



The HUB

NEWS AND VIEWS FOR INSTITUTIONAL INVESTORS



Asian investors deserve investments that match their ambitions

Performance must be allied to analysis of true needs of Asia's institutions

Are investors in Asia-Pacific getting the investment management they need?

A common perception is that Asian investors simply seek the highest returns possible in each asset class.

We think this is far from the whole story. While returns are paramount, investors in Asia-Pacific are looking for investments that are balanced against the risks taken and against their actual needs.

In short, they need solutions. That is, they require asset managers who are able to help them to define their needs with precision and then apply the relevant investment.

Whatever the investment, it will almost certainly be in partnership with an asset manager which has market-leading ESG capabilities, high-performing strategies across sectors and asset classes, and an understanding that client types have differing needs.

Gateway to over 200 active investment strategies

Natixis Investment Managers (Natixis IM) invests some \$50 billion for clients in the Asia-Pacific region, through offices in seven Asian countries. It is rare for a global manager to have such a sizeable on-the-ground presence in the region.

Perhaps a more important statistic is that Natixis IM invests more than \$1.4 trillion worldwide on behalf of clients, making us the second-largest manager in Europe. Why is this important? Because in a fast-changing investment environment, investors increasingly seek a one-stop shop, providing a substantial range of investment strategies, allied to advice and support.

Our investment strategies are provided through our global affiliate structure of more than 20 investment firms, offering more than 200 active investment strategies. Advice and services are provided through our experienced and well-resourced solutions group, which identifies client needs and selects the right blend of strategies to match those needs.

The power of the affiliate structure

Size must be accompanied by quality to help Asian institutions meet their needs. Over the decades, Natixis has brought together under a single roof a carefully curated collection of best-in-class investment firms. All our affiliates are chosen for their hard-to-replicate,

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active strategies which aim to deliver outperformance across asset classes.

All our affiliates have outstanding research capabilities, giving them an edge over most competitors. And because they are part of an affiliate structure – with Natixis Investment Managers providing centralised support functions such as marketing & sales, compliance and risk management – they are free to focus on what they do best: investing.

When investors seek a solution to their needs, we can put investment strategies of our affiliates at their disposal, tailoring risk and return with a high degree of precision.

Within Asia-Pacific, our clients include pension funds, central banks & sovereign

wealth funds, life insurance companies or private banks around the region. These clients appreciate they are getting access to world-class investment strategies.

ESG capabilities give access to niche markets

Investors the world over were sceptical about the value of ESG until relatively recently. ESG has since been identified as a key portfolio risk and, in many cases, a return enhancer.

Through our affiliates, we have more than 30 years of experience in sustainable investing and 89% of our assets are managed by affiliates that are signatories to the Principles for Responsible Investment (UN PRI).

We haven't thrown resource at ESG investing for the sake of optics; we do it to reduce risk and increase return. There is only one direction that Asian policymakers, regulators and investors are heading, and that is towards more ESG-focused investing. We believe we are significantly ahead of the curve in this respect.

Nearly all the RFPs from Asian institutions now include a sizeable ESG component and we are more than comfortable with that. When challenged by asset owners about our ESG process, we are able to justify every strategy and even explain the rationale behind individual trades. This is the very antithesis of greenwashing.

Our ESG convictions are exemplified by Mirova, our pureplay sustainability and impact affiliate. Mirova, which has over \$25 billion in sustainable investments, is dedicated to shifting the world economy to a more sustainable model. It has a number of sustainable equity and fixed income strategies, as well as natural capital, social impact and energy transition strategies.

The skillsets needed to execute its strategies are rare and give Mirova an edge in traditional markets and access to niche markets in which the majority of asset managers do not play. This maximises return potential and ESG impact at the same time.

Active management matters more than ever

The strategies our affiliates execute differ hugely. The one thing our affiliates have in common is that they are all highly active in their investment approach. That is, deep research is applied to unearth opportunities, and portfolios have limited correlation with the benchmarks they track.

We think active management is critical to meet investment goals. Imbalances in world economies are rising, interest rates remain low and bubbles are forming in many markets. Active managers which develop a competitive edge through research and portfolio construction, can exploit these market dislocations and deliver long-term returns that are market-beating.

Take equities: while equity markets have surged since the financial crisis, further appreciation is far from assured. So, picking winners and avoiding losers is increasingly important. Our equity-focused affiliates, such as Harris Associates, Loomis Sayles, WCM and DNCA, have a long track record of investing successfully through equity cycles.

Another way of accessing the wealth created by corporates is by investing in private equity. Flexstone Partners and Naxicap both have niche private equity strategies which have proven robust to the rises and falls in equity indices.

Then there's fixed income: traditional fixed income indices no longer provide sufficient yields. Natixis Investment Managers has a number of income-seeking alternatives to bonds that can significantly outperform bonds, while taking the same or less risk.

Vauban Infrastructure Partners, for one, invests in assets that produce strong income streams for 20 or even 30 years depending on the asset. AEW, our global real estate affiliate, has a range of consistent income-producing strategies. And MV Credit invests in private debt assets, which have robust income streams and little correlation to traditional fixed income assets.

The value-add of advice and support

Our solutions group makes sure that our affiliates' active strategies make the maximum positive impact on portfolios.

The solutions group has experts for each client type – including insurers, pension funds, endowment funds, sovereign wealth funds and private client firms. In the insurance market, for example, our solutions professionals provide insight on current challenges including regulation, digitalisation and low interest rates.

These challenges are placing huge cost pressures on Asia-Pacific insurers. Asset managers must be able to offer bespoke analysis and solutions for insurers' ALM, asset allocation and SCR, their hedging needs, and the impact of regulation on performance.

Another key question that must be answered is: what is the auto-correlation in my portfolio? Strategies that appear differentiated but actually allocate to very similar assets, pose a downside risk. The solutions group examines asset allocation and investment strategies and ensures there is sufficient diversification across the whole portfolio.

Asian investors are demanding, and rightly so

In summary, it is impossible to underestimate the importance of high-quality investment teams. At the same, Asian institutional investors tell us that they require ESG expertise, they want access to niche strategies that are not correlated to main markets and they seek greater exposure to private assets.

Critically, Asia-Pacific institutions want their asset managers to be local and to be on hand to advise and support when required.

In fact, Asia-Pacific investors rightly demand that all their needs are met. Why would they settle for anything less?

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