

Periodic Update – Investment Portfolio (Third Quarter 2004)

Conning Asset Management commenced management of the bulk of the portfolio in the third quarter, while the Company's management continued to maintain a short-term portfolio at Citizens Bank.

The book value of Conning's portfolio totaled \$517 million with an average book yield of 3.16% at September 30<sup>th</sup>. The market value of Conning's portfolio totaled \$518 million, an approximate \$1 million unrealized gain. The investment environment was characterized by absolute low and declining interest rates during the third quarter, with prospects for higher interest rates going forward based on a high probability for sustained economic growth and continued rate moves by the Fed. Conning's objective is to increase investment income as quickly but prudently as possible. Approximately 45% of Conning's portfolio was extended from cash to longer term investment over a two month period in accordance with a graded investment strategy intended to mitigate risk in the uncertain interest rate environment.

Long-term purchases totaled \$235 million with an average purchase yield of 4.36%. The average credit quality of long-term purchases was Aa2/AA, all ratings at least single-A by Moody's and S&P. The average duration of long-term purchases in the quarter was 4.7 years, which moves the total Conning portfolio duration to 2.8 years. The single issuer exposure was based on investment guidelines. Conning invested in all relevant taxable sectors pursuant to investment objectives. Long-term securities sold totaled \$3.2 million, generating net capital gain of \$16,000; such sales offset capital losses realized from sale of short-term holdings.