

# Ostrum AM aims to be the hub for European institutionals

April 18<sup>th</sup>, 2023

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**Develop not only management excellence but also innovation on a wide range of services across the entire value chain: Ostrum AM's plans within the Natixis galaxy, revealed to FocusRisparmio by Philippe Setbon, the company's CEO, and Gaëlle Malléjac, Cio Insurance & ALM Solutions**



*Philippe Setbon, CEO of Ostrum Asset Management*

'We are here to help our clients meet their clients' demands'. It is in this statement that **Philippe Setbon**, CEO of Ostrum Asset Management, encapsulates the way the company looks at asset management, as well as its ambition to become the reference for European institutional investors. A phrase that hints at the need to go beyond the needs expressed by this type of client with specific and sophisticated requirements. "In a way we have to know our partners even better than they know themselves," Setbon explains, referring to a

"multidimensional approach; the only one," he says, "capable of going beyond expectations and creating a solid and lasting bond. "We are a leading responsible institutional asset manager and we specialise in insurance management," adds **Gaëlle Malléjac**, Cio Insurance & ALM Solutions at Ostrum Asset Management, "these two characteristics are highly differentiating in a world of huge or small entities."

**FocusRisparmio** met with the two professionals to understand how an asset manager with €400 billion in assets under management and an institutional vocation is moving in the changing investment world to contend for the role of strategic partner in the insurance and pensions landscape.

**As a manager whose core expertise includes bonds, the first question can only be whether it is true what we have been hearing since the beginning of the year. That is, that bonds are back.**



*Gaëlle Malléjac, Cio Insurance & ALM  
Solutions of Ostrum Asset Management*

Gaëlle Malléjac (GM): We have seen a dramatic adjustment in interest rates since 2022 and today is a very good time to invest in bonds. We believe that rates will continue to rise throughout 2023 although not exponentially and expect overall rises between 2.5% and 3% for the 10-year Bund. Such expectations come from the persistence of inflation, particularly in its core component, the ECB's continued interest rate hikes, as well as the dynamics within the fixed income market itself, with Frankfurt gradually phasing out its purchase programmes.

Despite these headwinds, we do not expect a full-blown recession but only a slowdown in view of the signs of resilience coming from the European economy. While the ECB will continue the fight against inflation by continuing to tighten its monetary policy, it is also ready to provide the system with liquidity if necessary to ensure overall stability, particularly in the banking sector.

**Ostrum AM's business model is based on three expertise: in addition to bonds, there are insurance mandates and an investment services platform. All this with very strong ESG and technological innovation layers. How do all these points fit together? Where does this union come from?**

Philippe Setbon (PS): Ostrum AM is a key player for institutional investors in Europe, with €400 billion in assets under management, 400 professionals involved and over 35 years of experience in fixed income. Our focus is mainly on pension funds, insurances, foundations, and corporates having long term liabilities. This means that most of our assets are managed in a type of relationship that we can define as b2b.

To be the reference for European institutional investors, it is necessary to have management excellence in fixed income, which is the basis of any

liability-driven approach. The same is true for the ability to offer a service that goes beyond funds management alone to meet all related needs. To build a long-term relationship with this type of client, support must necessarily extend to the entire value chain: advice, portfolio construction, investment management, reporting. This ability to support asset owners in a variety of aspects is essential if we are to succeed in establishing ourselves as the one-stop-shop of reference for institutional clients. Our size, our historical experience, our investment capabilities and our innovative tools represent a strong advantage to meet the long-term needs of our clients and offer them a wide range of tailor-made investment solutions with a strong SRI dimension.

### **What steps are required to achieve this goal?**

PS: We aim to be the European market leader in liability-driven investment (LDI) strategies and to do so we want to grow assets under management from the current EUR 400 billion to EUR 600 billion. In the insurance management industry, size is key to meet all our clients' needs, to offer competitive pricing, while providing high quality management and tailor-made services. Our size is a strong advantage that allows us to invest in research, talent attraction, IT and data, which are crucial in the ESG and technology transition. All these expensive activities can only be supported by large entities. The only ones capable of investing at all levels of the transformation taking place in our industry. The implementation of this strategy will enable us to respond more and more comprehensively to our customers' needs. In terms of our development ambitions, we have made Italy a priority market, as it is similar in structure and needs to France, our home market. For this reason, in January we opened a branch of Ostrum AM in Milan, to strengthen local partnerships and be closer to our Italian customers. In addition, we rely heavily on the distribution strength of Natixis IM's sales network in the territory, as well as on their in-depth knowledge of the local market.

### **How does this strategic vision translate into concrete business activity?**

GM: With this in mind, we have already set up a department entirely dedicated to institutional investors in which the different activities are carried out in an efficient manner. All our professionals who work at various levels and with different specialisations on this type of client share their information. A way that allows us to identify solutions involving several functions that would not be implementable if each one operated independently to satisfy a single request from the customer. This is customer centricity for us. The ability to

think holistically about our clients' needs in order to go beyond their expectations.

Having an offer that covers the entire spectrum of investors' needs makes all the difference. So does the ability to do it efficiently. In this sense, we have developed a proprietary digital platform dedicated specifically to insurance clients that allows us to combine the objectives set by the client and simulate the effects of an investment decision, for example, in terms of risk, sustainability or accounting.

**The core of your activity, however, obviously remains active management. What will make the difference in this new scenario that we have been living in for more than a year now?**

From a portfolio management point of view, we have expertise on all asset classes with a solid SRI approach and our vision is that excellence is built through proprietary research. We have more than 40 people who only do research and support the investment team.

This is a key point, because along with bonds, the dispersion of returns has returned. The end of the decade of markets dominated by ultra-accommodating central banks means that the ability to actively manage risk and actively seek alpha will be key.