

# The HUB

NEWS AND VIEWS FOR INSTITUTIONAL INVESTORS

## Tailor-made for the Italian market

**Ostrum AM's one-stop shop adds value to institutional investors' pre-trade, trading and post-trade activities.**

Italian institutional investors today seek investment partners who have the scale to tailor-make investment solutions to their specific needs, and at a price that reflects the benefits of scale.

They also seek investment partners who understand the needs of Italian institutions and the domestic environment in which they operate.

This demands that investment partners can bring a strong suite of investment approaches encompassing equities, bonds, ESG, LDI, multi-asset allocation and private assets. But, just as critical, it demands the provision of pre-trade advice and post-trade services that can help define the success (or otherwise) of the mission.

Philippe Setbon, chief executive of Ostrum Asset Management (Ostrum AM), says: "In our view, only a tailor-made, full value-chain service can ensure that every part of an asset owner's investment process is working towards its overall aims."

### A strong focus on institutions

We set our company up to primarily service institutions" says Setbon. Indeed, Ostrum AM, an affiliate of Natixis Investment Managers, was conceived to be dedicated to the needs of long-term asset owners, often with defined liabilities.

"All our energy – our investment expertise, our technology, our research and advice teams – is focused on servicing this kind of client," Setbon adds.

While the origins of Ostrum AM can be traced to the early 1980s, it underwent a transformation in 2020 when it merged with part of the investment management arm of La Banque Postale, one of France's largest financial companies.

The merger heralded a new start for the company. Setbon says: "We were already very strong in LDI and fixed income capabilities, but we gained more expertise in these areas and we changed strategy to focus mainly on institutions."

Ostrum AM, the largest of Natixis Investment Managers' (Natixis IM) 20 affiliates, combines this core expertise with high-quality active investments from its own teams and other affiliates to create bespoke solutions for institutions.

### One-stop shop for institutions

These solutions can be tailored to closely match liability cashflows or growth expectations of Italian institutions.

Natixis IM's multi-affiliate structure encompasses actively-managed fixed income and equities, ESG and impact investing, real estate, and other private assets. With the affiliates based in four continents, investors can gain exposure to all parts of the global economy.

Ostrum AM's team does not just offer investments as standalone portfolio components, but provides services right down the value chain from pre-trade, to trading, to post-trade to help ensure that targets are met. Its positioning as a "one-stop shop" dedicated to investment is unique in the European market.



**Marco Barindelli**  
Head of Italy, Ticino,  
Malta, Greece & Cyprus  
**Natixis IM**



**Philippe Setbon**  
CEO  
**Ostrum Asset  
Management**

### Key takeaways:

- Italian institutional investors seek investment partners who understand the needs of Italian institutions and the domestic environment in which they operate.
- Size is important in the Italian market, where investors are shrinking the number of partners they work with. The market is mature and investors are becoming more selective, demanding partners with more investment ideas, and robust processes, and the strength to execute on them.
- Ostrum AM does not just offer investments as standalone portfolio components, but provides services right down the value chain from pre-trade, to trading, to post-trade to help ensure that liability and growth targets are met. .

Its pre-trade services include strategic and tactical asset allocation advice, solvency management, accounting optimisation, capital optimisation, and ESG assessments. Post-trade activity is about managing risk and compliance, and reporting on financial and extra-financial investment performance and attribution.

For larger insurance mandates, Ostrum AM has the capability to measure overall carbon intensity, carbon footprint, biodiversity footprint and climate alignment.

"All these activities are complex to carry out, even for large institutions," says Setbon. "We make their lives easier, helping them to manage all their risks and processes to increase their likelihood of meeting their investment aims. We think we are pretty rare in being able to do this."

## In love with Italy

Value can be added more readily if the chosen investment partner is committed to the market in which it operates and understands the needs and constraints of its players.

In its strategic plan launched in 2020, Ostrum AM made Italy a priority market given that it was similar in structure and needs to France – Ostrum AM's home market, where it has operated for 40 years. Setbon says: "Our acknowledged expertise and track record in the French market, and our proven ability to manage assets for international players from Europe and Asia, means we are well positioned to offer a high level of service to Italian investors."

Setbon spent a decade of his career working in Italy and admits, "I am in love with the country. I think you have to be in love with a country to successfully do business there."

Natixis IM has a fully-licensed subsidiary in Italy, headed by Marco Barindelli, who joined in 2022 from Schroders Investment Management, where he worked for over 20 years and was deputy country head for Italy. And Ostrum AM recently opened a branch in Milan to strengthen local partnerships and stand closer to its Italian clients.

"Speaking the same language is essential to get close to the market you serve and provide services along the whole value chain," Barindelli says. "Of course, you need the technical capabilities too."

Barindelli and his team also act as a pivot between the local market and the

extensive, tailor-made services provided by teams at Ostrum AM's headquarters in Paris and works side by side with the Ostrum AM branch in Milan.

He adds: "It's only by being there on the ground that we are able to understand the ambitions and targets of our clients, and how their targets shift over time."

## Potential for partnerships

Ostrum AM's core clients include insurers, pensions funds, corporate entities, endowments and charities, sovereign institutions, wholesale and consultants.

Increasingly, Ostrum AM forms strategic partnerships with its clients to produce innovative solutions and investment approaches. These partnerships are notably with core insurance and pension fund clients, but increasingly also with banks and asset managers seeking to develop innovative investment solutions for their own underlying clients.

Partnerships can also extend to portfolio risk reviews, liability matching analysis and sustainability assessments.

"The combination of our own inhouse capabilities with those of our colleagues at Natixis IM affiliates, means we can develop ideas, processes and investments that few investment firms can do on their own," says Barindelli.

"This is a key aspect of our one-stop shop offering."

## Today, size is everything

Ostrum AM manages assets of around €400 billion, of which 76% are compliant with SFDR article 8, and has a staff of more than 400 people. Core investors are institutional clients, and it is one of the market leaders in Europe for the insurance segment.

"You need scale in this business to be able to offer clients what they need," says Setbon. Investment firms have to be ahead of the curve in terms of technology transformation, ESG transition, advice channels and anything else that helps gives clients an edge. This requires significant resource.

"We must be fully dedicated to growth to be a partner to more asset owners and develop more solutions for them," adds Setbon. "Size allows you to invest in people, in IT and data which are crucial in ESG transition and advice."

Size is particularly relevant in the Italian market, where investors are shrinking the number of partners they work with to a small coterie of strong partners. The Italian market is mature and investors are becoming more selective, demanding partners with more ideas and processes, and more strength to execute on them.

Scale also creates efficiency gains for clients. Low cost of production comes through applying resources and know-how to streamline and mutualise processes. This is important in withstanding challenging economic conditions, such as the current inflationary environment.

"Fees in this industry cannot inflate, but costs can," says Setbon. "The size and stability of your business will be important in whether you can maintain the quality of your service under challenging conditions."

## A multi-dimensional offering for Italian institutions

Investment firms in Italy cannot apply a one-dimensional approach and simply offer investors a variety of standalone investment options.

A multi-dimensional approach which takes into account investors' specific aims, and helps them integrate regulatory, financial, accounting and extra-financial factors, such as their ESG objectives, is now essential to achieve institutional goals amid a complex operating environment.

Setbon says: "More than ever, Italian investors seek partnerships with asset managers who can provide a holistic view of their needs and offer investments that respond precisely and positively to these needs."

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