

Allied World Assurance Co Holdings, AG
Form 10-Q
October 22, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended: September 30, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____

Commission file number: 001-32938

ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG

(Exact Name of Registrant as Specified in Its Charter)

Switzerland

98-0681223

(State or Other Jurisdiction of

(I.R.S. Employer

Incorporation or Organization)

Identification No.)

Lindenstrasse 8

6340 Baar

Zug, Switzerland

(Address of Principal Executive Offices and Zip Code)

41-41-768-1080

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
" No

As of October 13, 2014, 96,409,738 common shares were outstanding.

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

as of September 30, 2014 and December 31, 2013

(Expressed in thousands, except share and per share amounts)

	As of September 30, 2014	As of December 31, 2013
ASSETS:		
Fixed maturity investments trading, at fair value (amortized cost: 2014: \$6,074,752; 2013: \$6,065,350)	\$6,128,237	\$6,100,798
Equity securities trading, at fair value (cost: 2014: \$901,300; 2013: \$647,301)	945,076	699,846
Other invested assets	929,201	911,392
Total investments	8,002,514	7,712,036
Cash and cash equivalents	831,270	531,936
Restricted cash	178,958	149,393
Insurance balances receivable	926,183	664,731
Funds held	405,703	632,430
Prepaid reinsurance	376,651	340,992
Reinsurance recoverable	1,349,009	1,234,504
Accrued investment income	30,554	32,236
Net deferred acquisition costs	171,827	126,661
Goodwill	278,085	268,376
Intangible assets	46,931	48,831
Balances receivable on sale of investments	60,122	76,544
Net deferred tax assets	41,312	37,469
Other assets	110,449	89,691
Total assets	\$12,809,568	\$11,945,830
LIABILITIES:		
Reserve for losses and loss expenses	\$6,052,263	\$5,766,529
Unearned premiums	1,716,927	1,396,256
Reinsurance balances payable	203,428	173,023
Balances due on purchases of investments	166,026	104,740
Senior notes	798,725	798,499
Dividends payable	21,686	16,732
Accounts payable and accrued liabilities	176,914	170,225
Total liabilities	\$9,135,969	\$8,426,004
Commitments and contingencies		
SHAREHOLDERS' EQUITY:		
Common shares: 2014: par value CHF 4.10 per share and 2013: par value CHF 4.10 per share (2014: 100,775,256; 2013: 103,477,452 shares issued and 2014: 96,382,238; 2013: 100,253,646 shares outstanding)	407,990	418,988
Treasury shares, at cost (2014: 4,393,018; 2013: 3,223,806)	(134,633	) (79,992)
Retained earnings	3,400,242	3,180,830
Total shareholders' equity	3,673,599	3,519,826
Total liabilities and shareholders' equity	\$12,809,568	\$11,945,830

See accompanying notes to the consolidated financial statements.

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ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 AND COMPREHENSIVE INCOME

for the three and nine months ended September 30, 2014 and 2013

(Expressed in thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
REVENUES:				
Gross premiums written	\$707,884	\$580,893	\$2,369,682	\$2,183,174
Premiums ceded	(139,142)	(127,816)	(475,402)	(453,823)
Net premiums written	568,742	453,077	1,894,280	1,729,351
Change in unearned premiums	(27,005)	57,696	(285,011)	(248,079)
Net premiums earned	541,737	510,773	1,609,269	1,481,272
Net investment income	43,412	39,271	127,824	110,294
Net realized investment (losses) gains	(35,136)	27,487	104,286	(8,074)
Other income	1,032	—	1,032	—
	551,045	577,531	1,842,411	1,583,492
EXPENSES:				
Net losses and loss expenses	336,090	276,970	926,231	807,276
Acquisition costs	72,403	65,114	214,404	186,416
General and administrative expenses	88,294	88,553	264,822	251,818
Other expense	6,575	—	6,575	—
Amortization of intangible assets	633	633	1,900	1,900
Interest expense	14,325	14,094	43,451	42,416
Foreign exchange loss	278	4,353	978	7,361
	518,598	449,717	1,458,361	1,297,187
Income before income taxes	32,447	127,814	384,050	286,305
Income tax expense	1,532	4,971	24,300	6,332
NET INCOME	30,915	122,843	359,750	279,973
Other comprehensive income	—	—	—	—
COMPREHENSIVE INCOME	\$30,915	\$122,843	\$359,750	\$279,973
PER SHARE DATA				
Basic earnings per share	\$0.32	\$1.20	\$3.67	\$2.72
Diluted earnings per share	\$0.31	\$1.18	\$3.60	\$2.66
Weighted average common shares outstanding	96,458,231	101,974,077	97,926,378	103,020,681
Weighted average common shares and common share equivalents outstanding	98,444,238	104,184,579	99,965,296	105,393,276
Dividends paid per share	\$0.225	\$0.167	\$0.559	\$0.292

See accompanying notes to the consolidated financial statements.

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ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
 for the nine months ended September 30, 2014 and 2013
 (Expressed in thousands)

	Share Capital	Treasury Shares	Retained Earnings	Total
December 31, 2013	\$418,988	\$(79,992)	) \$3,180,830	\$3,519,826
Net income	—	—	359,750	359,750
Dividends	—	—	(60,017)	) (60,017)
Stock compensation	—	17,235	1,333	18,568
Share repurchases	—	(164,528)	) —	(164,528)
Shares cancelled	(10,998)	) 92,652	(81,654)) —
September 30, 2014	\$407,990	\$(134,633)	) \$3,400,242	\$3,673,599
December 31, 2012	\$454,980	\$(113,818)	) \$2,985,173	\$3,326,335
Net income	—	—	279,973	279,973
Dividends — par value reduction	(12,981)	) —	—	(12,981)
Dividends	—	—	(34,069)	) (34,069)
Stock compensation	—	26,093	(18,278)	) 7,815
Share repurchases	—	(123,145)	) —	(123,145)
Shares cancelled	(17,162)	) 125,025	(107,863)) —
September 30, 2013	\$424,837	\$(85,845)) \$3,104,936	\$3,443,928

See accompanying notes to the consolidated financial statements.

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ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 for the nine months ended September 30, 2014 and 2013
 (Expressed in thousands)

	Nine Months Ended September 30,	
	2014	2013
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Net income	\$359,750	\$279,973
Adjustments to reconcile net income to cash provided by operating activities:		
Net realized gains on sales of investments	(118,640	) (76,104)
Mark to market adjustments	(5,634	) 80,136
Stock compensation expense	10,822	9,282
Undistributed loss (income) of equity method investments	10,452	(4,313)
Changes in:		
Reserve for losses and loss expenses, net of reinsurance recoverables	171,229	50,308
Unearned premiums, net of prepaid reinsurance	285,012	248,079
Insurance balances receivable	(260,627	) (229,580)
Funds held	226,727	(38,763)
Reinsurance balances payable	30,405	57,379
Net deferred acquisition costs	(45,166	) (37,941)
Net deferred tax assets	(3,511	) (16,252)
Accounts payable and accrued liabilities	4,473	(18,540)
Other items, net	4,441	34,508
Net cash provided by operating activities	669,733	338,172
CASH FLOWS (USED IN) PROVIDED BY INVESTING ACTIVITIES:		
Purchases of trading securities	(5,608,594	) (4,955,817)
Purchases of other invested assets	(242,227	) (211,501)
Sales of trading securities	5,500,176	5,137,280
Sales of other invested assets	243,123	189,155
Purchases of fixed assets	(14,490	) (4,171)
Change in restricted cash	(29,565	) (74,032)
Net cash paid for acquisitions	(2,565) —
Net cash (used in) provided by investing activities	(154,142	) 80,914
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Dividends paid - partial par value reduction	—	(12,981)
Dividends paid	(55,064	) (17,117)
Proceeds from the exercise of stock options	7,640	8,465
Share repurchases	(166,207	) (120,163)
Net cash used in financing activities	(213,631	) (141,796)
Effect of exchange rate changes on foreign currency cash	(2,626	) (6,122)
NET INCREASE IN CASH AND CASH EQUIVALENTS	299,334	271,168
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	531,936	681,879
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$831,270	\$953,047
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$18,052	\$17,249
Cash paid for interest expense	\$45,750	\$45,750
See accompanying notes to the consolidated financial statements.		

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ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousands, except share, per share, percentage and ratio information)

1. GENERAL

Allied World Assurance Company Holdings, AG, a Swiss holding company (“Allied World Switzerland”), through its wholly-owned subsidiaries (collectively, the “Company”), provides property and casualty insurance and reinsurance on a worldwide basis. References to \$ are to the lawful currency of the United States and to CHF are to the lawful currency of Switzerland.

The Company has reached definitive agreements to acquire the Hong Kong and Singapore operations of Royal & Sun Alliance Insurance plc for approximately \$211,000, at current exchange rates, subject to adjustments at closing. In addition to the purchase price, the Company expects to contribute an additional \$90,000 to capitalize the business on an ongoing basis. Subject to regulatory approvals in both Hong Kong and Singapore, as well as court approval in Singapore, the acquisition is expected to be completed in the first half of 2015.

2. BASIS OF PREPARATION AND CONSOLIDATION

These unaudited condensed consolidated financial statements include the accounts of the Company and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and with Article 10 of Regulation S-X as promulgated by the U.S. Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, these unaudited condensed consolidated financial statements reflect all adjustments that are normal and recurring in nature and necessary for a fair presentation of financial position and results of operations as of the end of and for the periods presented. The results of operations for any interim period are not necessarily indicative of the results for a full year.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates reflected in the Company’s financial statements, include, but are not limited to:

- The premium estimates for certain reinsurance agreements,
- Recoverability of deferred acquisition costs,
- The reserve for outstanding losses and loss expenses,
- Valuation of ceded reinsurance recoverables,
- Determination of impairment of goodwill and other intangible assets, and
- Valuation of financial instruments.

Intercompany accounts and transactions have been eliminated on consolidation and all entities meeting consolidation requirements have been included in the unaudited condensed consolidated financial statements.

On May 1, 2014, the shareholders approved a 3-for-1 stock split of the Company’s common shares. All historical share and per share amounts reflect the effect of the stock split.

These unaudited condensed consolidated financial statements, including these notes, should be read in conjunction with the Company’s audited consolidated financial statements, and related notes thereto, included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

3. NEW ACCOUNTING PRONOUNCEMENTS

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" ("ASU 2014-08"). ASU 2014-08 changes the requirements for reporting discontinued operations, such that a disposal of a component of the Company's operations is required to be reported as discontinued operations if the disposal represents a strategic shift that has, or will have, a major effect on the Company's operations and financial results. Examples of strategic shifts that could have a major effect on

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ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands, except share, per share, percentage and ratio information)

the Company's operations could include a disposal of a major geographical area, a major line of business, a major equity method investment, or other major parts of the Company. ASU 2014-08 is effective for all disposals that occur after January 1, 2015. The Company does not believe the adoption of ASU 2014-08 will have a material impact on future financial statements and related disclosures.

In May 2014, the FASB issued Accounting Standards Update 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 provides a framework, through a five-step process, for recognizing revenue from customers, improves comparability and consistency of recognizing revenue across entities, industries, jurisdictions and capital markets, and requires enhanced disclosures. Certain contracts with customers are specifically excluded from the scope of ASU 2014-09, including; amongst others, insurance contracts accounted for under Accounting Standard Codification 944, Financial Services - Insurance. ASU 2014-09 is effective on January 1, 2017 with retrospective adoption required for the comparative periods. The Company is currently assessing the impact the adoption of ASU 2014-09 will have on future financial statements and related disclosures.

In August 2014, the FASB issued Accounting Standards Update 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"). Currently, there is no guidance under U.S. GAAP regarding management's responsibility to assess whether there is substantial doubt about an entity's ability to continue as a going concern. Under ASU 2014-15, the Company will be required to assess its ability to continue as a going concern each interim and annual reporting period and provide certain disclosures if there is substantial doubt about the entity's ability to continue as a going concern, including management's plan to alleviate the substantial doubt. ASU 2014-15 is effective on January 1, 2017 and early adoption is permitted. The Company is currently assessing the impact the adoption of ASU 2014-15 will have on future financial statements and related disclosures.

4. INVESTMENTS

a) Trading Securities

Securities accounted for at fair value with changes in fair value recognized in the unaudited condensed consolidated statements of operations and comprehensive income ("consolidated income statements") by category are as follows:

	September 30, 2014		December 31, 2013	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
U.S. Government and Government agencies	\$1,184,115	\$ 1,186,185	\$1,676,788	\$ 1,684,832
Non-U.S. Government and Government agencies	219,287	229,792	191,776	197,082
States, municipalities and political subdivisions	260,690	251,628	231,555	234,406
Corporate debt:				
Financial institutions	1,194,949	1,185,637	958,794	943,518
Industrials	1,202,906	1,201,341	1,174,047	1,165,448
Utilities	125,513	125,202	69,426	69,658
Mortgage-backed	1,240,362	1,196,683	1,292,502	1,267,863
Asset-backed	700,415	698,284	505,910	502,543
Total fixed maturity investments	\$6,128,237	\$ 6,074,752	\$6,100,798	\$ 6,065,350
	September 30, 2014		December 31, 2013	
	Fair Value	Original Cost	Fair Value	Original Cost
Equity securities	\$945,076	\$901,300	\$699,846	\$647,301
Other invested assets	806,124	701,794	764,081	658,683
	\$1,751,200	\$1,603,094	\$1,463,927	\$1,305,984

Other invested assets, included in the table above, include investments in private equity funds, hedge funds and a high yield loan fund that are accounted for at fair value, but excludes other private securities described below in Note 4(b) that are accounted for using the equity method of accounting.

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ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands, except share, per share, percentage and ratio information)

b) Other Invested Assets

Details regarding the carrying value, redemption characteristics and unfunded investment commitments of the other invested assets portfolio as of September 30, 2014 and December 31, 2013 were as follows:

Investment Type	Carrying Value as of September 30, 2014	Investments with Redemption Restrictions	Estimated Remaining Restriction Period	Investments without Redemption Restrictions	Redemption Frequency(1)	Redemption Notice Period(1)	Unfunded Commitments
Private equity	\$179,196	\$179,196	2 - 9 Years	\$—			\$ 223,030
Mezzanine debt	114,399	114,399	5 - 9 Years	—			251,486
Distressed	9,516	9,516	4 Years	—			5,119
Total private equity	303,111	303,111		—			479,635
Distressed	173,111	173,111	1 Year	—			—
Equity long/short	111,627	86,721	1 Year	24,906	Quarterly	30 -60 Days	—
Multi-strategy	81,576	—		81,576	Quarterly	45 -90 Days	—
Relative value credit	105,155	—		105,155	Quarterly	60 Days	—
Total hedge funds	471,469	259,832		211,637			—
High yield loan fund	31,544	—		31,544	Monthly	30 days	—
Total other invested assets at fair value	806,124	562,943		243,181			479,635
Other private securities	123,077	—		123,077			—
Total other invested assets	\$929,201	\$562,943		\$366,258			\$ 479,635
Investment Type	Carrying Value as of December 31, 2013	Investments with Redemption Restrictions	Estimated Remaining Restriction Period	Investments without Redemption Restrictions	Redemption Frequency(1)	Redemption Notice Period(1)	Unfunded Commitments
Private equity	\$144,422	\$144,422	2 - 9 Years	\$—			\$ 263,519
Mezzanine debt	64,627	64,627	8 - 9 Years	—			198,756
Distressed	7,776	7,776	4 Years	—			5,249
Total private equity	216,825	216,825		—			467,524
Distressed	151,227	151,227	1 - 2 Years	—			—
Equity long/short	99,365	—		99,365	Quarterly	30 -60 Days	—
Multi-strategy	136,958	—		136,958	Quarterly	45 -90 Days	—
Event driven	14,018	—		14,018	Annual	60 Days	—
Relative value credit	113,730	—		113,730	Quarterly	60 Days	—
Total hedge funds	515,298	151,227		364,071			—
High yield loan fund	31,958	—		31,958	Monthly	30 days	—
Total other invested assets at fair value	764,081	368,052		396,029			467,524
Other private securities	147,311	—		147,311			—
Total other invested assets	\$911,392	\$368,052		\$543,340			\$ 467,524

(1) The redemption frequency and notice periods only apply to the investments without redemption restrictions. Some or all of these investments may be subject to a gate as described below.

In general, the Company has invested in hedge funds that require at least 30 days' notice of redemption and may be redeemed on a monthly, quarterly, semi-annual, annual or longer basis, depending on the fund. Certain hedge funds have lock-

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ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands, except share, per share, percentage and ratio information)

up periods ranging from one to three years from initial investment. A lock-up period refers to the initial amount of time an investor is contractually required to invest before having the ability to redeem. Funds that provide for periodic redemptions may, depending on the funds' governing documents, have the ability to deny or delay a redemption request, called a "gate." The fund may implement this restriction because the aggregate amount of redemption requests as of a particular date exceeds a specified level, generally ranging from 15% to 25% of the fund's net assets. The gate is a method for executing an orderly redemption process to reduce the possibility of adversely affecting investors in the fund. Typically, the imposition of a gate delays a portion of the requested redemption, with the remaining portion settled in cash sometime after the redemption date. Certain funds may impose a redemption fee on early redemptions. Interests in private equity funds cannot be redeemed because the investments include restrictions that do not allow for redemption until termination of the fund.

The following describes each investment type:

Private equity funds: Primary funds may invest in companies and general partnership interests. Secondary funds buy limited partnership interests from existing limited partners of primary private equity funds. As owners of private equity funds seek liquidity, they can sell their existing investments, plus any remaining commitment, to secondary market participants. These funds cannot be redeemed because the investments include restrictions that do not allow for redemption until termination of the fund.

Mezzanine debt funds: Mezzanine debt funds primarily focus on providing capital to upper middle market and middle market companies and private equity sponsors, in connection with leveraged buyouts, mergers and acquisitions, recapitalizations, growth financings and other corporate transactions. The most common position in the capital structure will be between the senior secured debt holder and the equity; however, the funds will utilize a flexible approach when structuring investments, which may include secured debt, subordinated debt, preferred stock and/or private equity. These funds cannot be redeemed because the investments include restrictions that do not allow for redemption until termination of the fund.

Distressed funds: In distressed debt investing, managers take positions in the debt of companies experiencing significant financial difficulties, including bankruptcy, or in certain positions of the capital structure of structured securities. The manager relies on the fundamental analysis of these securities, including the claims on the assets and the likely return to bondholders. Certain funds cannot be redeemed because the investments include restrictions that do not allow for redemption until termination of the fund.

Equity long/short funds: In equity long/short funds, managers take long positions in companies they deem to be undervalued and short positions in companies they deem to be overvalued. Long/short managers may invest in countries, regions or sectors and vary by their use of leverage and by their targeted net long position.

Multi-strategy funds: These funds may utilize many strategies employed by specialized funds including distressed investing, equity long/short, merger arbitrage, convertible arbitrage, fixed income arbitrage and macro trading.

Event driven funds: Event driven strategies seek to deploy capital into specific securities whose returns are affected by a specific event that affects the value of one or more securities of a company. Returns for such securities are linked primarily to the specific outcome of the events and not by the overall direction of the bond or stock markets.

Examples could include mergers and acquisitions (arbitrage), corporate restructurings and spin-offs, and capital structure arbitrage.

Relative value credit funds: These funds seek to take exposure to credit-sensitive securities, long and/or short, based upon credit analysis of issuers and securities and credit market views.

High yield loan fund: A long-only private mutual fund that invests in high yield fixed income securities.

Other private securities: These securities include strategic non-controlling minority investments in private asset management companies and other insurance related investments that are accounted for using the equity method of

accounting.

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ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands, except share, per share, percentage and ratio information)

c) Net Investment Income

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Fixed maturity investments	\$38,762	\$31,179	\$110,998	\$96,366
Equity securities	3,711	6,110	12,876	13,718
Other invested assets: hedge funds and private equity	2,249	3,812	8,767	6,001
Other invested assets: other private securities	3,292	1,997	7,291	5,115
Cash and cash equivalents	552	302	1,562	1,319
Expenses	(5,154)	(4,129)	(13,670)	(12,225)
Net investment income	\$43,412	\$39,271	\$127,824	\$110,294

Net investment income from other invested assets: other private securities included the distributed and undistributed net income from investments accounted for using the equity method of accounting. The income reported for other invested assets: other private securities for the nine months ended September 30, 2014 included a loss of \$9,348 recorded for an equity method investment due to impairment charges that it recorded.

d) Components of Realized Gains and Losses

	Three Months	Nine Months Ended
	Ended	September 30,
	September 30,	September 30,
	2014	