Assured Guaranty Ltd. (AGO)
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Fourth Quarter 2023 Earnings Call

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Thank you operator. And thank you all for joining Assured Guaranty for our Fourth Quarter and year end 2023 financial results conference call.

Today's presentation is made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995.

The presentation may contain forward-looking statements about our new business and credit outlooks, market conditions, credit spreads, financial ratings, loss reserves, financial results or other items that may affect our future results.

These statements are subject to change due to new information or future events. Therefore you should not place undue reliance on them, as we do not undertake any obligation to publicly update or revise them, except as required by law.

If you are listening to a replay of this call, or if you are reading the transcript of the call, please note that our statements made today may have been updated since this call.

Please refer to the Investor Information section of our website for our most recent presentations and SEC filings, most current financial filings, and for the risk factors.

This presentation also includes references to non-GAAP financial measures.

We present the GAAP financial measures most directly comparable to the non-GAAP financial measures referenced in this presentation, along with a reconciliation between such GAAP and non-GAAP financial measures, in our current Financial Supplement and Equity Investor Presentation, which are on our website at AssuredGuaranty.com.

Turning to the presentation, our speakers today are Dominic Frederico, President and Chief Executive Officer of Assured Guaranty Ltd., Rob Bailenson, our Chief Operating Officer, and Ben Rosenblum, our Chief Financial Officer. After their remarks, we will open the call to your questions.

As the webcast is not enabled for Q&A, please dial in to the call if you would like to ask a question.

I will now turn the call over to Dominic.

Dominic Frederico
President and Chief Executive Officer

Thank you, Robert, and welcome to everyone joining today's call.

Assured Guaranty performed exceptionally well in 2023.

- We demonstrated again the power of our diversified production strategy, as our U.S. public finance, international infrastructure, and global structured finance businesses combined to produce $404 million of total PVP in 2023. This was almost 8% more than in 2022 and the sixth consecutive year in which new business production generated more than $350 million of PVP.

- In U.S. public finance, we led the municipal bond insurance industry to its highest market penetration since 2008, guaranteeing 61% of new-issue insured par sold.

- Our global structured finance business more than doubled the PVP it wrote in the previous year and produced its highest direct PVP amount in over a decade. And in non-U.S. public finance, which we also refer to as international infrastructure, our PVP increased 22% year over year.

- Additionally, we brought key measures of shareholder value per share to new year-end highs. Shareholders' equity per share increased 18% to $101.63, adjusted operating shareholders' equity per share increased 13% to $106.54, and adjusted book value per share rose 10% to $155.92.

- We transformed our asset management business with the completion of our milestone transaction with Sound Point, contributing substantially all of our asset management business in return for an approximate 30% interest in the combined entity. That transaction, along with a separate transaction involving other AssuredIM-related assets, resulted in a pre-tax gain for the year of $222 million, net of expenses.

    - Most importantly, the Sound Point transaction significantly advances our asset management strategy, as we now own approximately 30% of an entity with significant scale and distribution capabilities. Sound Point also provides a broader range of alternative investments from which we may receive asset management earnings and in which we may invest. We believe this strategic transaction should be a strong driver to further increase and diversify our earnings allowing us to participate in a fee-based earnings stream that is independent of our risk-based insurance premiums, and to improve our investment returns by increasing the allocation of alternative investments in our investment portfolio.

- We repurchased a total of 3.2 million common shares for approximately $200 million during the year. Ben will say more about our results and capital management program, including the meaningful tax benefit we recorded, which resulted from a change in the Bermuda tax code.

- We also paid dividends of $68 million in 2023, and last week we announced, for the thirteenth consecutive year, an increase in our quarterly dividend.

- And I'm pleased to say our Maryland regulator has approved a $200 million special dividend from AGC to our holding company, which increases our flexibility to further manage our capital. For 2024, we are targeting a return to our $500 million of share repurchases.

Also, during 2023, we saw growth, and further strengthening, of our high-quality, well-diversified insurance portfolio. Net par outstanding increased by $16 billion or almost 7%, and we now classify only 2.2% of our $249 billion insured portfolio as below investment grade, compared with the last peak of 4.6% of our portfolio in 2017.

Regarding PREPA, the proposed PREPA plan of adjustment is headed towards a contested plan confirmation hearing next month. We remain committed to resolving PREPA consensually, if possible, but we will protect our bond claims and enforce our creditor legal rights through litigation in the Title III Plan Confirmation and appeals process as necessary. We again note that this is our last remaining non-paying Puerto Rico exposure.

The rating agencies continue to look positively on Assured Guaranty's activities. Both S&P Global Ratings and Kroll Bond Rating Agency cited our handling of the Puerto Rico settlements, as well as our strategic direction, in their affirmations during 2023 of our AA ratings at S&P and AA+ ratings at KBRA, both with stable outlooks.

Before we dig deeper into these accomplishments, I want to say something about important promotions that strengthen our senior management team and corporate focus for years to come. As you may know, in November we announced that Rob Bailenson would be, as of January 1, promoted to COO and Ben Rosenblum would succeed him as CFO, and you'll hear from both of them later on this call.

And we are now pleased to announce that Nick Proud has been appointed Global Head of Origination for our financial guaranty business. We created this new position to enhance our strategic approach to generating new business and executing transactions, including in new asset classes and jurisdictions.

Dominic Nathan has assumed Nick's responsibilities as CEO of Assured Guaranty UK Limited and serves as Head of International. Dominic has been at Assured for over twenty years and has most recently been the senior managing director of international infrastructure finance, and the Chief Underwriting Officer of AGUK.

I am grateful for the tremendous bench of leadership talent at our company. These professionals know our business inside and out, and I believe they will lead us into greater growth and new business opportunities.

In our view, 2023 was a remarkable year for Assured Guaranty.

- We were well rewarded with a $222 million pre-tax net gain for making our initial investment in what became AssuredIM, and then transforming it into a more valuable firm. We are now advancing our asset management strategy through our ownership interest in Sound Point, where the benefit of the firm's scale and diverse capabilities position it for further growth and future success.

- Our diversified production strategy was shown to give us flexibility and freedom from any one market as conditions change.

- We believe the increased market penetration of municipal bond insurance indicates more widespread understanding of our value proposition, which will support increasing demand for our product in a world economic stage showing no signs of becoming more stable.

- The 2021 Infrastructure Investment and Jobs Act continues to incentivize municipalities to complement federal funding with their own funds including proceeds of bonds we could potentially insure, and it encourages public-private partnership financings, where we can add great value through our infrastructure finance expertise, analytical and due diligence capabilities, and financial strength.

- Lastly, we laid the foundation for further capital management through our special dividend strategy and other strategic initiatives we have planned for 2024.

Looking forward, we are well positioned for growth because we will continue do what we have always done – protect insured investors and shareholders through disciplined underwriting and risk management, produce savings and broaden opportunities for issuers, expand our markets, and actively and prudently manage our capital.

I would now like to turn the call over to Rob to discuss our financial guaranty business.

Robert Bailenson
Chief Operating Officer

Thank you, Dominic.

I'm excited to have taken on this new role and I look forward to further growing our financial guaranty business and continuing to execute on other strategic initiatives at the company.

2023 was a great production year for Assured Guaranty. The $404 million of PVP was an outstanding result, especially because, for most of the year, we faced a relative lack of supply due to reduced new issuance in our principal market, U.S. public finance.

The benefit of our three-pronged origination strategy paid off as intended, as we produced significant growth in both our non-U.S. public finance, and structured finance businesses. While the $212 million of U.S. public finance PVP was, as usual, the largest contributor to our total PVP, global structured finance had an historic year, producing $109 million of PVP, and in non-U.S. public finance, year-over-year, we increased PVP by 22% to $83 million.

In U.S public finance, both Assured Guaranty specifically and the bond insurance industry in general saw increased demand in 2023. The insured par penetration of the primary municipal bond market rose from 8.0% in 2022 to 8.8% in 2023, the highest annual level since 2008. Assured Guaranty was the main driver of the growth in the bond insurance industry, accounting for over $2.5 billion of the $3.0 billion year-over-year increase in new issue insured par sold.

While demand remained strong across our target rating spectrum, the rising growth has been notably observed in the single-A rated space, where insurance was used on more than 30% of 2023 municipal par sold – up from around 20% in the years prior to 2020. And, when looking at the single-A space based on the number of transactions sold in 2023, 62% of the deals used insurance. We believe the growth in recent years reflects both investors' increased appreciation of the benefits that bond insurance provides, especially during volatile economic or uncertain market conditions, and issuers' greater recognition of its cost-effectiveness and capacity to increase investor demand and market access.

In 2023, we insured 61% of the insured new-issue market, representing $19.5 billion of new issue par sold, the highest in the industry by $7 billion, and 15% higher than the previous year's par. We have exceeded $19 billion of primary par insured in three of the last four years. We ended the year with a terrific fourth quarter, insuring $5.4 billion of new issue par, 32% higher than in the same period last year, and we saw demand across a wide range of transaction sectors, rating levels and deal sizes. We wrapped 645 new issues in 2023 with sizes as small as $1.0 million and as large as over $1.0 billion.

Two statistics further indicate the high value we believe the market assigns to our insurance. The first is the number of transactions that we insured with at least one underlying rating in the double A category from S&P or Moody's. In 2023, we insured 81 such transactions with a total par of $3.2 billion, 71 of which were insured in the primary market.

The fact that credits whose ratings are as high as our own still benefit from insurance reflects the positive market perception of our value proposition, which includes not just our guaranty of timely payment of principal and interest but also our credit selection, underwriting, surveillance, and for an insured bond whose underlying credit later becomes financially stressed, the potential for it to hold its market value better than if it were not insured.

The second statistic is the number of transactions on which we insured a par amount of $100 million or more. We insured 37 such large transactions in 2023, with aggregate insured par of $10.3 billion. We believe this accomplishment signals strong institutional demand for our product.

Our four largest 2023 U.S. municipal transactions were: $1.1 billion of insurance on Dormitory Authority of the State of New York bonds, $800 million on John F. Kennedy International Airport bonds, $756 million on Houston, Texas Airport System bonds, and $734 million on Power Authority of the State of New York green bonds. Additionally, we participated in three other such large transactions - in Texas, Florida, and Pennsylvania - that were the winners of The Bond Buyer Deals of the Year award in their respective categories.

While our U.S. public finance production was constrained by the amount of available supply, production grew significantly in our other markets. Non-U.S. public finance has become a consistent performer, producing more than $60 million of PVP in each of the last seven years. In 2023, we wrote $83 million of PVP across various infrastructure sectors, including airports, where we insured our first primary market transaction for Heathrow Airport. Additionally, we now have a presence in Spain, which joins our Paris office to help originate new business in Continental Europe more effectively. In addition to enlarging our European footprint, we are taking steps to expand further in the Australian market. To lead this effort, we have opened an office in Sydney and hired a dedicated professional with long experience in Australian and New Zealand financial markets.

In global structured finance, we produced $109 million of new business PVP, more than double the 2022 result. In terms of direct structured finance activity, we wrote the most direct PVP since 2009, and close to twice the amount we wrote last year. Providing institutions like banks and insurance companies tools to syndicate risk and optimize capital utilization continues to be an important focus of ours. During the year, we took advantage of opportunities with banks, insurance companies, pension funds and asset-backed investor clients across sectors, including pooled corporate and fund finance. We continued to make inroads into subscription finance, where we work with banks to help them provide credit to private equity style funds collateralized by investors’ funding commitments.

As 2024 begins, we are off to a strong start in new business production. We are seeing increased issuance of muni bonds to start 2024, creating more opportunities to provide insurance. As increased federal spending provides impetus for large-scale infrastructure projects, we bring not only our guaranty of timely principal and interest payments but also our financial strength and capacity to insure large project financings, as well as our years of experience underwriting infrastructure credits, including public-private partnerships. And we enter the year with both our non-U.S. public finance and global structured finance businesses well established, with recent records of success.

I will now turn the call over to Ben to discuss our financial results.

Ben Rosenblum
Chief Financial Officer

Thank you, Rob and Dominic, and good morning. I am excited to be joining the call and I am looking forward to working with all of you.

I am pleased to report that fourth quarter 2023 adjusted operating income was $338 million, or $5.75 per share, compared with $14 million, or $.22 per share, in the fourth quarter of 2022.

Before I go into detail on the quarterly results, I wanted to highlight a change affecting our two Bermuda insurance subsidiaries. In December 2023, new legislation was passed implementing a Bermuda corporate income tax, which had a significant effect on adjusted operating income.

Bermuda corporate income taxes, which will be at a rate of 15%, will be assessed beginning in 2025. The new law allows an economic transition adjustment (or ETA) equal to the difference between the fair market value and the carrying value of assets and liabilities of each of the Bermuda insurance subsidiaries. The ETA resulted in the establishment of a deferred tax asset of $189 million that was reported as a benefit in fourth quarter 2023 adjusted operating income. It is expected to be utilized to reduce tax payments over 10 to 15 years, beginning in 2025.

In addition to the Bermuda income tax benefit, there are a few other noteworthy components of adjusted operating income in the fourth quarter of 2023.

In the insurance segment, every component of the investment portfolio contributed to fourth quarter 2023 adjusted operating income.

- Fair value gains from contingent value instruments (or CVIs), which were received in 2022 in connection with various resolutions reached with Puerto Rico, were $32 million in the fourth quarter of 2023, while the comparable 2022 fourth quarter amount was a loss of $4 million. Also of note is that all of the New Recovery Bonds we received as part of those resolutions have now been sold or redeemed, reducing our exposure to Puerto Rico.

- Second, in the fourth quarter of 2023, equity in earnings of our alternative investments was a gain of $22 million, while the comparable 2022 amount was a loss of $5 million.

- And finally, fixed-maturity securities and short-term investments generated net investment income of $97 million in the fourth quarter of 2023, compared with $80 million in the fourth quarter of last year. The increase was primarily attributable to higher short-term rates and higher average short-term balances, as well as higher income from loss mitigation securities.

Net earned premiums and credit derivative revenues were $86 million in the fourth quarter of 2023, down from $111 million in the fourth quarter of 2022, due to $29 million in premium accelerations attributable to resolved Puerto Rico Highway and Transportation exposures in 2022. However, scheduled net earned premiums were slightly higher in 2023.

Loss expense of $7 million and economic loss development of $17 million in the fourth quarter of 2023 were mainly attributable to the changes in discount rates. The difference between these loss metrics is the impact of deferred premium revenue associated with transactions with expected losses.

In the asset management segment, we reported after-tax adjusted operating income of $6 million. This is the first time we are reporting our share of earnings in Sound Point, which is on a one-quarter lag, and the first-time asset management has generated income since establishing this segment in 2019.

And finally, changes in New York tax regulations resulted in a benefit of $19 million, which is reflected in the corporate division adjusted operating income. The changes relate to the methodology for allocating income across jurisdictions, and the benefit reflects the retroactive application of this new methodology to the previous years' AssuredIM asset management fees.

On a full year basis, adjusted operating income was $648 million or $10.78 per share. The most noteworthy contributor to adjusted operating income in 2023 was the completion of the Sound Point and AHP Transactions that transformed AssuredIM into a minority interest in Sound Point – a larger asset manager with significant distribution capabilities, a more diverse array of investment opportunities, and a history of strong growth in Assets-Under-Management. The Sound Point and AHP Transactions collectively generated corporate division gains of $222 million, or $175 million on an after-tax basis, and represent significant accomplishments in our earnings diversification strategy.

On a per share basis, even excluding the effect of the Bermuda tax benefit, 2023 adjusted operating income was the highest it has ever been. This reflects the cumulative effect of our long-standing strategic initiatives across all aspects of the business:

- First, in our insurance business, we have written new business across all our sectors over the past several years, which has led to a stabilized level of scheduled net earned premiums. On the loss mitigation front, we continued to work with troubled issuers to resolve those exposures, and as of December 31, 2023, only 2.2% of our net par outstanding consists of below-investment-grade credits.

- We have also successfully diversified earnings:

    - through our asset management segment, where we have turned a corner, and are now reporting income from our investment in Sound Point,

  - and in alternative investments where the annualized returns have consistently exceeded returns on the fixed-maturity portfolio.

- And lastly, we have continued to return value to shareholders as we manage our capital, including by repurchasing our shares and paying increased dividends year over year.

In the insurance segment, once again, investment results helped drive our adjusted operating income for 2023.

- We had fair value gains on Puerto Rico CVIs of $74 million in 2023, primarily due to an increase in the sales-and-use tax collections underlying these CVIs. Since the end of 2023, we sold CVIs with a December 31, 2023 carrying value of $44 million, or 15% of the notional amount of CVIs that were remaining.

- Equity in earnings from our alternative investments were $82 million in 2023 – mainly attributable to the CLO strategy. Alternative investments have generated an inception-to-date annualized internal rate of return of 12.8%, and as of December 31, 2023, we had alternative investments with a net-asset-value of $729 million in the insurance segment that are accounted for under the equity method. As we have noted in the past, these investments result in more volatility in periodic income compared to our fixed-maturity investment portfolio.

- The $8 billion available-for-sale fixed maturity and short-term investment portfolio generated net investment income of $370 million in 2023, compared with $278 million in 2022. The increase was primarily due to higher short term interest rates and higher short-term balances, as well as higher income from loss mitigation securities.

Partially offsetting these gains were lower insurance segment net earned premiums from refundings which declined by $151 million due to the acceleration of $133 million in earned premium on Puerto Rico exposures that were resolved in 2022. More importantly however, scheduled net earned premiums were consistent year over year.

Insurance segment loss expense in 2023 was $161 million, up from $12 million in 2022, primarily due to higher Puerto Rico Electric Power Authority losses, and a lower benefit on RMBS transactions.

Asset management adjusted operating income for 2023 was a gain of $3 million and included a half year of AssuredIM, and one quarter of income from Sound Point.

The share repurchase program has been a key strategic objective since 2013 and continues to be accretive to all our key financial metrics.

In the fourth quarter of 2023, we increased the pace of repurchases, buying back 1.7 million shares for $109 million at an average price per share of $65.83, consistent with our previously stated plan to increase share repurchases in the second half of the year.

This brought our total 2023 repurchases to $199 million or 3.2 million shares, which represents 5.4% of the shares outstanding at the beginning of the year.

Since the beginning of our repurchase program in 2013, and through December 31, 2023, we have returned $4.9 billion to shareholders under this program and retired over 144 million shares.

Since the end of 2023, we have repurchased another $76 million of shares, bringing the remaining authorization to repurchase shares to about $228 million. For 2024, we are targeting $500 million of share repurchases.

The timing of share repurchases depends on the timing of dividend availability from insurance subsidiaries, as well as assessments of other accretive strategic growth initiatives that may require holding company liquidity.

We also declared dividends of $68 million in 2023. And last week, the Company declared a quarterly dividend of $.31 per common share, an increase of 11% from the 2023 quarterly dividend rate of $.28 per common share.

In terms of our current holding company liquidity position, we have cash and investments of approximately $263 million, of which $30 million resides in AGL. These funds include the recent $200 million share redemption from AGC.

As a result of the $350 million 5-year debt offering in August of last year, whose proceeds were used to refinance $330 million in debt originally due in mid-2024, the holding company funds are available for other liquidity needs, or for use in the pursuit of our strategic initiatives to either expand our business or repurchase shares to manage our capital.

Continued share repurchases, along with our positive adjusted operating income, and new business production, have increased adjusted operating shareholders' equity per share and adjusted book value per share to new records of over $106, and almost $156, respectively. While operating results vary from period to period, the consistent quarterly increases in these book value metrics reflect how the successful execution of our key strategic initiatives build shareholder value over the long term.

I'll now turn the call over to our operator, to give you the instructions for the Q&A period.

Question & Answer

[Operator Instructions]

Operator
Our first question today is from the line of Tommy McJoynt of KBW. Tommy, your line is now open. Please go ahead.

Tommy McJoynt, *KBW*
Could you walk through some of the math or science behind why the $200 million was the appropriate amount to request from Maryland? It's evidently a function of capital ratios and exposure size, claims-paying resources and plenty of other inputs, I'm sure. But can you just help us give us some guardrails as for some of those key ratios that you would point to, to show why the $200 million was the right figure there?

Dominic Frederico
Well, Tommy, it's consistent with our capital planning strategy in terms of buyback. We try to manage it to all the levels of restrictions that we have, which includes a multitude of rules and regulations we have to meet relative to both regulatory and rating agency. And as I've always said, we've been conservative with how we've looked at it. We always want the state to be very positive with Assured Guaranty and convinced of our financial strength. So it was a managed amount based on what we targeted as share repurchases in 2024.

Tommy McJoynt
Okay. And can you remind me the differences between – when I look at the capital ratios of AGM and AGC, they're vastly different numbers. Could you just remind me kind of what the underlying reason for the difference is? And just to be clear, I didn't miss an update on the New York request for a special dividend, did I?

Dominic Frederico
You did not. So the difference is really the makeup of the portfolio and the capital that they have. And we run both of them through our own capital model, through the S&P model, through the various state regulation models and come up with our excess capital. And as I said, we plan our dividend policy off of that excess capital and our share repurchase target for the year. In terms of New York, obviously, as we said in the last quarter's earnings call, we applied to both states for getting the special dividends. We've gotten the Maryland approval, and we're working our way through the New York approval process, which we're confident we'll be successful.

Tommy McJoynt
Okay. Got it. And then historically, I think the request and approval of special dividend has been a fairly regular part of the strategy, at least it was pre-pandemic, even – it's called specials, but it seems like it was more of a regular function. Do you envision that again becoming a somewhat regular part of the strategy in light of your outlook for, kind of your business outlook opportunity and anything else for the guarantor business where you might need capital just as you weigh your strategic alternatives?

Dominic Frederico
Yes, we do, Tommy. And to give you some numbers. So for AGM, we've gotten dividend approvals in '16 and '17, that's 2016, 2017. For AGC, we've gotten approvals in '18, '19 and '23. So we're now looking at with all the problems behind us, pandemics, Puerto Rico, great recessions, et cetera, we now expect it to be a normal part of our dividend process.

Tommy McJoynt
Great. Thanks for recapping those years. And then just last one, really quick. I'll sneak it in, a housekeeping one. Given your kind of mix of business by tax jurisdiction, what's an appropriate effective GAAP tax rate that we can use for modeling earnings and going forward? I'm not sure how much the Bermuda tax law change would impact that, but do you kind of have a rough effective GAAP tax rate we can use?

Ben Rosenblum
Yes. I think as you noted, the Bermuda tax law change is obviously going to affect our Bermuda-based income. I think when you look forward, it's going to obviously, at least on an expense basis, not necessarily a cash basis, increase that over the next couple of years. And I'd probably guess somewhere probably 16%, 17%, 18%, that really depending on the mix of business that comes through.

Dominic Frederico
It's Ben Rosenblum, our CFO. For those of you that don't recognize the voice.

Ben Rosenblum
I tried not to screw up my first question.

Operator
Our next question today is from the line of Giuliano Bologna of Compass Point. Please go ahead, your line is open.

Giuliano Bologna, *Compass Point*
Congrats on your continued execution. I remember when you started buying back stock and your share count was closer to 200 million, not in the low $50 million range. So it's been a long ride along the way. You got -- a handful of my questions were kind of asked before, but one thing I'd be curious about is that you're still in a position where you're most likely generating more capital than you're consuming over the next few years. When you think about that and the kind of commentary around specials becoming more regular of a regular capital planning strategy, do you think the – if Assured Guaranty has the ability to keep up the $500 million buyback rate beyond '24 or any sense like how long could that last? Or is it just a '24 for now?

Dominic Frederico
Well, Giuliano, in spite of our great growth opportunities across the board in all aspects of our business, in the asset management business as well, plus other opportunities to strategically expand both jurisdiction and product line, capital management and capital management strategy is still number one in the company. And as you looked at this year, we immediately returned back to the $500 million target. So each year is going to be an individual decision. But once again, capital management strategy is number one. We know we need to get the equity down. We've generated a higher ROE, which everybody in the market wants us to do, and we're very cognizant of that fact.

Giuliano Bologna
That's very helpful. And then pivoting over to the asset management side. The equity and earnings from investees was about $5 million in the fourth quarter and that, I think, was a

partial period anyways, and probably had some volatility just as actively as the entities were merging. Is there a rough way to think about what the earnings capacity could be to your -- to the equity from investees? And then one kind of housekeeping point around that, is whether or not that's pre-tax or post tax?

Dominic Frederico
We haven't given out a number, Giuliano, but you can understand that the first quarter has a lot of integration costs in it, a lot of management shifting and desk shifting. We had about 100 employees in AssuredIM. They took about 37 of those employees so the benefit of that expense savings hasn't come through yet. I think you're going to see that number change dramatically as we go through the year, plus we have strategies targeting the growth of the asset manager as well. So I think we're very bullish on what we think the asset management is going to deliver relative to the bottom line. And I'm hesitant to give you a number because it's really shifting fairly quickly.

So I don't want to give you a number that's either going to be way too low, and therefore, you get a different impression of what the asset management is going to deliver. So I think as we go quarter-to-quarter, we'll give you an update on where we stand synergistically, integration-wise and expansion-wise.

Ben Rosenblum
To answer your housekeeping question, that's a pre-tax number.

Giuliano Bologna
Thank you. And one perhaps slight piece around that, that may fall in the housekeeping category. From a distribution perspective, you obviously the entity would generate earnings and then distribute them at a certain point in time. Are the distributions quarterly, annual? Or is there anything of accepted pace for the distributions of –

Dominic Frederico
They're annual.

Giuliano Bologna
From the -- Sounds good. That's perfect. That's all I had. No problem. Well, that was all the questions and really appreciate it. And congrats on the continued execution.

Dominic Frederico
Thank you, Giuliano.

Robert Bailenson
Thank you, Giuliano.

Operator
Our next question today is from the line of Geoffrey Dunn of Dowling & Partners.

Geoffrey Dunn, *Dowling & Partners*
Thank you, good morning. I was just wondering if you could give a quick 101 of the accounting of the asset management business going forward as far as it hits the P&L.

You still have massive management segment this quarter as well as your equity earnings in investees. So very high level, how should we expect to see the income coming through in the future?

Ben Rosenblum
Yes. I think you're going to continue to see it coming through much in the same way as we're reporting it now. Most of it is going to be just coming through our equity ownership in Sound Point as well. And that's probably how you're going to see it going forward.

Dominic Frederico
So it'd be equity and investee as you see today….

Geoffrey Dunn
So what is the other income and expense line? Sorry. Go ahead. What were you saying, Dominic?

Dominic Frederico
Ben's getting it.

Ben Rosenblum
So the other income and expense line, we have a number of other investments that still are legacy investments that we had before with Assured Investment Management and other investments in funds, and that's what you're seeing coming through.

Dominic Frederico
Yes, remember we started the alternative investment strategy long before we bought Sound Point.

Ben Rosenblum
I think you're going to see that eventually dwindling down over time. But as we crystallize some of those investments, there may be a little volatility around that, but that will obviously dwindle down over time as we run those off.

Geoffrey Dunn
Okay. So predominantly, the equity line...

Robert Bailenson
You're going to see...

Geoffrey Dunn
Yes. Exactly.

Robert Bailenson
And you're also going to see -- Geoff, remember, you're going to see equity earnings in the funds that we've invested as well, but that's going to be much more volatile given that you're investing in, in Sound Point funds, but the earnings from the GP are going to come through as Ben suggested.

Operator
This concludes the question-and-answer session. I would now like to turn the conference back over to our host, Robert Tucker for closing remarks.

Robert Tucker
Thank you, operator. I'd like to thank everyone for joining us on today's call. If you have additional questions, please feel free to give us a call. Thank you very much.

Operator
This concludes today's conference call. Thank you all for attending. You may now disconnect your lines, and have a great day.