: 10% Floor: 0% 10.00%

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Now let's look at PIMCO, shown with a hypothetical 80% Participation Rate. It was the 2nd-place performer in 2001 and 2002, then the best performer for four consecutive years.

If you had followed your instincts from 2001 and 2002, you might have put all of your eggs in the MLSB Index, and for the next four years you could've "ridden the wave" of the worst performer in the group instead of the best performer in the group... the PIMCO index.

Then the PIMCO Index was in the middle of the road for two years before becoming the best performer again in 2009 followed by the worst performer in 2010, and then it zig-zagged mostly along the bottom-half of the chart the rest of the way to 2019.

Again I ask: Do you notice any volatility?

Periodic Table Of Investments: Annual Returns

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
MLSB 100% Par Rate 1.00%	MLSB 100% Par Rate 5.70%	PIMCO 80% Par Rate 18.66%	PIMCO 80% Par Rate 12.23%	PIMCO 80% Par Rate 10.90%	PIMCO 80% Par Rate 15.32%	MLSB 100% Par Rate 10.71%	PIMCO 80% Par Rate 0%	PIMCO 80% Par Rate 14.42%	MLSB 100% Par Rate 12.77%	MLSB 100% Par Rate 10.15%	S&P 500 Cap: 10% Floor: 0% 10.00%	S&P 500 Cap: 10% Floor: 0% 10.00%	MLSB 100% Par Rate 11.01%	PIMCO 80% Par Rate 0%	S&P 500 Cap: 10% Floor: 0% 10.00%	PIMCO 80% Par Rate 19.03%	PIMCO 80% Par Rate 0%	MLSB 100% Par Rate 14.54%
PIMCO 80% Par Rate 0%	PIMCO 80% Par Rate 0%	S&P 500 Cap: 10% Floor: 0% 10.00%	S&P 500 Cap: 10% Floor: 0% 8.44%	S&P 500 Cap: 10% Floor: 0% 5.55%	S&P 500 Cap: 10% Floor: 0% 10.00%	PIMCO 80% Par Rate 7.53%	MLSB 100% Par Rate 0%	S&P 500 Cap: 10% Floor: 0% 10.00%	S&P 500 Cap: 10% Floor: 0% 10.00%	PIMCO 80% Par Rate 0.58%	MLSB 100% Par Rate 8.18%	PIMCO 80% Par Rate 7.78%	S&P 500 Cap: 10% Floor: 0% 10.00%	MLSB 100% Par Rate 0%	PIMCO 80% Par Rate 5.60%	S&P 500 Cap: 10% Floor: 0% 10.00%	MLSB 100% Par Rate 0%	PIMCO 80% Par Rate 12.14%
S&P 500 Cap: 10% Floor: 0% 0%	S&P 500 Cap: 10% Floor: 0% 0%	MLSB 100% Par Rate 9.80%	MLSB 100% Par Rate 7.76%	MLSB 100% Par Rate 3.25%	MLSB 100% Par Rate 5.84%	S&P 500 Cap: 10% Floor: 0% 2.10%	S&P 500 Cap: 10% Floor: 0% 0%	MLSB 100% Par Rate 3.78%	PIMCO 80% Par Rate 9.22%	S&P 500 Cap: 10% Floor: 0% 0.41%	PIMCO 80% Par Rate 7.64%	MLSB 100% Par Rate 2.11%	PIMCO 80% Par Rate 1.18%	S&P 500 Cap: 10% Floor: 0% 0%	MLSB 100% Par Rate 3.35%	MLSB 100% Par Rate 7.73%	S&P 500 Cap: 10% Floor: 0% 0%	S&P 500 Cap: 10% Floor: 0% 10.00%

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Lastly, let's look at the S&P 500 index with a hypothetical 10% cap and 0% floor. It was a relatively low performer from 2001 through 2011, only to be a top performer three out of the next five years, then drifting to the bottom of the chart again... again with substantial apparent volatility throughout.

Periodic Table Of Investments: Annual Returns

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
MLSB 100% Par Rate 1.00%	MLSB 100% Par Rate 5.70%	PIMCO 80% Par Rate 18.66%	PIMCO 80% Par Rate 12.23%	PIMCO 80% Par Rate 10.90%	PIMCO 80% Par Rate 15.32%	MLSB 100% Par Rate 10.71%	PIMCO 80% Par Rate 0%	PIMCO 80% Par Rate 14.42%	MLSB 100% Par Rate 12.77%	MLSB 100% Par Rate 10.15%	S&P 500 Cap: 10% Floor: 0% 10.00%	S&P 500 Cap: 10% Floor: 0% 10.00%	MLSB 100% Par Rate 11.01%	PIMCO 80% Par Rate 0%	S&P 500 Cap: 10% Floor: 0% 10.00%	PIMCO 80% Par Rate 19.03%	PIMCO 80% Par Rate 0%	MLSB 100% Par Rate 14.54%
PIMCO 80% Par Rate 0%	PIMCO 80% Par Rate 0%	S&P 500 Cap: 10% Floor: 0% 10.00%	S&P 500 Cap: 10% Floor: 0% 8.44%	S&P 500 Cap: 10% Floor: 0% 5.55%	S&P 500 Cap: 10% Floor: 0% 10.00%	PIMCO 80% Par Rate 7.53%	MLSB 100% Par Rate 0%	S&P 500 Cap: 10% Floor: 0% 10.00%	S&P 500 Cap: 10% Floor: 0% 10.00%	PIMCO 80% Par Rate 0.58%	MLSB 100% Par Rate 8.18%	PIMCO 80% Par Rate 7.78%	S&P 500 Cap: 10% Floor: 0% 10.00%	MLSB 100% Par Rate 0%	PIMCO 80% Par Rate 5.60%	S&P 500 Cap: 10% Floor: 0% 10.00%	MLSB 100% Par Rate 0%	PIMCO 80% Par Rate 12.14%
S&P 500 Cap: 10% Floor: 0% 0%	S&P 500 Cap: 10% Floor: 0% 0%	MLSB 100% Par Rate 9.80%	MLSB 100% Par Rate 7.76%	MLSB 100% Par Rate 3.25%	MLSB 100% Par Rate 5.84%	S&P 500 Cap: 10% Floor: 0% 2.16%	S&P 500 Cap: 10% Floor: 0% 0%	MLSB 100% Par Rate 3.78%	PIMCO 80% Par Rate 9.22%	S&P 500 Cap: 10% Floor: 0% 0.41%	PIMCO 80% Par Rate 7.64%	MLSB 100% Par Rate 2.11%	PIMCO 80% Par Rate 1.18%	S&P 500 Cap: 10% Floor: 0% 0%	MLSB 100% Par Rate 3.35%	MLSB 100% Par Rate 7.73%	S&P 500 Cap: 10% Floor: 0% 0%	S&P 500 Cap: 10% Floor: 0% 10.00%

What does this tell you?

1. We never know which Index will perform best next year
2. There may be more volatility to Index returns than we think

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So which index account performed the best from 2001 to 2019?

It's kinda hard to tell, isn't it?

What does this ***"Periodic Table of Index Accounts"*** tell you?

This chart makes it clear that the best performing index in one year will not necessarily be the best performing index the next year.

It also suggests that there may be more volatility to these returns than we typically think about.

That's partly because, as the first part of our discussion pointed out, index caps and floors tend to reduce volatility...

But we can't be lulled into thinking that the caps, floors and participation rates make volatility go away.

If you don't think there's volatility in index returns... think again!

Periodic Table Of Investments: Annual Returns



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In fact, in this chart I simply took the returns from the previous chart and graphed the annual returns, just like we previously did with ***the Periodic Table of Investments***.

The MLSB returns are shown in the blue line; the PIMCO returns are reflected in the green line; and the S&P 500 returns are shown in the yellow line.

The good news is that, because each of the indexes has a 0% floor, none of the returns are negative. But is there volatility?

Yes... there is... there's a LOT of volatility.

(Remember that, in Index Universal Life, even though the index return has a 0% floor, the account value can go down as a result of cost of insurance and other charges within the policy.)

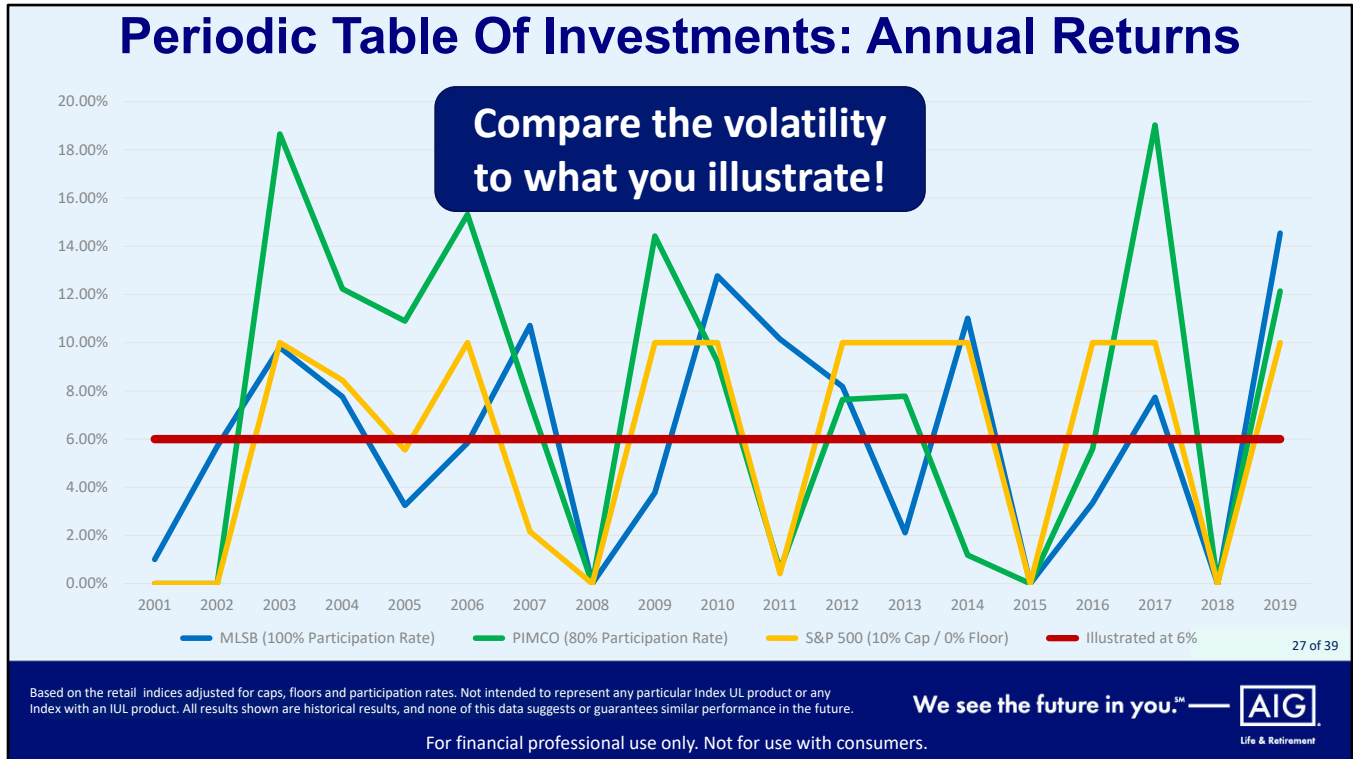
My point is to help you understand that, even though we think of index caps, floors and participation rates as having the ability to reduce volatility, they certainly don't eliminate volatility.

And you can also tell that you never know which index is going to produce the best return in the next year. The PIMCO returns have great highs that certainly look attractive, but look at 2011 where the MLSB produced a 10% return while the PIMCO index had a 0% return.

Or look at 2014 when the MLSB index returned about 11% while the PIMCO returned about 1%.

And more challenging is the fact that our Index Universal Life illustrations show an "average rate of return" ... and we illustrate that average rate of return as a nice, level, never-changing rate of return.

That nice, level, never-changing rate of return is what your client sees **BEFORE** they purchase the policy. **AFTER** they purchase the policy, they see returns like THESE.



If you led them to believe that they'll get 5% or 6% interest every year, just like the illustration shows, they'll be in for a surprise when they begin seeing their annual statements.

The red line in this graph shows the level, annual 6% rate of return you might have used in your illustration, compared to the ACTUAL returns your client might receive after purchasing the policy.

Even though we're attempting to minimize volatility with our caps, floors and participation rates, we're beginning to see that the actual returns are likely to be more volatile than we thought.

But how does this volatility translate into actual performance?

Let's explore that a little.

Important Notes

This information is general in nature, was developed for educational use only, and is not intended to provide financial, legal, fiduciary, accounting or tax advice, nor is it intended to make any recommendations.

Please understand that this presentation is not suggesting that diversifying a client's premiums and cash values equally across three indices is the correct approach for any particular situation. Every client situation is unique and needs to be evaluated independently.

The illustration of equally dividing the premiums and cash values equally across three indices should not be deemed to be investment advice. However, as an agent or advisor, you might want to consider the potential benefits of diversifying client's assets into more than one index.

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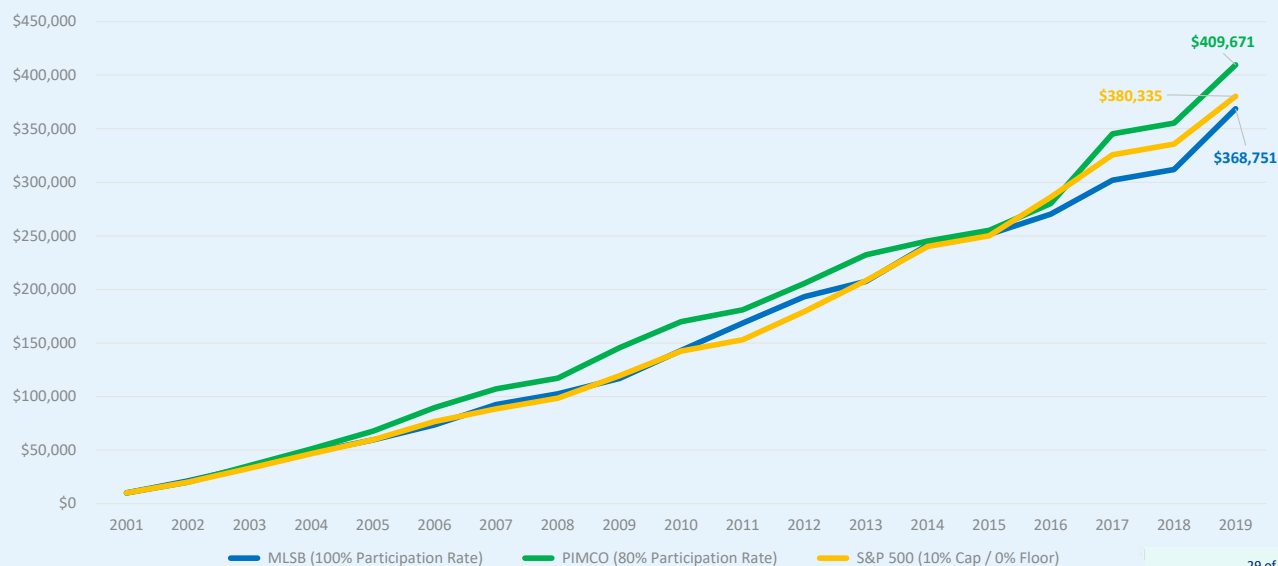


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Here are some important notes about this discussion regarding diversification **within** an IUL product.

Periodic Table Of Investments: Annual Contributions

Annual Contributions of \$10,000



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There's often a difference between how single-sum and annual contributions perform over time, so let's take a look at that, too.

Like we did earlier, let's look at annual contributions of \$10,000 per year.

This annual contribution scenario also makes sense because most people pay monthly or annual premiums into life insurance policies, so this may be a bit more representative of most people's reality.

After investing \$10,000 per year into the MLSB index, using the hypothetical returns from our previous chart, the ending value would've been about \$368,000.

The S&P 500 would've grown to about \$380,000.

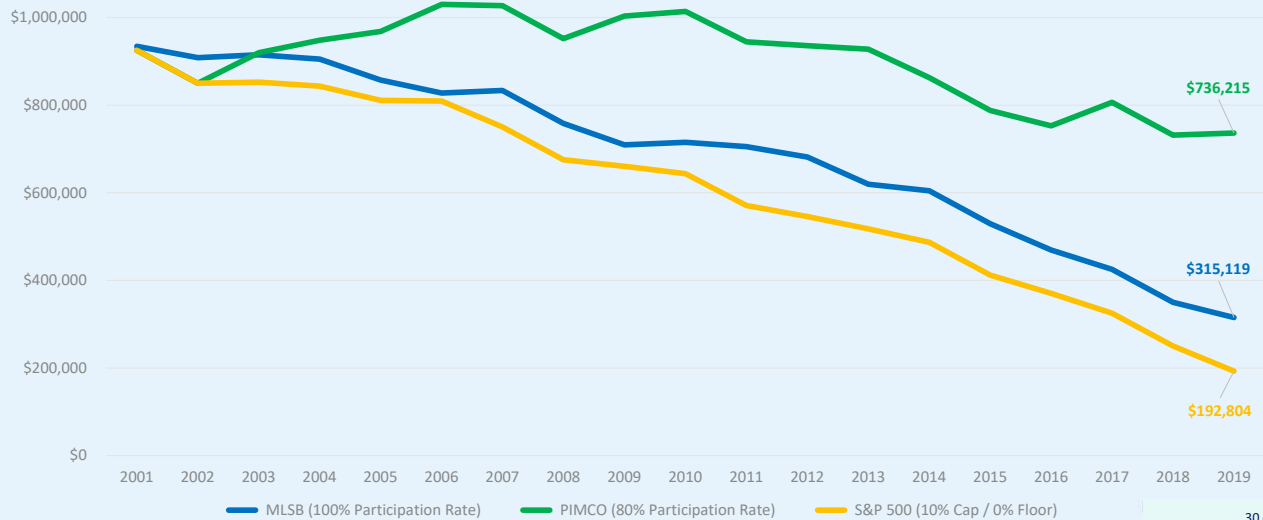
And the PIMCO index would've grown to about \$409,000.

As expected, the PIMCO index outperformed the other two, but not by as wide a margin. All three accounts performed pretty similarly.

In fact, in 2015 all three indexes would've had nearly identical values!

Periodic Table Of Investments: Annual Distributions

Initial Value: \$1,000,000; Annual Distributions of \$75,000



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And to add to your knowledge and understanding, let's also look at what happens if you would've started with a \$1,000,000 account, and withdrew \$75,000 per year for the next 19 years.

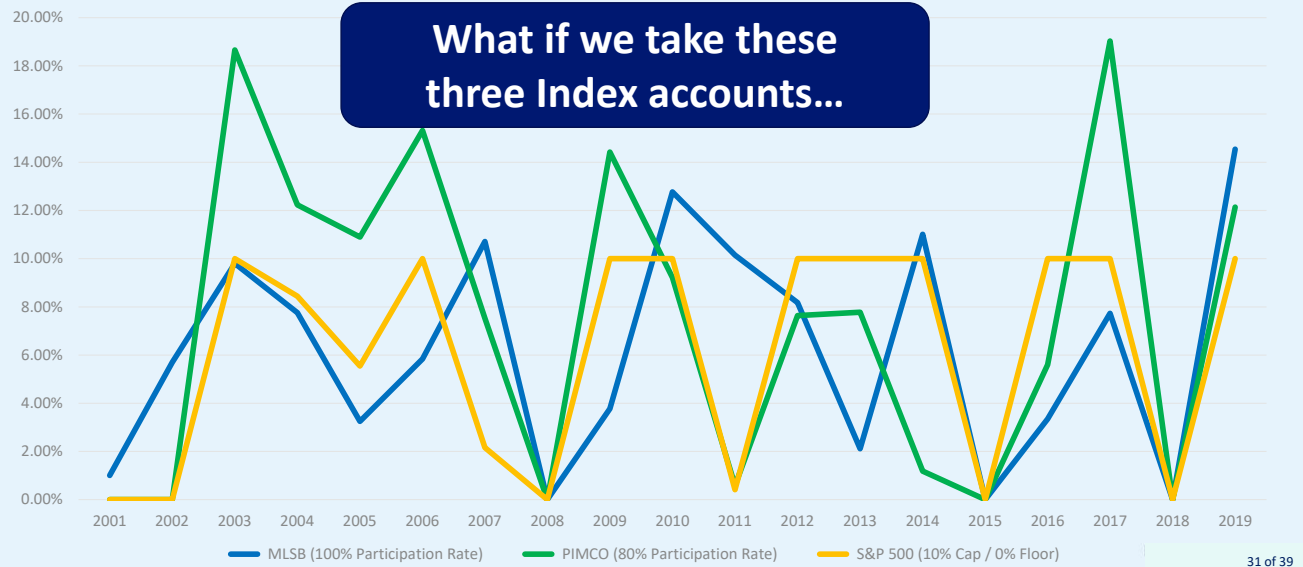
- The S&P 500 index would've ended at about \$192,000.
- The MLSB index would've ended at about \$315,000.
- And the PIMCO would be projected to still have about \$736,000.

After these three examples, you may tend to think "I like the PIMCO index the best."

But do you have any way of knowing whether the PIMCO index will be the best performer over the next 19 years?

That's right... you don't... because past performance is no indication of future results... and how would you feel if you put all of your eggs in that basket, and you guessed wrong?

Periodic Table Of Investments: Annual Returns



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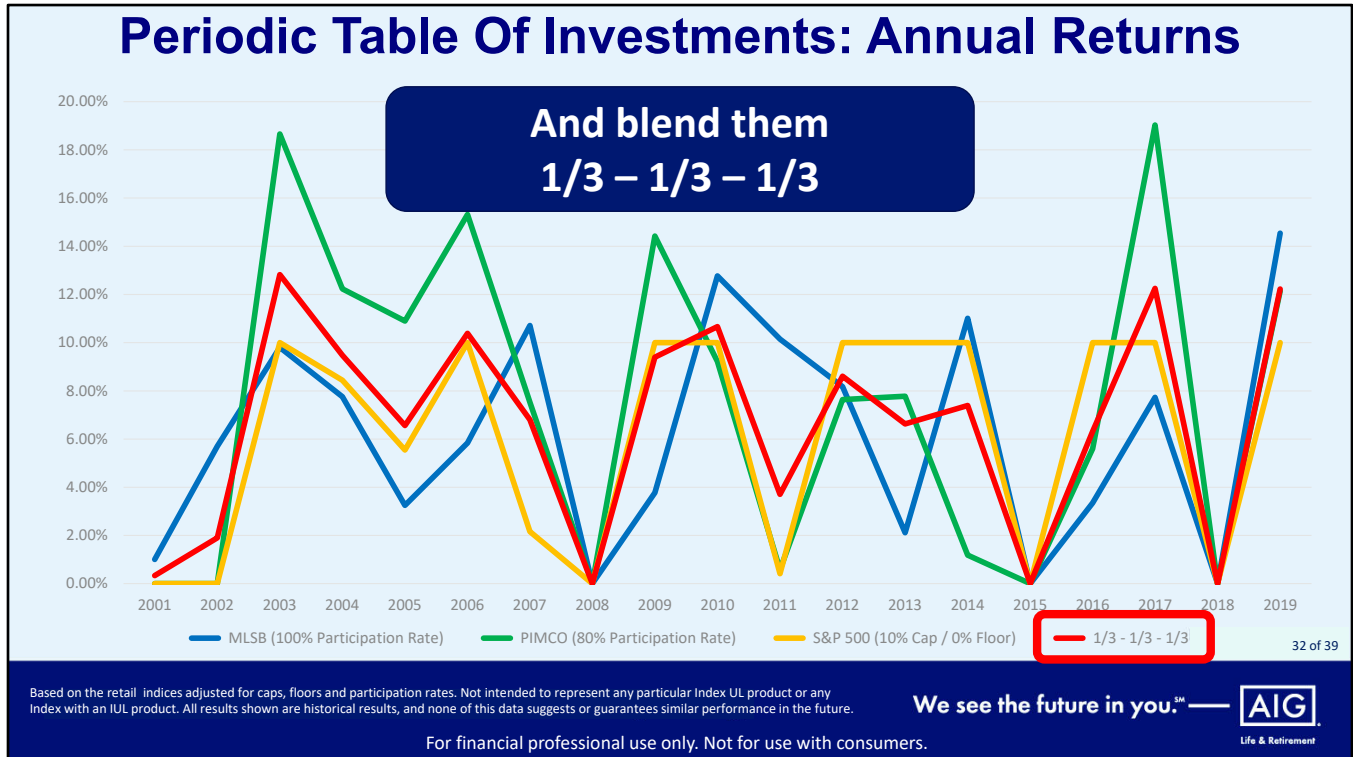
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Remember, even after applying caps, floors and participation rates, we're still dealing with a LOT of potential volatility.

Here's my thought:

What if we DON'T try to pick the best performer?

What if we DON'T put all of our eggs in one basket?



Here I've added a red line that shows the average return of all three indexes.

It essentially represents what you'd get each year if 1/3 of your return came from the MLSB index; 1/3 of your return came from the PIMCO index; and 1/3 of your return came from the S&P 500 index, after applying each index's caps, floors and participation rates.

You'll notice that "blending" the three returns produced an even less volatile return than any of the individual index accounts.

Other than the three years where all three indexes produced a 0% return, the red line tends to "play in the middle," as you'd expect.

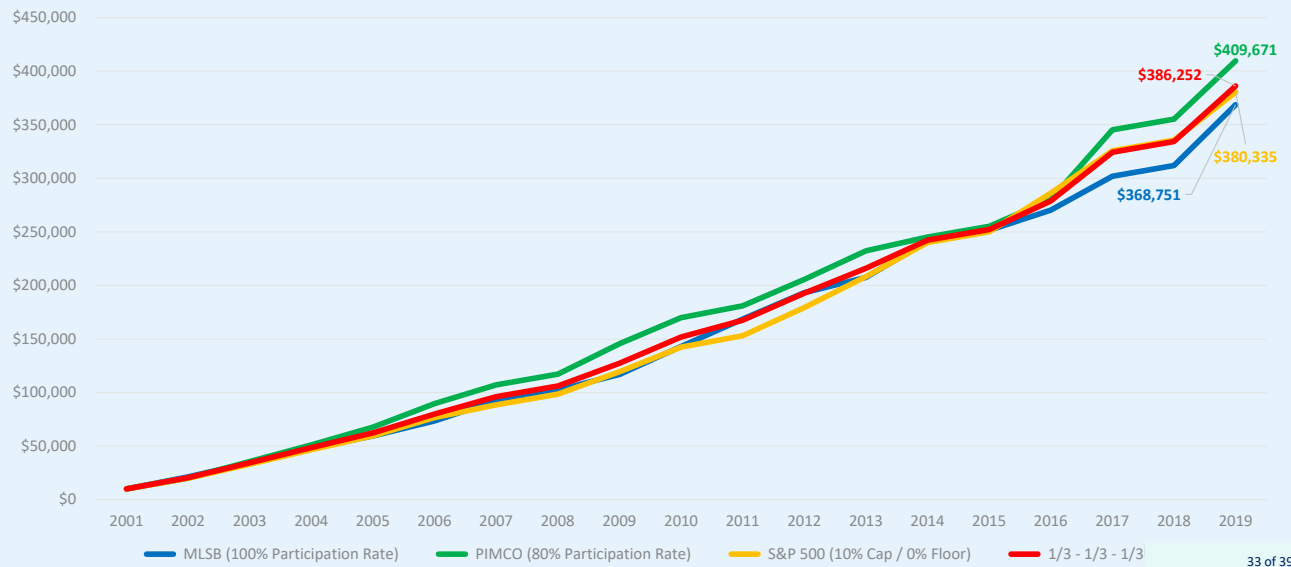
It doesn't have the highest highs, or the lowest lows in any particular year.

Therefore, each index's caps, floors and participation reduce volatility; but blending them reduces the volatility even more.

So let's go through our previous three examples to see how the "blended" performance does.

Periodic Table Of Investments: Annual Contributions

Annual Contributions of \$10,000



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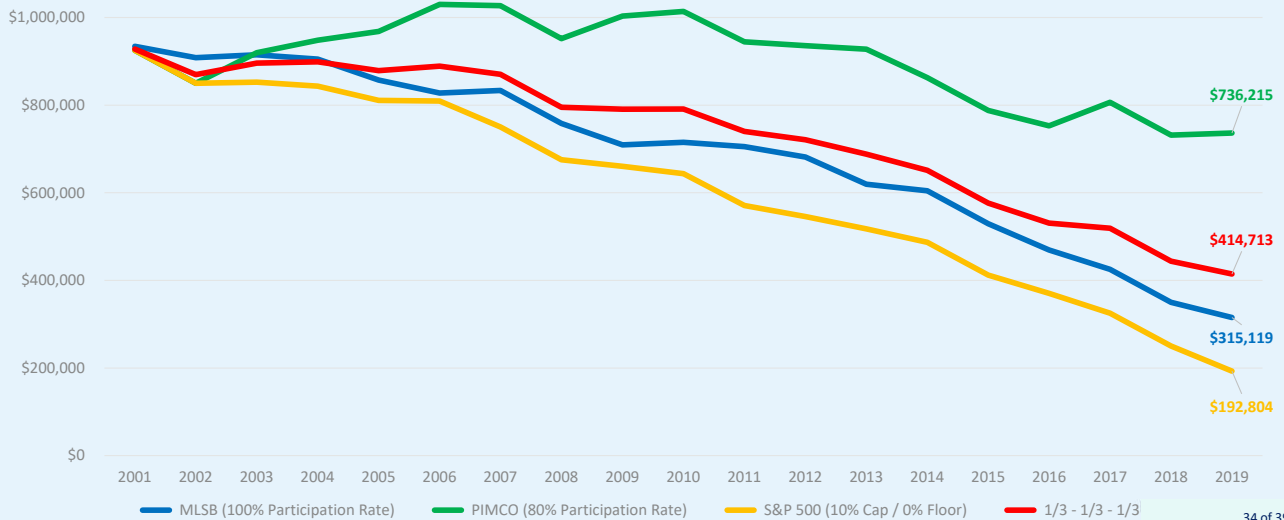


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With annual contributions I got a similar result...
with the blended approach producing results right down the middle.

Periodic Table Of Investments: Annual Distributions

Initial Value: \$1,000,000; Annual Distributions of \$75,000



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And in the example showing a \$1,000,000 account with \$75,000 annual distributions, once again the blended approach delivered results right down the middle... not the best, but certainly not the worst.



The Point Is:



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What's my point?

What's the take-away?

We learned that, even after applying index caps, floors and participation rates, index returns are still pretty volatile.

We can also tell from our ***periodic table of Index Returns*** that you can never tell what the best performing index will be next year.

We also know that, if you put all of your eggs in one basket, you're taking on significant additional risk because you don't know whether you picked the best performer... or the worst.



The Point Is: Consider Diversification Within An IUL Policy



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So my point is that you may want to reconsider your approach to Index Universal Life.

It may make sense to consider “*diversification within an IUL policy.*”

Instead of putting all of your assets into ONE index bucket, it may make sense to diversify across several index buckets, producing less volatility and more predictable results.

The next time you illustrate
a rate of return like this...



Source: <https://www.zeninvestor.org/periodic-table-of-asset-class-returns/>;

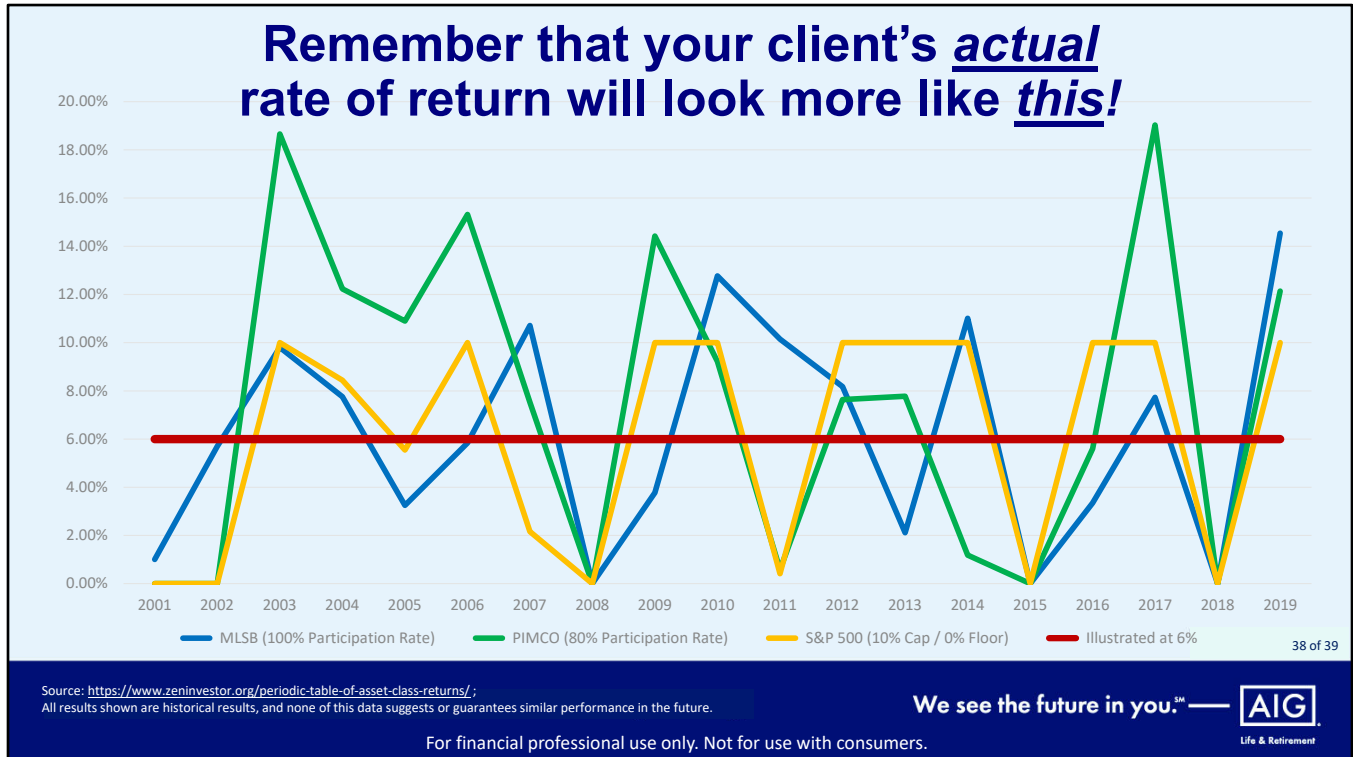
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So the next time you're illustrating your IUL,
and you're thinking that IUL returns don't really have much volatility...



Think again.

And consider preparing your client for the reality of the return volatility they'll see after they buy the policy.

And consider diversifying across multiple index accounts to further reduce overall volatility.

Periodic Table Of Investments For Life Insurance

What you didn't know about Index Market Volatility

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Thanks for joining me today... I hope you learned something you can immediately apply to your business so that you can do it even better.

Looking at Index volatility through a different lens hopefully helps you think differently about how you position your IUL products.

This kind of information can put you at the leading edge of knowledge about IUL products and index volatility.

Here at AIG we look forward to continuing to provide you with the products, the services and the people that are the hallmark of AIG's reputation.

And I thank each of you for everything you do, every day, to help your clients achieve and protect their lifetime of financial security.