NATIXIS INVESTMENT MANAGERS

PRESS RELEASE

Market complexity and shift to alternatives turns global insurers to outsourced portfolio management - Natixis Investment Managers Survey

- *Global survey of 200 CIOs and investment team members reveals three quarters (74%) of insurers are struggling to balance generating alpha with the cost of capital in a low-yield environment*
- *As bond returns fail to match liabilities, two thirds (66%) of respondents say it's essential to invest in alternatives like private debt and real assets in order to diversify portfolio risk*
- *However, barriers for entry remain and 97% say regulations are de facto stopping them from investing in higher risk, illiquid assets*
- *Higher level of complexity associated with this diversification has resulted in two in three insurers seeking outsourced portfolio management to access innovative and specialized capabilities*

London, 21 November 2019 – Global insurers are turning to alternatives to fill the void left by meager bond returns over the past decade of ultra-low interest rates, reveals Natixis Investment Managers' global survey of 200 CIOs and investment team members at life, property and casualty and reinsurance firms.

A decade on from the financial crisis, investors still face significant difficulties presented by the low yield environment, resulting in increasing liabilities and the widening of the duration mismatch. As a consequence, insurers are willing to take on more liquidity risk in pursuit of higher yields, with three quarters (75%) stating allocation to alternative asset classes is essential, and over half (53%) saying they're increasingly using alternatives as a fixed income replacement.

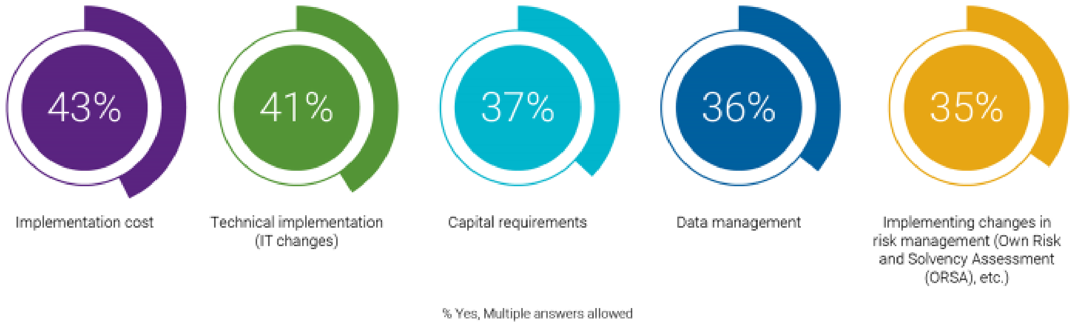
*"Insurers have been squeezed by the low-yield environment over the last decade. The likes of private debt, private equity and other alternative investments provide a potential fix to underwhelming returns in the bond market, where insurers have traditionally turned to in the hope of finding stable returns to match their liabilities." said **James Hughes, Global Head of Dynamic Solutions**, Natixis Investment Managers. "Increasingly insurers are willing to take on liquidity risk in pursuit of higher yields to balance alpha generation with the cost of capital, while protecting assets against drawdown."*

Regulatory barriers remain

The survey found that, despite the growth in appetite for alternatives amongst insurers, nearly all (89%) of insurance investment teams say regulations keep them from investing in these asset classes as regulatory capital requirements, for example, mean a natural portfolio orientation towards low-yielding fixed income.

This represents a significant increase compared to the same survey in 2015, when Solvency II had not come into force. In the 2015 survey only around half of insurers said regulation and capital requirements were frustrating attempts to invest in new and alternative asset classes.

In complying with regulations, insurance investors say the following are the top challenges facing their organization:



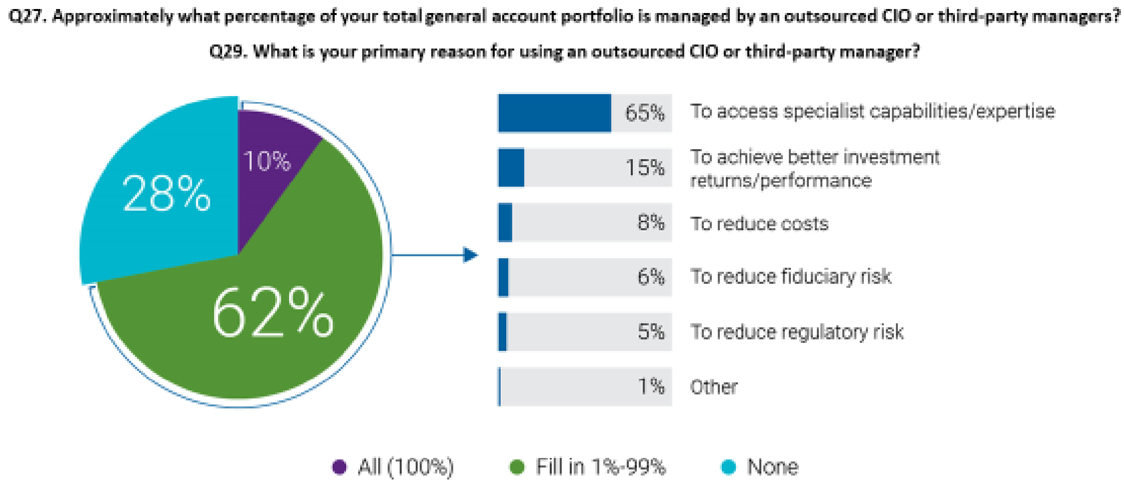
Despite this, nearly all insurers (93%) say they are well prepared for the changing regulatory environment - a major improvement from the 2015 survey, when two-thirds of European and US insurers admitted they were not ready for regulatory change.

CIOs turn to external expertise to navigate complex environment

The survey found that insurance executives say the main reasons they don't use more alternatives in their portfolio are:

- Complexity (51%)
- Their organisation's investment restrictions (42%)
- Fees (42%)
- Regulatory constraints (41%)
- Liquidity issues (37%)

As insurers grapple with the regulatory and executional complexity that comes with the search for higher yield and moving into alternatives, investment teams are increasingly drawing on external expertise to access innovative and specialised capabilities. Seven in ten (72%) of survey respondents outsource some of their portfolios, with 10% of insurers delegating their entire portfolio to an outside firm. On average, insurance investors outsource nearly half (48%) of their portfolio.



"Investors are facing new challenges as the regulatory environment takes a firm hold of the industry, and it is unsurprising to see a majority turning to external specialists to help them navigate the many complexities of today's market," **James Hughes continued.** *"CIOs may struggle to add more resources in already stretched investment teams and there is greater need for good quality specialist advice and execution."*

The full report from Natixis Investment Managers is available here

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Press contacts

Natixis Investment Managers

Samia Hadj

+44 (0)7587 036 503
samia.hadj@natixis.com

FTI Consulting
Marina Jane-Sanchez / Ambrose Fullalove
Tel.: +44 (0)203 727 1270
Mail: NatixisIM@FTIConsulting.com

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Methodology
Natixis Investment Managers surveyed 200 Chief Investment Officers and investment team members at life, property and casualty and reinsurance companies in Asia, Europe and North America. Data was gathered in July 2019 by the research firm CoreData.

About the Natixis Investment Institute
The Natixis Investment Institute applies Active Thinking® to critical issues shaping the investment landscape. A global effort, the Institute combines expertise in the areas of investor sentiment, macroeconomics, and portfolio construction within Natixis Investment Managers, along with the unique perspectives of our affiliated investment managers and experts outside the greater Natixis organization. Our goal is to fuel a more substantive discussion of issues with a 360° view of markets and insightful analysis of investment trends.

About Natixis Investment Managers
Natixis Investment Managers serves financial professionals with more insightful ways to construct portfolios. Powered by the expertise of 26 specialized investment managers globally, we apply Active ThinkingSM to deliver proactive solutions that help clients pursue better outcomes in all markets. Natixis ranks among the world's largest asset management firms1 with more than $1 trillion assets under management2 (€921 billion AUM).

Headquartered in Paris and Boston, Natixis Investment Managers is a subsidiary of Natixis. Listed on the Paris Stock Exchange, Natixis is a subsidiary of BPCE, the second-largest banking group in France. Investment solutions are also offered through Natixis Advisors and Dynamic Solutions. **Not all offerings ~~available in all~~ jurisdictions.** ~~For additional information, please visit Natixis I~~nvestment Managers' website at im.natixis.com | LinkedIn: linkedin.com/company/natixis-investment-managers. Natixis Investment Managers' distribution and service groups include Natixis Distribution, L.P., a limited purpose broker-dealer and the distributor of various registered investment companies for which advisory services are provided by affiliated firms of Natixis Investment Managers, and Natixis Investment Managers S.A. (Luxembourg) and its affiliated distribution entities in Europe and Asia.

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[1] Cerulli Quantitative Update: Global Markets 2018 ranked Natixis Investment Managers as the 16th largest asset manager in the world based on assets under management as of December 31, 2017.
[2] Net asset value as of March 31, 2019. Assets under management ("AUM"), as reported, may include notional assets, assets serviced, gross assets, assets of minority-owned affiliated entities and other types of non-regulatory AUM managed or serviced by firms affiliated with Natixis Investment Manager