INSURANCE ASIA NEWS

Institutional Asset Management Awards 2024

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Tuesday, 4 June 2024 | Island Shangri-La Hong Kong

MSCI Fixed Income Indexes

Distinct methodologies delivered by the market's leading ESG and climate data provider

INSURANCE ASIA NEWS
Institutional Asset Management Awards
2024

Publisher's letter

I'm delighted to present this special supplement celebrating the winners of the 2024 InsuranceAsia News Institutional Asset Management Awards. This is our seventh year hosting the awards and once again we have seen a tremendous response from the market, in terms of the quality and sheer number of entries.

The Institutional Asset Management Awards recognise the exceptional work being done by third party asset managers on behalf of their insurance company in these ever-changing times.

Each award is judged on a qualitative and quantitative basis, assessing investment process, performance, risk management and specific client-related examples. Service provider awards are given on the basis of exceptional business growth and innovative new products and services.

I'd like to thank my team at InsuranceAsia News for their help in putting together the awards and the celebration dinner held in Hong Kong. Thanks also to Richard Newell for coordinating the awards submissions. And finally, to all of you for your support of our awards.

Congratulations once again to all the winners.

Yawar Tharia,
Publisher, InsuranceAsia News

Market fragility underscores the need for efficient asset solutions

The investment requirements of insurance companies are sufficiently distinct in terms of complexity and approach from other types of institutional investors. It is fitting, then, that InsuranceAsia News has been at the forefront in recognising the very best the asset management community has to offer insurers.

The current investment markets environment, led in no small measure by the actions of the US Federal Reserve, remains fragile as we approach another hotly contested US election in November.

After the negative market investment results many experienced in 2022, the markets environment in 2023 saw a high degree of pessimism early on. This had dissipated by year-end as the predictions of a US recession proved unfounded. Inflation halved and investors who had sidelined their equity holdings were caught out.

Uncertainty in the macro-environment and the adoption of risk-based regimes in Asia have contributed to making ALM mismatches more capital-intensive. Despite the resurgence of high-quality fixed income investments, efficient alternative assets remain crucial against the risk of elevated inflation. Yet they typically make up less than 10% of insurers' assets under management, according to McKinsey research, which is half the average allocation seen in pension funds.

Diversification across private markets, direct lending and alternatives is continuing as insurers seek new ways of matching their liabilities.

The dearth of local long-dated corporate bonds restricts insurers' ability to develop products with a long horizon, entrenches their over-reliance on government bonds with less attractive yields than corporates and necessitates taking concentrated exposures in the few domestic corporate issuers with long-dated maturities.

Diversification across private markets, direct lending and alternatives is continuing as insurers seek new ways of matching their liabilities. In BlackRock's latest global insurance market review, Stephan van Vliet, group CIO, Zurich Insurance Group said, "We feel middle-market loans being underwritten in the current high-interest rate environment offer a compelling return profile, and that infrastructure has attractive attributes in terms of inflation protection, duration, impact as well as risk return characteristics."

Private debt appeal

The implementation of Risk-Based Capital regulation actually makes direct lending or private debt very attractive. Under the new RBC regulations in Hong Kong, private debt assets will not require as much capital to be held in reserve by financial institutions as other riskier

RBC rules are likely to encourage both superior capital adequacy and diversification.

investments, which will greatly enhance their appeal.

Private debt also appeals to investors because it generates immediate cash flow. Private infrastructure debt is also experiencing tremendous growth with advances in technology, supportive government policy, an increased rate environment, and energy transition thematics driving strong demand for financing for projects globally.

BlackRock believes these factors will help support better underwriting outcomes in private debt and address the challenges of diversification and reliable income generation for insurers.

While insurance premium growth in Asia, post-pandemic, has slowed for both life and property and casualty, global insurers are increasingly focusing on Asia as a growth engine, recognising its pivotal role in the global economy. The region's growing middle class, technological advancements, and evolving health and retirement sectors offer immense opportunities.

RBC a game-changer

According to Mark Azzopardi, global head of insurance solutions at BlackRock, insurers across APAC are adapting to the introduction of new principles-based capital frameworks including Hong Kong RBC, Singapore RBC 2 and Insurance Capital Standard (ICS) in Japan, Taiwan, and Korea.

"These frameworks share many similarities with Solvency II and will introduce risk-based, market-consistent regulation with look through to the underlying assets. Their introduction is likely to encourage both superior capital adequacy (potentially via de-risking in the first instance) and diversification while also discouraging capital arbitrage by promoting substance over form."

RBC regimes in Asia are still evolving, but despite the different levels of progress, these regulatory changes all have a far-reaching impact on the level of capital held by the insurance industry.

In 2025, the new International Capital Standards regulatory framework will start in Japan, changing the capital standard to an economic-value basis. Korea implemented the Korean Insurance Capital Standard (ICS) in January 2023, which has had a profound effect on insurers' operations there.

Variations in global accounting standards, regulatory regimes and complex legal entity structures present challenges in the analysis of insurance company capitalisation. In Hong Kong, for example, the new RBC framework brings significant impact to the solvency positions of insurers. They require a much higher complexity and increased effort with regard to data, systems and reporting processes.

Stephan van Vliet, Zurich Insurance Group

Technology an enabler

The challenge for insurers is to make significant strategic asset allocation changes while simultaneously adapting to new regulatory requirements. Technology appears to offer insurers a means of navigating that shift. The integration of both liabilities and regulatory capital are among the top areas insurers believe technology can add the most value to the evolution of SAAs, both in APAC and globally.

Insurers are also focused on the investment opportunities linked to the transition to a low-carbon economy. Clean-energy infrastructure is seen as the largest investment opportunity arising from the transition. This comes against the backdrop of recent policy developments, such as the Inflation Reduction Act in the U.S. and the Green Deal Industrial Plan in the EU, which have increased the volume and returns of investment to reduce carbon emissions and advance sustainability technology.

As investors continue to grapple with the complexities of carbon emissions reporting, it is becoming clear that artificial intelligence has a crucial role to play in improving the quality of the core data. According to McKinsey, AI technologies could add up to over $1 trillion in annual value for the global insurance industry. Approximately $400 billion could come from pricing, underwriting and promotion technology upgrades, with $300 billion from AI-powered customer service and personalised offering. ■

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Institutional Asset Management Awards 2024
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List of Winners

Best Institutional Asset Manager
J.P. Morgan Asset Management

Best Active Asset Manager
J.P. Morgan Asset Management

Best Passive Asset Manager
AmInvest

Best Global Equities Manager
PineBridge Investments

Best Global Fixed Income Manager
Barings

Best Quantitative Solutions Provider
BNP Paribas Asset Management

Best Emerging Markets Fixed Income Manager
abrdn

Best China Equities Manager
Invesco Great Wall

Best Multi-Asset Fund House
DWS

Best Alternatives Manager
J.P. Morgan Asset Management

Best ETF Manager
Lion Global Investors

Best ETF Index Provider
MSCI

Best Infrastructure Manager
BlackRock

Best Infrastructure Debt Manager
AEW
(an affiliate of Natixis Investment Managers)

Best Real Estate Manager
China AMC

Best Investing / Product Strategy
BNY Mellon Investment Management

Best Islamic Fund Manager
AmInvest

Best Hedge Fund Strategy
Janus Henderson

Best Index Provider
FTSE Russell

Product Innovation Award
S&P Dow Jones Indices

Best Ratings Firm
Moody's Ratings

Best Use of AI
Lion Global Investors

Smart Beta Solutions Provider
S&P Dow Jones Indices

Best ETF Index Provider - China
Hang Seng Indexes Company

Best ESG Strategy
Amundi Asset Management

Best Sustainable Investment Policy
BNP Paribas Asset Management

Best Climate Change Strategy
Amundi Asset Management

Best Asset Consultant
Lion Global Investors

Insurance Fund House of the Year - Hong Kong
abrdn

Insurance Fund House of the Year - Japan
DWS

Insurance Fund House of the Year - China
China AMC

Insurance Fund House of the Year - Singapore
Lion Global Investors

Insurance Fund House of the Year - Malaysia
AmInvest

Insurance Fund House of the Year - Indonesia
BNP Paribas Asset Management

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Best Institutional Asset Manager
J.P.Morgan


BNY MELLON
INVESTMENT MANAGEMENT


S&P Dow Jones
Indices


BlackRock


MOODY'S


BNP PARIBAS
ASSET MANAGEMENT


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Best Institutional Asset Manager
Best Active Asset Manager
Best Alternatives Manager

J.P. Morgan Asset Management

JPMAM has advanced from rank 10 to rank 3 in the global insurance third-party asset league table over the past 10 years, with half of this growth attributed to increased investments from existing clients. Additionally, its APAC ranking has risen from rank 6 to rank 2 in 2023, highlighting its robust regional presence.

James Peagam, Head of Global Insurance Solutions & APAC Institutional

J.P. Morgan Asset Management (JPMAM) produced another highly impressive display of investment expertise across a wide range of disciplines and is this year's winner of the marquee award, Best Institutional Asset Manager. Congratulations to the team at JPMAM. The group also garnered awards for Best Active Asset Manager and Best Alternatives Manager.

The institutional knowledge built from a long history of investing in every market cycle provides a strong edge to JPMAM's investment process. The firm's dedicated Global Insurance Solutions team has over 70 professionals overseeing US$289 billion in insurance assets, US$26 billion of which is managed in Asia.

In 2023, the firm was awarded nine new mandates by insurers in Japan, China, Hong Kong, Singapore, Australia and Taiwan. Among those wins was a US$4 billion beta strategies mandate from an Australian insurer, a US$135 million equities mandate and a US$149 million fixed income mandate from two leading insurers in Singapore; and a US$385 million fixed income and a US$202 million alternatives mandate from two leading insurers in Japan.

Among these achievements was a sustainable Japan equity mandate with a long-standing client seeking to complement their existing Japan value strategy with a growth-focused manager. The sales, investment, and product strategy teams at JPMAM collaborated closely to position the Japan sustainable strategy as the ideal candidate. The client demonstrated strong support for the strategy, including additional investments made in 2023.

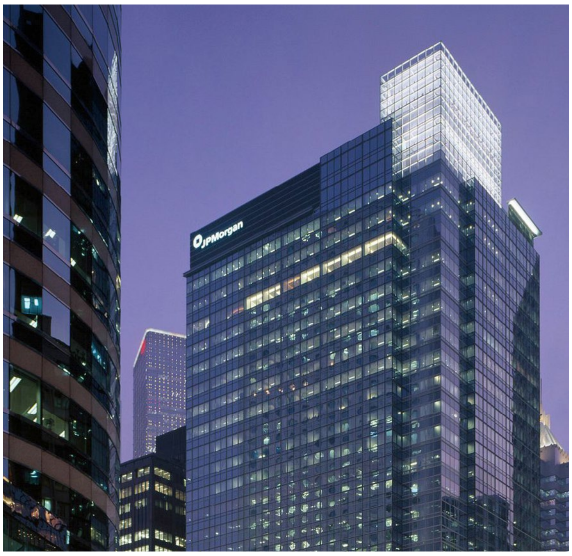
Beta mandate

The US$4 billion beta strategy mandate from an Australian life insurer is another reflection of the strength of the team's relationship with its clients. This institution was seeking to combine their equity assets with one asset manager. Specifically, they wanted to identify one investment solution that could be leveraged across their various domestic and international equity portfolios.

Although the client's original intention was to appoint a market-cap weighted manager for both portfolios, the JPMAM team designed and presented a low tracking error, multi-factor equity solution within the client's tight fee budget that could provide incremental alpha opportunities above the client's investment benchmarks.

Inflation hedge

The team is also currently in the process of onboarding an interest rate and inflation hedging mandate. Building on existing factor investing capabilities, the mandates also represent a significant gain for the AM Solution team's equity factor business globally.



With artificial intelligence playing an increasingly important role in portfolio management, the firm has integrated AI and machine learning applications to advance its global equities capability.

JPMAM has also boosted its asset management footprint in mainland China, completing the acquisition of China International Fund Management in early 2023, and winning several key mandates from Chinese insurance clients.

The success of any insurance-oriented investment strategy hinges on combining regulatory and accounting expertise with fully implementable solutions tailored for unique capital requirements in each market, such as Japanese regulatory capital, China C-ROSS, Hong Kong RBC, Singapore RBC2 etc. Over the course of 2023, this has included the optimisation of portfolios based on Hong Kong RBC Matching Adjustment requirements.

Alternatives

The alternatives business in Asia continues to grow strongly and JPMAM's AUM in the region has doubled since 2020. As of end-December 2023, the Global Alternatives team manages around US$2.6 billion for insurance companies across Asia Pacific.

JPMAM has an in-house Asset Management Derivatives (AMD) team to provide a global centre of excellence for multi-asset derivative expertise. AMD was formed in response to the growth in demand for outcome-oriented solutions.

The team has four focus areas: Enhanced income, e.g. call overwriting strategies in the equity and credit spaces; Liability mitigation, e.g. efficient mitigation of solvency capital charges and liability-driven derivative overlays; Downside protection, and Liquidity management.

The team adheres to a tried and tested investment process that incorporates both quantitative and fundamental investment frameworks. These are utilised to actively manage portfolios with the objective of delivering cashflow-driven returns, diversification and resilient outcomes.

Differentiated solutions

In Asia, JPMAM has introduced several AMD solutions to Asian clients including a capital-efficient equity hedging strategy and an income-enhancement equity strategy.

With artificial intelligence playing an increasingly important role in portfolio management, the firm has integrated AI and machine learning applications to advance its global equities capability.

The extensive global resources, in investment and technology, of JP Morgan as a group gives JPMAM a fairly unique skillset to apply to client requirements. Continuity and stability of investment teams are also critical. JPMAM has one of the most experienced teams in the industry, which shares best practices and follows diligent research, risk management and investment processes.

Its commitment to excellence has led it to become a top insurance asset manager in the industry, particularly in Asia, where it has seen significant business growth in recent years.

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Best Smart Beta Solutions Provider Product Innovation Award

S&P Dow Jones Indices

When companies can boost dividend payouts for a long period, they are likely to have successful business models and disciplined financial management.

S&P Dow Jones Indices (S&P DJI) offers a broad suite of factor indices, providing investors with the tools to design custom smart beta exposures utilising single or multi-factor strategies.

In 2023, S&P DJI launched a new generation of its popular dividend factor strategy. The firm had pioneered dividend growth factor strategies with the S&P 500 Dividend Aristocrats, launched in 2005.

Launched in April 2023, the S&P Dividend Monarchs Index is designed to track long-standing companies in the U.S. market that have consecutively increased dividends for at least 50 years. The S&P Dividend Monarchs Index constituents have endured more than a half a century's market turbulence and demonstrated resilience in dividend growth and stock performance. Steadily increasing dividends are considered a positive signal.

First, when companies can boost dividend payouts for a long period, they are likely to have successful business models and disciplined financial management. Second, a change in dividend policy has a signalling effect on the market, the increasing dividend payments give strong signals about the prospects of the company. Thus, a dividend growth strategy is likely to provide exposure to disciplined, resilient companies with sustainable dividend payouts.

Dividend culture

The Australian equity market is well known for its high dividend yield and well-cultivated dividend culture. With over AUD 3.5 billion AUM in exchange-traded products (ETPs), dividend income has become one of the most popular factor strategies in Australia.

However, strategies chasing the highest-yielding stocks could be vulnerable to "dividend traps." High dividend yield may come from decreasing stock prices rather than increasing dividend payments. In addition, selecting stocks based on historical dividend payments may not reflect a company's prospects.

Forecast data

Launched in June 2023, the S&P/ASX 200 High Dividend Index seeks to mitigate common risks faced by high dividend yield strategies. First, it applies momentum screens. Second, it uses forecast dividend data. Selecting stocks based on 12-month forecast dividend data that is forward-looking may help to reflect the latest market expectations on a company's future dividend payments.

Over the nearly 12-year back-tested period, the S&P/ASX 200 High Dividend Index has shown significant outperformance, with higher dividend yield and cheaper valuation than the broad market benchmark. For market participants seeking high yield and diversification benefits, this index could help to complement broad market allocation as well.

Product Innovation Award

In September 2023, S&P Dow Jones Indices and Cboe Global Markets launched the first-of-its-kind index Cboe S&P 500® Dispersion Index, designed to measure the expected dispersion for the S&P 500 Index.

Dispersion is a fundamental measure of risk and opportunity in the stock market; it measures how differently stocks are performing or are expected to perform. Dispersion is a complementary measure to market volatility; the latter measures overall fluctuations in stock averages like the S&P 500, while dispersion measures fluctuations in stocks relative to each other.

S&P DJI measures dispersion historically by the observed spread of stock returns. Separately, it can derive an expectation for future dispersion from listed options. The Dispersion Index is based on such expectations for dispersion over the next 30 calendar days.

Using the Cboe Volatility Index (VIX) and the S&P 500 universe as core building blocks, the VIX methodology is applied to both S&P 500 index options and options on selected S&P 500 constituents, with maturities either side of the next 30 days. The difference between the option prices for the S&P 500's single stock constituents and prices for options on the index tells us how much more movement the market anticipates in stocks.

The Dispersion Index's stablemate, VIX, is known for offering a premier gauge of market sentiment - hence its moniker as "The Fear Index," as well as being known as an often inaccurate but nonetheless useful predictor for future volatility. The information encoded in the Dispersion Index is related, but different: by measuring how differently stocks are expected to perform. Dispersion assesses the magnitude of the potential rewards from active stock selection.

By measuring how differently stocks are expected to perform, dispersion assesses the magnitude of the potential rewards from active stock selection.

The opportunity

In this sense, DSPX might be more appropriately monikered as "The Opportunity Index." Using a modified version of the VIX Index methodology, a rigorous and transparent approach to providing a market expectation for the implied 30-day volatility in the S&P 500 Index, DSPX is calculated from the prices of S&P 500 index options and the prices of single stock options of selected S&P 500 constituents.

By integrating the VIX methodology into the Dispersion Index, S&P DJI and Cboe hope to facilitate greater transparency and improve market participant's understanding of this broad-based security index's methodology. The use of the S&P 500 as the starting equity universe and the integration of the VIX methodology connects the Dispersion Index to a broad ecosystem of tradeable equity and volatility products and means that DSPX may in the future become tradeable itself.

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Best Emerging Markets Fixed Income Manager

Insurance Fund House of the Year – Hong Kong

abrdn

The managers are comfortable investing in non-benchmark issuers, reflecting the strong conviction and differentiation of its credit research.

Awarded for the firm's considerable experience and capabilities in capturing the income and growth opportunities in emerging markets.

abrdn has over $156 billion of AUM (as at 31 December 2023) across Emerging Markets Debt, Investment Grade and High Yield. Within fixed income, EM sovereign and corporate bonds is an area where the firm has significant expertise.

Its distinctive investment approach is steered by a highly-rated global credit team that has been able to add value from smaller and less-researched markets (including frontier markets). It also has a strong track record of avoiding defaults.

Low correlation

Its Select EM Bond Fund is a 3-star Morningstar rated fund with a long track record of over 23 years and ranking first quartile across different time horizons. The fund achieved a yield of 9.6% at end of December vs 7.6% for US high yield, supported by an allocation to higher yielding hard currency sovereign bonds and local currency government bonds.

The ability to invest in EM corporates and local currency bonds reflects abrdn's conviction and differentiation in its credit research and that helps provide a low correlation to other fixed income asset classes.

At the heart of abrdn's investment approach is a focus on fundamental research. By combining its in-depth proprietary research, thematic thinking and extensive on-the ground analysis and especially a solid base in Asia, it is able to identify sustainable and compelling investment opportunities across the globe.

Corporate bond expertise

Another option within the abrdn emerging markets debt stable of funds is the Luxembourg SICAV Emerging Markets Corporate Bond Fund. With AUM of $864mn as of June 2024, the EM Corporate Bond Fund has a 3-star Morningstar rated fund with a long track record dating back to 2011.

The fund has displayed strong performance relative to its benchmark and peers and is ranked first or second quartile across different time series, all measured on a cumulative basis.

In its award submission, abrdn highlighted some notable achievements of the Emerging Markets Corporate Bond Fund, in terms of how the strategy was managed throughout 2023, its net flows over the eligibility period, considering its Sharpe Ratio, Standard Deviation, ROI, etc. to ensure it remained aligned with its investment objectives, while also responding to the volatile and uncertain market, macro and geopolitical landscape.

Investors need to incorporate scenario insights beyond identifying tail risks or providing benchmarks for net-zero alignment. To be effective, solutions need to include companies that are helping in the transition and looking to develop their business models.

Insurance Fund House of the Year – Hong Kong

abrdn makes the most of its insurance heritage and know-how as an insurance company (formerly Standard Life pre-merger with Aberdeen) turned asset manager. Its track record as an insurance asset manager, combined with a commitment to developing proprietary investment tools and initiatives in thought leadership, are what set it apart.

This insurance know-how is integrated across its client management, solutions and portfolio management teams – with capabilities diversified across fixed income, multi-asset, equities, private markets, alternatives, real assets, quantitative and liquidity strategies.

The evolution of the risk based capital (RBC) regime in Asia means that insurers are now having to tailor their investment strategies with this in mind. abrdn's innovative approach to RBC optimisation for insurers is founded on incorporating capital efficiency. From accounting objectives to capital constraints to regulatory reporting, abrdn knows that investing for insurers isn't just about investing.

This underlines abrdn's unique understanding of insurance investing, which has its roots in an ability to optimise portfolios under Solvency II, but which can be tailored to any RBC regime. This is highly valued in APAC markets, where RBC regulations are highly fragmented.

Across its institutional client base, abrdn is witnessing a global phenomenon and an industry-wide interest in climate change as a critical investment consideration. Investors need to understand the energy transition on a far more granular basis.

abrdn has invested significant resources into understanding the complexities of climate change and its potential impact on investment portfolios. It believes a granular approach is key, as a purely exclusion-based investment process won't address the challenge of energy transition.

Investors need to incorporate scenario insights beyond identifying tail risks or providing benchmarks for net-zero alignment. To be effective, solutions need to include companies that are helping in the transition and looking to develop their business models.

abrdn's industry-leading climate scenario and analytics framework provides investment insights that are missing from standard approaches. Its bespoke scenario design, macro and micro integration and realistic assessments of the effects of a wider range of probable climate change scenarios differentiates us from competitors.

These innovations help to identify more realistic climate-related risks and opportunities – enabling clients to build more resilient portfolios, encourage positive change at investee companies through improved engagement and generate better long-term returns.

abrdn expects this versatile and multi-faceted approach to evolve and engage with more institutional clients as we move towards a more sustainable world.

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Best Passive Manager
Best Islamic Fund Manager
Insurance Fund House of the Year – Malaysia

AmInvest

Investment performance has been consistent in outperforming benchmarks across different asset classes and strategies.

AmInvest is one of the largest fund houses in Malaysia with a total AUM of approximately RM49 billion, with more than 40 years in the fund management business and holding 9.5% of the total market share.

AmInvest is the brand name for the funds management business of AmFunds Management Berhad and AmIslamic Funds Management Sdn. Bhd., both of which are wholly-owned subsidiaries of AmInvestment Bank Berhad. We are a multiple award-winning fund manager based in Malaysia with over 40 years of investing experience managing unit trust funds, wholesale funds, institutional mandates, exchange-traded funds (ETF) and private retirement schemes (PRS), encompassing both conventional and Shariah-compliant funds.

AmInvest manages a wide range of fund offerings across asset classes which consist of institutional mandates, unit trusts, private retirement schemes and exchange-traded funds, both conventional and Shariah-compliant – totalling 146 funds. Investment performance has been consistent in outperforming benchmarks across different asset classes and strategies.

Growth of insurance assets has been notably strong, representing about 22% of AmInvest's total AUM as at 31 December 2023. Over 3 years, insurance mandates have grown by a rate of 16% and by 26% over 5 years.

AmInvest CEO, Goh Wee Peng, has more than 27 years' experience in the financial industry, including 22 years at Aminvest. Under her leadership, the institutional sales team is led by a Head of Institutional Sales who has more than 20 years of experience working in AmInvest.

Passive growth

AmInvest dominates the Malaysian market as the largest ETF provider in the country with around RM1.8 billion worth of assets under management and commands a market share of 83% out of the ETF industry's AUM of RM2.1 billion.

In 2023, AmInvest grew its ETF market share from 77% to 83%, 6% higher from the year before with an increase of RM132 million in fund size.

It was a pioneer of Malaysia's first and only bond ETF in the market, ABF Bond Index Fund and the first equity ETF, FTSE Bursa Malaysia KLCI ETF in 2005 and 2007 respectively. ABF Malaysia's portfolio consists of mainly Malaysian government bonds. It tracks the performance of Markit iBoxx ABF Malaysia Bond Index. FBM KLCI ETF is designed to follow the performance of its benchmark index, FTSE Bursa Malaysia KLCI. The benchmark has the underlying stocks comprising Malaysia's top 30 largest companies in terms of market capitalisation.

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Over last year, while the overall industry growth remained static, AmInvest's ETFs bucked the trend with a growth of 8% in AUM. Although it has only two funds relative to other players with more, it benefits from being the longest and largest ETFs in Malaysia.

AmInvest ETFs performed well with ABF Malaysia's one-year total return of 6.5%, a three-year total return of 6% and five-year total return of 23.7%. Tracking error has remained consistent at 0.04.

Best Islamic Asset Manager

AmInvest manages Shariah-compliant assets worth MYR9.5 billion out of a total of about MYR49 billion in AUM as at 31 December 2023.

Sukuk and money market funds are the largest asset class managed, representing almost 80% of AUM. Institutional mandates totalling MYR7.6 billion are predominantly invested in foreign assets, mainly sukuk and money market.

Islamic institutional mandates have shown 3-year growth of 19%. Islamic funds grew 13% over one year and Institutional Funds grew 22% over the one year. Sukuk and money market grew by 14% while equity funds grew by 10%.

Approximately half of total Islamic assets are invested globally, including 72% of equity funds and 42% of sukuk and money market funds. This represented a jump of 9% of total Islamic AUM that was invested offshore compared to last year.

AmInvest has a dedicated team, Institutional Sales, comprising 16 staff, with dedicated relationship managers to service our clients, including insurance clients. Helmed by AmInvest CEO, Goh Wee Peng who has more than 27 years of experience in the financial industry; including 22 years at Aminvest.

ESG enhanced investment capabilities

Both AmFunds Management Berhad and AmIslamic Funds Management Sdn. Bhd. are signatories to the Malaysian Code for Institutional Investors, which was launched by the Securities Commission Malaysia on 1 April 2021. AmInvest has been a member of the Institutional Investors Council Malaysia since December 2021 to promote better corporate governance culture, growing global awareness and urgency to manage environmental change, and improve social inequality. Both are also signatories to the United Nations supported Principles for Responsible Investment (PRI), which was announced in April 2023.

For more information of the fund(s) and risks of investments, visit www.aminvest.com.

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Best Investing / Product Strategy

BNY Mellon Investment Management

BNY Mellon Investment Management's (BNY Mellon IM) innovative climate-aware credit portfolio approach was highlighted for its ability to help insurance company clients build portfolios that reflect their ESG and decarbonisation strategies.

This pioneering approach was enabled by BNY Mellon IM developing the ability and the data to analyse investment grade credit securities for Scope 3 carbon emissions (emissions produced by third party suppliers). Previously, most of the industry has only been able to calculate issuers' Scope 1 and 2 carbon emissions.

BNY Mellon IM have identified securities that lack some carbon data metrics such as carbon footprint (tCO2/$m EVIC – enterprise value including cash) and have sought with its credit analysts to obtain relevant emissions and EVIC figures to allow them to manually calculate carbon data for issuers held.

As a result of this work, the coverage of carbon footprint has increased in the relevant fund portfolios. For BNY Mellon IM's flagship buy-and-maintain corporate bond portfolio, coverage of Scope 1 and 2 carbon footprint has increased from 49% to 71%, and for Scope 3 from 51% to 69%. Using this expanded data they have scaled down or eliminated holdings that, in their view, are more carbon intensive and exposed to material climate risks, without impairing the risk/return characteristics of the strategic credit portfolios.

BNY Mellon IM believe they are ahead of the curve in recognising that meaningful climate change-related risks are yet to be priced into markets. Using these developments, BNY Mellon IM subsidiary, Insight Investment is working with insurance clients to set specific carbon emission goals in their portfolios, which typically target net zero on or before 2050.

Dynamic risk modelling

Another of the key pieces of work BNY Mellon IM does for Asian insurance clients is dynamic risk modelling analysis. This often helps clients makes informed asset allocation with knowledge of the downside risk to a statutory surplus from current and/or proposed asset allocations. BNY Mellon IM's approach begins with building a custom financial model that is unique to each client to project balance sheets, income statements, reserve balances and cash flows. They review past financial results as a starting point and then work with clients to incorporate their budget projections. They identify the key variables and define the specific financial metrics the client is seeking to optimise. The model is calibrated by generating scenario analysis and reviewing results with the client. Once the model is built and calibrated, BNY Mellon IM will stochastically simulate asset and liability behaviour, assessing different asset allocations and comparing the resulting targeted financial metrics. This process helps the client establish risk limits and formulate their investment policy.

BNY Mellon IM's approach begins with building a custom financial model that is unique to each client to project balance sheets, income statements, reserve balances and cash flows. They review past financial results as a starting point and then work with clients to incorporate their budget projections.

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Best ETF Index Provider – China

Hang Seng Indexes Company

HSIL became the first offshore index compiler to include securities listed on the Beijing Stock Exchange into its related indexes universe.

Hang Seng Indexes Company (HSIL) is the leading index provider that compiles and manages indexes covering Hong Kong and mainland China markets.

As at the end of 2023, there are 114 exchange-traded products based on the Hang Seng family of indexes worldwide, with listings on 12 different stock exchanges and assets under management of USD 65.8 billion, a 14% growth from 2022 despite declining stock markets in Mainland China and Hong Kong during the year.

In 2023, HSIL launched 86 new indexes, mainly sector and thematic. A notable example of the role HSIL plays in connecting China with global investors is the first-ever Covered Call ETFs listed in Hong Kong are tracking HSIL's flagship indexes, e.g. the Hang Seng Index and Hang Seng China Enterprises Index. This year marks the 55th anniversary of the launch of the flagship Hang Seng Index. Since its public launch on 24 November 1969, the Hang Seng Index has become the most widely recognised barometer of the Hong Kong stock market and it includes the largest and most liquid stocks listed on the Main Board of the Stock Exchange of Hong Kong.

The Hang Seng Tech Index, one of the HSIL's flagship indexes, continued to be investors' top interest in 2023. While the index itself fell by 9% during the year, the AUM of ETPs tracking the index shot up by 66% and stood at USD16.2 billion. The total number of futures and options contracts traded on the HSTECH in 2023 also increased by nearly 48% to 28 million.

Comprehensive China index solutions

In late 2023, HSIL became the first offshore index compiler to include securities listed on the Beijing Stock Exchange into its related indexes universe. In addition, HSIL has recently launched the Hang Seng China A Specialised & Sophisticated 50 Index, the world's first index compiled by offshore index compiler to include constituent securities listed on the BSE. This move enables the company to cover securities listed across all mainland China's stock exchanges, providing offshore and onshore investors with comprehensive index solutions.

ESG integration

HSIL kicked off its ESG journey since the launch of its first ESG index series in 2010. Over the years, 29 sustainability indexes have been launched to factor in various sustainability investment strategies and themes. So far, there are 9 investment products tracking the company's ESG indexes. The AUM of these products tripled to HKD 18 billion in the challenging 2023. In particular, the HSI ESG Enhanced Index became the benchmark for the first Hong Kong equity ESG Mandatory Provident Fund (MPF) product, allowing pension fund holders to integrate ESG considerations into their retirement savings. Currently, this index series is tracked by four ETFs, including the world's largest Hong Kong equity ESG ETF with an AUM of USD0.9 billion as at the end of 2023.

INSURANCE ASIA NEWS
Institutional Asset Management Awards
2024
★★★★★

Best Multi-Asset Fund House
Best Institutional Fund House - Japan

DWS

Concept K is a total return strategy, launched in May 2011, that aims to capture opportunities in the market with due consideration of risks. This is achieved through a high degree of flexibility and state-of-the-art risk management.

DWS seeks to innovate and shape the future of investing. It understands the crucial role it has to play in helping navigate the transition to a more sustainable future. It is this entrepreneurial and collaborative spirit that is recognised in these awards.

Its considerable expertise in passive asset management combines seamlessly with the expertise and on-the-ground knowledge of its economists, research analysts and investment professionals, brought together in one consistent global CIO view.

This breadth of expertise is demonstrated in a range of multi-asset fund portfolios. In particular, the consistent track record of strong risk-adjusted returns against global indices and peers with relatively high return, such as the DWS Concept Kaldemorgen (otherwise known as Concept K), a balanced multi-asset fund with a risk bucket of 4-8%.

Concept K is a total return strategy, launched in May 2011, that aims to capture opportunities in the market with due consideration of risks. This is achieved through a high degree of flexibility and state-of-the-art risk management, which controls for total risk and max drawdown not to exceed 10% per calendar year. Within this framework, managers may dynamically adjust exposurers over time, including the use of derivatives.

“The DWS Concept Kaldemorgen utilises the full range of investment opportunities to achieve returns with an appropriate level of risk,” said Christoph Schmidt, Senior Portfolio Manager and Team Lead for Multi Asset & Solutions.

DWS Dynamic Opportunities is a more aggressive strategy, with a risk budget of 50-100% MSCI World volatility and hence more equity focused. The flexible allocation of equities (at least 60%) and bonds in conjunction with the use of currency and hedging strategies is designed to maximise risk-adjusted returns over the long term. The volatility of the fund unit value should be between 50-100% of the expected (ex-ante) volatility of the MSCI World.

The investment universe is among others defined by environmental and social aspects and principles of good corporate governance.

For investors looking at greater diversification, The actively-managed DWS Invest ESG Real Assets offers several flexibly matched asset classes of listed companies related to real assets as well as commodities and inflation-indexed bonds.

In 2023, DWS held Alternatives / Real Asset roadshows across APAC. It hosted the Project True Green Roadshow with the infrastructure team in Japan and Korea, followed by the ACREF Roadshow in Hong Kong. DWS also hosted the 2022 Real Asset Global Infra Seminar in Taiwan.

With approximately 3,800 employees in offices all over the world, DWS is local while also being one global team. The firm is committed to investing with their clients’ best interests at heart, no matter what the future holds. With this entrepreneurial, collaborative spirit, the DWS team is enabled to deliver outstanding investment results, in both good and challenging times.

Christoph Schmidt

In 2023, it won a $280m investment into a CDS fund from one of the largest Japanese insurance companies.

DWS is also awarded the Best Insurance Fund House country award for Japan on the back of recent successes with Japanese insurance clients, helping them transition to new risk-based regulations, utilising portfolio optimisation and reducing capital charges.

In 2023, it won a $280m investment into a CDS fund from one of the largest Japanese Insurance companies. DWS co-developed this fund with the client to meet with specific Japanese insurance requirement such as capital charge treatment, long term liability and high FX hedging cost.

The firm also won a $215 million investment commitment for European ESG Infra Debt SMA from another large Japanese insurance company. DWS co-developed this fund with the client to meet with specific climate-conscious targets including Net Zero.

Another new mandate for $21 million investment into global infrastructure equity fund came from a mid-scale Japanese insurance client, mainly due to the notable performance of the fund.

DWS won two funds in fund selection of unit-linked business from one foreign insurance company who will enter into the growing Japanese unit-linked market in the near future. One fund is a Carbon Neutral Passive Global Equity and the other is CROCI Sector Plus Global Equity. Both funds meet with the client's specific requirements on climate, including net zero targets.

In some cases, DWS has also applied a carbon/sustainability overlay to security selection as an additional aid for insurers to meet their emissions targets.

Responding to the request of one client who signed up for a net zero asset manager mandate, DWS changed the characteristics of an existing investment grade portfolio toward net zero by leveraging the firm's ESG analysis capability.

As part of the ongoing service for one of the largest Japanese Insurance client, DWS has carried out many knowledge transfer educational sessions, with themes such as digital, ESG, multi-asset strategy, India opportunity and European transformation.

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Best Asset Consultant
Best Use of AI
Best ETF Manager
Best Insurance Fund House – Singapore

Lion Global Investors

Lion Global Investors has shown it is well-positioned to help insurance clients grow their book of business in an increasingly competitive landscape.

Lion Global Investors (LGI) has more than two decades of experience in serving insurance clients. It is one of the largest asset managers in Southeast Asia with US$52.6 billion of assets under management, as at 31 March 2024.

Backed by Great Eastern, the oldest and most established life insurance group in Singapore and Malaysia, LGI's experience with insurance clients has spanned more than three decades. This sector continues to be LGI's strategic area of focus over the long term as it presents the firm with a unique opportunity to nurture and tailor investment solutions, risk management frameworks and scalable technology specifically for insurance companies.

Well-resourced with 59 investment professionals across all asset classes, LGI's portfolio managers have on average 24 years of investment experience. In particular, LGI has established a robust competency in Fixed Income. The team manages over US$ 39 billion of assets and is made up of a team of highly experienced fixed income portfolio managers with an average of 28 years of experience. LGI is one of the top counterparties for brokers, endowing them with advantages of pricing and allocation, and this is critical as insurers look to bonds as an integral asset class to meet liabilities.

Making a Difference

As insurance regulations and standards evolve in Singapore, LGI understands the critical role it has to play in helping clients to transition and be aligned to these new terms. Over the last year, LGI has helped insurers match adjustments and manage their asset-liability risk as they dealt with portfolios impacted by RBC2's (Risk Based Capital) C2 asset risk requirements. Another impactful effort during the year saw LGI utilising its longstanding insurance expertise to work with insurers to address the changes in the International IFRS 9 Accounting Standard via the development of LGI's robust automated checking system to produce and maintain a defensible audit trail.

LGI remains committed to its environmental, social and governance (ESG) responsibilities, understanding the impact that ESG has on the risks and returns of its clients' investments. It has invested time and resources on this front to ensure this is aligned with its clients' needs and its business strategy in the long run by embarking on two approaches to improve ESG governance.

LGI started its foray in ESG by joining the Principles for Responsible Investment (PRI) as a signatory in January 2020, reinforcing the commitment to deliver long term sustainable risk-adjusted returns, incorporating material ESG considerations and adopting an active ownership approach.

On the product front, LGI has established itself as a pioneer of innovative ETF products. Launching Singapore's first low-carbon ETF and Singapore's first Active ETF.

Since then, it has made great strides and achieved several ESG milestones. An ESG team was setup to report directly to the Chief Investment Officer (CIO), working with both the investment teams as well as various departments across the organisation on ESG matters. This includes ESG analysis and reporting for investment portfolios, ensuring compliance with regulatory requirements, and other ESG-related initiatives. In 2023, LGI expanded its working capabilities in stewardship knowledge, participating in the Asia Investor Group on Climate Change (AIGCC) through the membership of Great Eastern.

Investment Innovation

On the product front, LGI has established itself as a pioneer of innovative ETF products. Launching Singapore's first low-carbon ETF and Singapore's first Active ETF. The firm has significantly enriched the dynamism and diversity of the ETF marketplace in Singapore, enhancing the financial landscape and providing investors with sustainable and forward-thinking investment options.

With the increasing ability to harness technology, the firm expanded its investment capabilities by expanding its Artificial Intelligence of Investments (AIOI) team. Its machine learning and AIOI engine was designed with performance enhancement features, resulting in a reduction of human biasness and the identification of factors that can be weaved into investment decisions at each portfolio rebalance.

Significant AIOI progress was made in the past year which culminated in the alliance between Lion Global Investors and Nomura Asset Management. The fruit of this alliance is the Lion-Nomura Japan Active ETF (Powered by AI). As Singapore's first actively managed ETF and Singapore's first AI-powered ETF, it uses proprietary AI models to evaluate hundreds of factors to select companies with strong growth potential. The active ETF was listed on the SGX on 31 January 2024.

Lion Global Investors continues to deliver on its solutions, offering its complete suite of time-tested investment solutions backed by an effective risk management framework, ESG commitment and value-add creation via the use of technological advancement. Future ready and well positioned, LGI will continue to leverage its insurance expertise to help clients grow their book of business in an increasingly competitive landscape and be the leading insurance fund house in Singapore.

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Best Ratings Firm

Moody's Ratings

The agency systematically and transparently integrates environmental, social and governance (ESG) considerations into credit risk.

With over 115 years of experience, Moody's Ratings is a leading global provider of credit ratings, research and risk analysis. Winning the Best Ratings Firm award is testament to its position as the agency of choice for its expertise, credibility and engagement in the insurance sector.

Moody's Ratings has over 1,700 analysts spread across 40+ countries, with 200+ located in Asia Pacific (APAC). In 2023, the agency rated a total debt of $74 trillion globally and $9+ trillion in APAC from diverse organisations, including financial institutions, corporates and infrastructure. By way of demonstration of its thought-leadership, the agency published over 230 insurance and asset management-related reports in 2023, including specific reports for APAC.

The agency systematically and transparently integrates environmental, social and governance (ESG) considerations into credit risk. To date, the rating agency has published ESG scores on over 950 rated insurers globally. Moody's Ratings launched its Net Zero Assessments (NZA) in November 2023 to analyze the strength of an organization's carbon transition plan against the 2015 Paris Agreement. Moreover, its Second Party Opinions independently assess how debt instruments or financing frameworks align to sustainability principles, and the extent to which they are expected to contribute to long-term sustainable development.

Moody's Ratings' extensive thought-leadership in digital finance highlights ever changing risks and opportunities for insurers and asset managers. By way of example, on 3 January 2024, the agency solely rated Delta Master Trust - SGD Delta Fund, an innovative tokenized sub fund established and managed by FundBridge Capital Pte. Ltd.

Through its research publications and participation in its own and external events, the agency fosters dialogue and shares insights with a wide range of market participants, including investors, issuers and intermediaries in the insurance industry. Its flagship events, including the Japan Insurance Outlook, Asia Emerging Markets Summit and Inside China webinars, continue to attract high market engagement.

For more information, please visit https://ratings.moodys.io/

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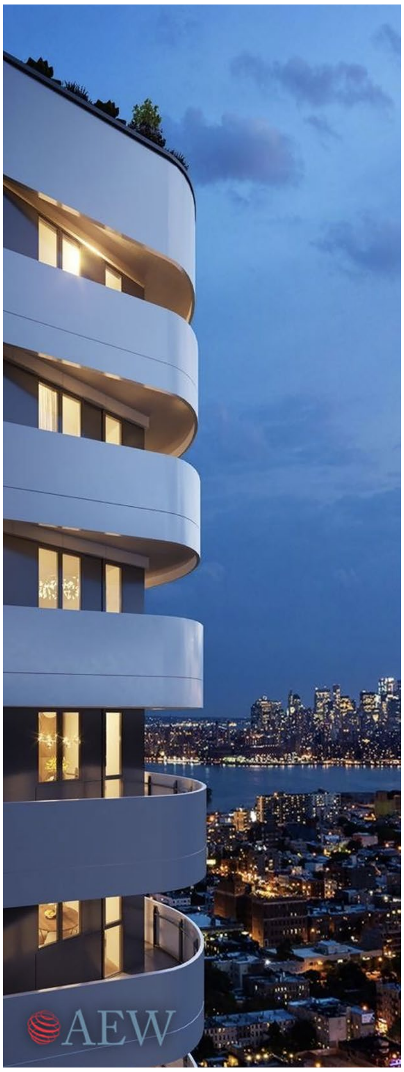
Best Infrastructure Debt Manager

AEW

(an affiliate of Natixis Investment Managers)

The AEW infrastructure debt team completed a major transaction in 2023 to help fund the solar energy transition in New Zealand.



As former bankers, the infrastructure debt team at AEW (an affiliate of Natixis Investment Managers) has developed an unparalleled sourcing network globally. Members of the investment team in APAC have been in the region for over 20 years, so they know the landscape and the market players very well.

The infrastructure debt team has 3 investment directors stationed in Hong Kong and a senior risk manager based in Singapore, all fully dedicated to APAC. Their strong network enables them to source directly and structure deals for the needs of their investors.

The investment process relies on a robust selection and monitoring process using best-in-class scoring and valuation data and methodology, with an ability to integrate specific ESG constraints.

NZ innovation

The AEW infrastructure debt team completed a major transaction in 2023 to help fund the solar energy transition in New Zealand. The senior loan for solar panels is secured against 20-year contracts with residential customers. The yield on the senior secured loan is in excess of 7.5%, representing a significant innovation and complexity premium.

The margin on this deal was around 100bps higher than a comparable rooftop solar deal in Europe, reflecting both the complexity and innovation involved in the transaction and a lack of available long-term financing via the banking industry.

AEW's participation in the senior loan was funded via two channels: a mandate with a Hong Kong-based insurance company, and a Luxembourg-domiciled green vehicle. This is the first time AEW utilized two mandates/vehicles managed from different places to source and arrange sustainable investments in the Asia-Pacific region.

Satellite deal

The infrastructure debt team also closed its first satellite refinancing transaction in Malaysia. The team invested in an Airbus-built satellite owned by Measat, a Malaysian telecommunications company. Measat has been operating satellites for over 25 years, among other diversified telecom activities. If satellites are globally a declining market - being challenged with other means of telecommunications such as fiber - they remain key in areas where fibre is not accessible.

The satellite is mainly providing broadcasted services: pay TV and radio. Around 80% of the revenues derive from long-term contracts.

The infrastructure debt team sourced the deal from Natixis CIB and structured a customised fixed rate tranche of USD22m, with prepayment protection and denominated in USD, on behalf of one of its institutional clients. Total loan facility is USD112m, closed in July 2023 and fully amortised in 6 years.

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Best Global Equities Manager

PineBridge Investments

Our alpha tools are designed to consistently seek excess returns from stock selection without adding tracking error or other market risks.

Rob Hinchliffe, CFA
Portfolio Manager and Head of Global Sector Cluster Research
PineBridge Investments

PineBridge has been named Best Global Equities Manager for the second consecutive year, in recognition of its consistent peer group outperformance driven by the firm's active, high-conviction investment philosophy and differentiated approach to alpha generation.

PineBridge offers an array of global, regional, and country-specific equity strategies. The equity team largely attributes their success to the distinct approach they take in viewing stocks and risks.

Lifecycle is the linchpin

PineBridge focuses on alpha, but at a similar level of risk to the benchmark. Its alpha tools are designed to consistently seek excess returns from stock selection without adding tracking error or other market risks and have been tested across widely varying market conditions.

One of the most important tools is its proprietary Lifecycle Categorization Research (LCR) framework, which is used to evaluate a company based on its maturity and cyclicality, rather than the standard approach of thinking about companies based on sectors.

This framework allows PineBridge to perform head-to-head analysis of companies even if they are in different industries. A high-stable-growth health care provider, for instance, should be approached in the same manner as a high-stable-growth company in the technology industry. This is because stocks of companies at the same point in their lifecycles will tend to behave similarly in the market.

The team believes the LCR approach provides a more accurate reading of a company's relative potential, which may often be overlooked by investors using the standard forms of categorization.

Insurance is PineBridge's largest client segment and the insurance client count expanded from 64 in 2019 to more than 130 as of 31 March 2024.

With a dedicated Insurance Solutions team, PineBridge works with insurers around the world to address industry challenges and design optimal investment structures to help insurers solve a complex puzzle of objectives and constraints.

PineBridge takes a consultative approach to assessing insurance clients' portfolio needs, with consideration for balance sheet protection, growth strategy, liability projection, liquidity, and regulatory requirements.

The team provides insurance solutions that address asset-liability matching and risk-based capital requirements within a portfolio, and seek to optimize risk-adjusted returns. The firm manages US$45.4 billion of assets on behalf of these clients as of 31 March 2024.

Investment involve risks. Past performance is not indicative of future performance. Investors should refer to the offering documents for details, including risk factors.

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Best Infrastructure Investment Manager

BlackRock

BlackRock's infrastructure debt investment team benefits from local debt sourcing and investment expertise in New York, London, Hong Kong and Bogota and equity-related investment expertise based in Dublin, Mexico City, Seattle, Stockholm, and Zurich.

BlackRock's infrastructure debt platform continues strong growth momentum with US$3.1 billion deployed across 27 transactions in 10 countries over the period from 1 Jan to 31 Dec 2023.

Recent deal highlights include 1) the US$150 million refinancing of the largest residential solar services company in the US, having deployed 5.9GW across 800,000 customers in 22 states, and 2) A$115m sustainability-linked senior debt facilities for one of the largest data centre providers across Australia, Hong Kong, Singapore, and Malaysia.

As of 31 March 2024, the infrastructure debt team manages US$22 billion in committed capital and has invested in over 160 projects globally across key sectors including power, energy, renewables, social, water & waste, telecom, and transport.

Proprietary transactions represent 107 of the 169 transactions globally or 74% of the US$16.6 billion deployed since platform inception. As a result of BlackRock's direct origination capabilities, it has delivered an average spread premium of 90-100 bps across investment grade transactions.

As of 31 March 2024, BlackRock's infrastructure debt team manages US$22 billion in committed capital and has invested in over 160 projects globally across key sectors including power, energy, renewables, social, water & waste, telecom, and transport.

Sustainability innovation

In response to demand for sustainability-linked financing, BlackRock's Infrastructure Debt Group closed an investment on behalf of three clients in sustainability-linked loans in favour of a leading pan-Asia Pacific hyperscale-focused data centre provider, to refinance existing debt facilities and support the continued growth of their Asia Pacific platform.

This transaction marked the largest sustainability-linked loan in the data centre industry globally, the first sustainability-linked loan to combine carbon, energy and water usage effectiveness as loan KPIs as well as the first publicly known financing in the sector to incorporate a gender pay equity KPI. All margin incentives from meeting the sustainability-linked loan KPIs are to be invested into social impact initiatives.

In 2023, BlackRock's infrastructure debt team partnered with a leading APAC life insurer to design an infrastructure debt portfolio which meets their sustainability/impact orientated requirements to align investments with four key thematics across low carbon transition, utility security, connecting and protecting communities.

BlackRock have further helped support the clients' ESG reporting requirements through partnering with a third-party ESG consultant to collect, track and report ESG data. Where emissions data is not readily available, proxy data will also be shared – leveraging the PCAF methodology – providing a look-through of the scope 1-3 emissions data quality reported on a portfolio level.

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Best Quantitative Solutions Provider
Best Sustainable Investment Policy
Insurance Fund House of the Year - Indonesia

BNP Paribas Asset Management

A unique "Quantamental" investment approach which combines quantitative models and human fundamental analysis to deliver consistent returns with low volatility.

The firm has adopted a unique "Quantamental" investment approach which combines quantitative models and human fundamental analysis.

The firm has been able to deliver outperformance with specific maximum drawdown and principal amount maximum loss management as investors required. Quantitative techniques can significantly enrich fundamental insights, allowing the managers to make better investment decisions and perform more efficient portfolio construction. During market turbulence, the discipline instilled by the quantitative models was able to reduce the drawdown and safeguard client's assets.

BNP Paribas Asset Management's Dynamic Multi-Asset Strategy was specifically designed as a customised quantitative solution to meet the very precise requirements of a top insurance company client.

The strategy dynamically adjusts asset allocation to target the client's desired return, maximum drawdown limits, principal protection needs and currency hedging.

BNP Paribas AM won the competitive global mandate for a multi-asset strategy in 2020 and its outstanding performance during the 3-year evaluation period led the client to renew and significantly increase their allocation to the strategy in 2023.

Also, its FX hedging is the only hedging strategy which generated positive return among the 5 fund managers being used by the institutional client. The "Quantamental" investment approach proved to be an innovative approach to deliver smooth, consistent returns with low volatility.

Sustainable Investment

BNPP AM has been at the forefront of sustainable investment policy integration in recent years. Its Sustainability Centre is a well-resourced team of sustainability specialists whose work has brought $387 billion of assets subject to ESG criteria.

At the end of 2023, BNPP AM published an update to its Global Sustainability Strategy to set out a multi-year strategic approach to integrating sustainability considerations.

It sees driving sustainability in emerging markets as one of the key medium-term objectives. It is increasingly using its significant presence in emerging markets, particularly in Asia, as an anchor to support the work on enabling a net zero, environmentally sustainable and inclusive transformation in the global economy.

BNPP AM has expanded its proprietary ESG research to over 13,000 issuers with a scoring system and a focus on the most material and insightful ESG metrics, including considering double materiality.

Industry recognition includes being ranked first by Majority Action for its voting track record related to board elections at CA100+ companies.

Indonesia and biodiversity focus

Enhancing the 'E' aspect of ESG, BNPP AM has been exploring biodiversity, pollution and habitat loss. According to the World Economic Forum, 25% of drugs used in modern medicine are derived from rainforest plants, while 70% of cancer drugs are natural or synthetic products inspired by nature.

Enhancing the 'E' aspect of ESG, BNPP AM has been exploring biodiversity, pollution and habitat loss. According to the World Economic Forum, 25% of drugs used in modern medicine are derived from rainforest plants, while 70% of cancer drugs are natural or synthetic products inspired by nature. BNPP AM has published a Biodiversity Roadmap – where one of the objectives is to direct capital towards solutions targeted at solving biodiversity challenges. As such, BNPP AM has launched a range of strategies, including solutions targeting ecosystem restoration and ETF solutions that focus on biodiversity and the blue economy.

Indonesia strategy

Product innovation has been a key factor in BNP Paribas Asset Management's growth in Indonesia. It has focused on areas such as global thematic and sharia funds, carving out substantial market share in the process. The firm has also brought its market leading ESG approach to Indonesia, adapting to the ethical requirements of the sharia funds market.

In Indonesia, the firm focuses its strategy for the longer run while consistently educating both retail and institutional investors on the long-term investing approach.

Its strong record in the market is evidenced in the global thematic segment, where it has the largest market share of 30%, and in the index segment where BNPP AM has the largest market share of 33% through four index funds, a significant increase from 2022 position (#2 with 25.72% market share).

It is well known in the offshore segment for innovating in the ESG and Sharia space. Realising that the local capital market was not yet ready to accommodate a full ESG fund, BNPP AM applied the concept to developed market securities and combined it with sharia principles through BNP Paribas Cakra Syariah USD. Following its success, BNPP Greater China equity Syariah USD was then introduced, allowing local investors to fully invest in Greater China Market.

The latest offshore fund launch was BNP Paribas DJIM Global Technology Titans 50 Syariah USD which is also the first index fund in Indonesia that follows a global tech themed index.

BNP Paribas SRI Kehati launched in 2018 and BNP Paribas IDX30 Filantropi launched in 2019 make contribution to society through donations for philanthropic activities that are focused on inclusion, further supporting the Indonesian government's direction towards a more sustainable and inclusive economy.

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Best ETF Index Provider

MSCI

ESG and climate risk mitigation have become a much larger part of MSCI's index offerings overall.

As of March 31, 2024, there are close to 1,400 equity ETFs listed globally tracking MSCI Indexes with over USD1.5 billion in AUM[1].

In a highly competitive industry, MSCI continuously innovates for investors by leveraging research, partnerships and technology to deliver on key thematics such as decarbonisation.

Climate and ESG indexes continue to grow

ESG and climate risk mitigation have become a much larger part of MSCI's index offerings overall. In 2023, its Climate Action Indexes continued to exert market influence with five ETF launches based on the suite representing over US$6 billion in AUM as of November.

The influence of MSCI's climate and ESG indexes grew significantly in 2023. Among the biggest ESG-focused ETFs, BlackRock's iShares MSCI USA ESG Screened UCITS ETF, also based on an MSCI index, tied for second place with Vanguard ESG US Stock ETF with identical gains of 30.8% for the year. As of September 2023, the Cathay Taiwan Select ESG Sustainability High Yield ETF emerged as the top-performing large ETF globally, outperforming both Taiwan's stock index and the S&P 500. This ETF tracks MSCI's Taiwan Select ESG Sustainability High Yield Top 30 Index, focusing on Taiwanese technology firms.

In Singapore, BlackRock introduced a new Asia-focused ETF in 2023 tracking MSCI's Climate Action Indexes on the Singapore Exchange (SGX). This ETF attracted over $426 million at inception, a record for a Singapore-listed equity ETF. Key backers included Prudential, Singlife, and Singapore's state fund Temasek.

MSCI also increased its focus on helping asset owners improve their ESG and climate-related investing because the size and scale of the investor class plays a highly influential and market making role in climate finance. The trend of asset owners adopting MSCI's Climate Action Indexes built momentum through 2023, most visibly with the successful launch of the Singapore-listed iShares MSCI Asia ex Japan Climate Action ETF.

Ilmarinen, one of Finland's two largest pension insurance companies switched its benchmark for its listed equity portfolio of €17 billion to the MSCI Climate Action indexes in 2022. Following that move, in April 2023 the fund invested a further €1.86 billion into Xtrackers MSCI USA Climate Action Equity ETF on the ETF's first day of trading, making it the largest ETF launch of all time in the US.

Regional enhancements

As macroeconomic and geopolitical disruptions reshaped global equity markets in 2023, investor interest in broader emerging markets swelled. India is a major part of that narrative and an additional $60 billion is now indexed to Indian equities through boosted weightings in MSCI Emerging Markets and MSCI ACWI indexes.

[1] As of March 31, 2024 based on the data from Refinitiv and MSCI