



## **VCIA Anniversary**

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Carter Lawrence, commissioner of the Tennessee Department of Commerce and Insurance talks about the state's growth

## **Captive Operation**

Captives.Insure's Luke Renz looks at how the use of risk management tools and captives can support supply chain resilience

# **FROM ROOTS *TO RETURNS***

Kevin Yousif, CFA, president of Yousif Capital Management, sits down with Captive Insurance Times to discuss his journey, current market trends, and the future of the captive management industry



**Kevin Yousif CFA**

President

Yousif Capital Management

## From roots to returns

Kevin Yousif, CFA, president of Yousif Capital Management, sits down with the Captive Insurance Times to discuss his journey, current market trends, and the future of the captive management industry

### **What inspired the founding of Yousif Capital Management, and what was the driving force behind its establishment?**

I cannot say that I intended to start this company or even wanted to go through the hard work and risk that it took to start it. I had a pragmatic and caring management group at my prior firm that worked with me to achieve the dream of owning my own investment management firm. I also had a portfolio management team that desired this opportunity and a wife that supported me.

We started the company in 2021 to service the unique needs of both captive insurance companies and the religious sector. Both client types have their own set of challenges and goals. We knew that we had an edge in creating custom solutions for institutional investment plans at a reasonable cost. I felt like we had something special and wanted to bring it to the world to make it a better place. It is the classic story of seeing a need in the market, believing that we had a solution for that need, then providing it.

Before starting the company, I made a promise to my wife that I would not be the person who needed to work 80 hours a week to get this started. Boy was I wrong. I have emails on my computer from those beginning days that start at 03:30 and end at 21:30. I remember how my cell phone would start to heat up at the end of the workday and how my voice would become hoarse by 16:00. It was demanding work, but a rewarding time for all that participated.

### **Could you elaborate on the methods Yousif Capital Management has utilised to scale its operations and enhance its service offerings since its inception?**

We have approached growth with a multi-pronged approach of acquisitions and organic growth. In 2021, we purchased a passive management shop that added to our capabilities to service the insurance space. We were opportunistic and acquired another company in 2023 that much like us, focused on insurance and brought in more capability.

Today, we are uniquely positioned to handle the complexities of the captive insurance space. That means that we are able to understand the needs of the captive programme, the complex rules that surround those programmes, and how to work with the captive manager to achieve success. We work most closely with the captive manager and meet with boards to understand their goals, their risk profile and their liquidity needs.

Everyone has a stake in making the captive programme work. Yes, it starts with the sponsor, but the captive manager is the real quarterback of the programme. The others — including the attorneys, the actuaries, the bankers, the programme administrators — all play a role, and the investment manager needs to know all the participants and their needs. It takes a village to run a captive.

### **Considering the evolving economic landscape, what strategic adjustments should captive insurance companies be making to their investment allocations, and where do you identify key opportunities?**

We just went through a tough time with raising interest rates from near-zero, to over five per cent at their highs. This caused a lot of angst with many investors who were accustomed to getting a low single-digit return on their bonds, but not losses. Those days are now behind us, and we have normalised into a risk-free return era where we can earn about four per cent with short-term Treasuries and money markets.

We are of the opinion that the Fed will need to cut rates later this year, so we are suggesting that investors lengthen the duration of their bond investments to between one and five years. We want to be able to secure these high rates while we have them.

The tariffs that were announced have been a disruptor as well. US equity markets have been volatile this year, and this has opened up the opportunity set in international markets.

### **What is your current assessment of the overall economic climate, and what key factors are shaping your outlook for the coming months, particularly for investment strategies?**

We just had a negative GDP print in the first quarter which suggests negative growth in the US economy. However, that print was distorted by a huge surge in imports trying to get in front of the tariff announcements. We think that GDP will normalise back into a 1.5-2.0 per cent positive growth as imports slow and inventory stocks grow.

Secondly, the tax bill that was signed into law on 4 July 2025, will provide a catalyst for growth. While much ink has been spilled about continuing the current income tax brackets, we are focused on the bonus depreciation clause in the bill.



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The bonus depreciation will be pulling up a lot of investments. Much of the increased spending is also being offset by tariffs which so far have not caused inflation.

On the inflation front, the last inflation fire was extinguished, but we are still concerned about a second wave. Inflation fires usually come in twos and we worry that the trade wars and resulting tariffs might cause a supply shortage which would then create that second wave.

Still, this is a precarious time filled with uncertainty. This is where buy and hold investors excel and the importance of patience reveals itself. For captive insurance plans, the safety of principal is paramount, so the solution is still short to intermediate-term bonds that provide liquidity and safety. For excess funds, we continue to favour US stocks and have added an allocation to international.

**Recent discussions and implementations of tariffs have created a dynamic environment. How have these trade policy shifts influenced your investment strategies, particularly in terms of what you initially expected versus actual market responses?**

The investing environment has changed quite a bit since the new tariffs were announced. Much of what we thought would happen did not. For example, we expected a stronger dollar but got a weaker dollar.

One of the bright spots has been the welcome revival of international markets. This has been driven by the European desire to invest more at home and a weaker dollar that makes international investing more attractive. We have begun to recommend international for the first time in over 10 years and we think it will be an attractive allocation for years to come.

**Tell us more about your background, from your roots to your extensive experience in asset management, and how that unique trajectory shaped the vision for Yousif Capital Management.**

Well, first of all I am an immigrant to the United States. I was born in Mosul, Iraq, and lived out my first 10 years in the Middle East. We came to America to visit Disney World and then we stayed, I guess you can say I am on a permanent vacation.

I have always had a love for investments. When I was young, I watched the movie ‘Wall Street’ and I thought Charlie Sheen was so cool, I never dared to think I could come anywhere near Michael Douglas’s character. I graduated from school and found that I was the worst stockbroker in the world, so I quit the day after Christmas.

In 1997, I joined Comerica Bank as a temporary employee, got hired and became the youngest manager in the history of my department. In 2000, I got my big break to enter the world of asset management. I gave up my fancy VP title and office and became an analyst. Over the next 10 years, I advanced quickly, then got restless. I felt like there was a better way to invest, so I started an institutional asset management practice within an existing practice at LS Investment Advisors.

Ten years later, I had learnt what it would take to run my own firm and so I started Yousif Capital Management. I did a transaction with my former colleagues, and I hired my entire team into the new company, plus added a chief compliance officer.

Those days were exciting because everyone needed to do everything. One year later, I had the opportunity to buy a company named World Asset Management. It was the same company that I worked for in 2000-2010. I jumped at the chance to do it. I said: “Yes, I want to do that, what’s the price?”

The transaction with World Asset Management was transformative for our company and added a lot of strategies and assets. I was then in need of more talent, so I called a friend to join me.

Unexpectedly, I had a chance to buy another company. Again, I said: “Yes, but this time let’s negotiate the price.”

The friend was Ed Goard, who is now our chief investment officer, and the company was INCORE, which is now inside of Yousif Capital Management.

Today, we are focused on organic growth, and we have added the resources needed to accomplish our goals.

### **How has the investment behaviour of captive insurance companies evolved recently, and are you observing distinct trends compared to other institutional clients?**

Absolutely! Captives are becoming more sophisticated and are asking for more from their investments. There was a day where captives simply parked their cash in money markets or bought ultra-short Treasury ladders. Those days are long gone, with captives wanting more opportunity for growth so they can lower their premiums and make the captive programme grow.

Some are overlaying their portfolios with ESG strategies, participating in security lending programmes and there are opportunities in class action litigation. The mindset has shifted from preserving capital to optimising capital.

### **Given the unique regulatory and risk profiles of captive insurance companies, how do you tailor investment solutions and provide ongoing support to captive boards and managers?**

We start by understanding the domicile-specific regulations. Domiciles are becoming more varied and more aggressive in their marketing.

Then we collaborate with the captive manager to build an investment policy statement that meets the needs of the programme. Once the investment programme is agreed upon, ongoing communication is key.

We provide quarterly and sometimes monthly reporting for the investments, we provide valuable research and commentary as they become available, and we meet in person with the captive board. These meetings are invaluable for us to understand the board’s commitment to the captive programme and to help make the programme successful.

### **When you are not navigating the complexities of investment management, how do you spend your time to relax and recharge?**

Well I first and foremost enjoy being with my wife, two adult children, and my six-year-old daughter. I am lucky to have the best and cutest six-year-old girl in the world in my life.

I would not claim to be a good golfer, but I work hard on the game. I take weekly lessons, but I am still a 17 handicap. If you don’t know, that is not good golf.

My pride in golf is that I raised two young men that are single digit handicaps.

About a year ago I started taking weekly piano lessons and I think I can become a better piano player than a golfer. Piano is a fun way to decompress and use up a half hour of your day.

### **Have you ever personally considered the possibility of forming a captive, and what steps would you envision taking if you were to pursue such a venture?**

Yes, I think about it all the time, but our insurance premiums are just not large enough.

You need to start thinking about insuring yourself when you get to around US\$500,000 in annual premiums and when you know how to manage that risk.

It is at around that level that the premium savings start to get interesting and that you can accumulate wealth.

The first step in starting a captive insurance programme is to talk with captive managers and to find out your options.

They will act as the centerpiece for your captive, listen to your desires and guide you to whether it makes sense or not.

Captive managers have a lot of resources at their fingertips and the good ones are well connected with the other service providers. They should be able to guide you to a good domicile, actuary, attorney, banker, custodian, and investment manager.

I am sure I missed a party or two, but that is what I think about when I think about starting a captive programme. ■