

Date: January 1, 2013

Vol. X, No. 1

Rude Awakening
LDI Bond Oriented Risk to Soar

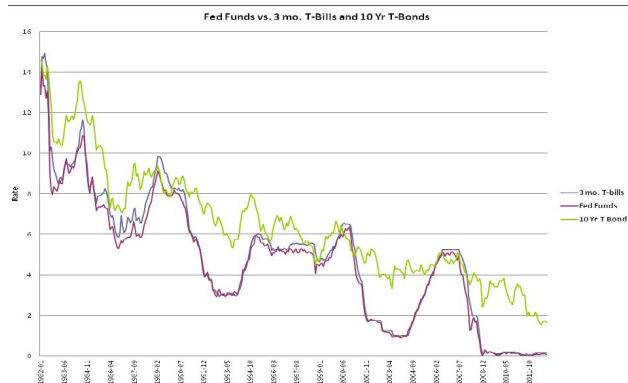
With nary a Holiday yawn, the bond market has reacted swiftly to Fed minutes from December.

Hang onto your hats. It could be a wild ride.

Quoted from our December 2012 letter:
“The Fiscal Cliff will usher volatility - one way or the other. In typical form, and despite technical indicators to the contrary, look for a deal.

Is Ben’s bid enough?
No.”

Released minutes of the Fed’s December meeting show a shifting bias to halt the “accommodative stance” earlier than expected. Fed data reveals a compelling view.



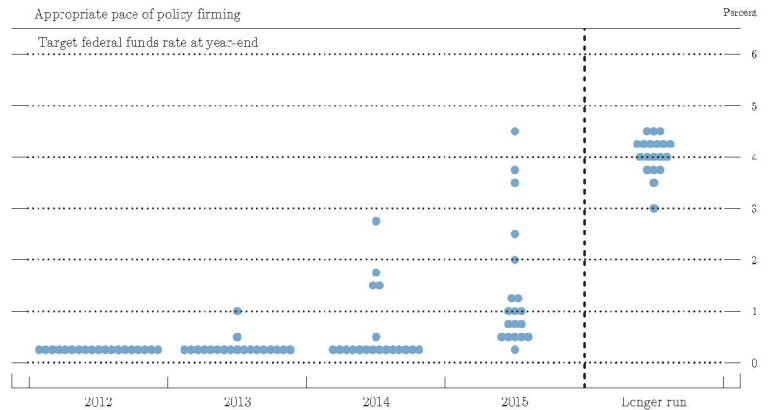
Fed Funds is on the floor. Ben wants risk taking back to center stage. There is no wiggle room left. Rates must rise. Bill Gross and Goldman Sachs are now averse to the 30 Year T-Bond.

Tactical PRT Strategy Needed Now
LDI bonds mitigate contribution volatility but MAP-21 grants a contribution holiday. **Take it.** And implement our Tactical PRT view:

Swap long LDI bonds for PRT annuities.

This historic moment allows our Tactical PRT position to eliminate LDI bond risk. This is crucial *as rates rise, equity returns may falter.* **LDI bond oriented portfolios will not deliver as promised handing plan sponsors another ugly call on shareholder capital.**

This chart shows forward FOMC views on Fed Funds taken from December 2012 minutes:



Conclusion:

Tactical PRT is an LDI bond swap that mitigates risk, minimizes shareholder losses as rates rise, and accelerates recovery to full funding.

For information on our custom PRT modeling capabilities, please give us a call.

Get Informed. Think Strategic. Act Tactical.

For information contact Don Cunningham (513-772-4488) or Joe Cleary (201-447-3900) or QAS.

Date	Immediate Life Annuity	Deferred Life Annuity
November 1, 2012	2.67%	3.08%
December 1, 2012	2.69%	3.03%
January 1, 2013	2.80%	3.29%