

Working
together ^{to}
promote
growth

Whilst it continues to support insurance and Covéa its shareholder-customer, Covéa Finance does nevertheless have to address the same issues as other financial management companies. It therefore has to take up the challenges imposed by the new economic and regulatory environment. To respond to the market's needs whilst dealing with increasingly competitive pressure, **the company set itself ambitious three-year objectives between 2017 and 2019:** the development of its collection, the dematerialisation and digitalisation of its business, the adaptation of its structure and of its working methods to the new context, and, finally, the changing of its fund management methods, in line with market changes. Underlying all this are two key words: agility and independence.

The development of its collection does not call into question the motto of Covéa Finance “La Finance au service de l’Assurance” (“Finance at the service of Insurance”) – it’s quite the contrary. This is a concerted effort, respectful of its insurer customer, which has allowed the company to respond to the market’s needs whilst dealing with increased competitive pressure.

Developing the *collection*

THE MAIN DEVELOPMENT AREAS OF COVÉA FINANCE

More than ever, Covéa Finance is at the service of insurance: it is also in this spirit that its three working areas fall to develop its collection. First area: the ever-renewed reinforcement of its support to the Life Insurance network of the Covéa Group, whose insurance business lines are changing, through three structured actions: the creation of financial management products adapted to the offering of life insurance policies in units of account, just like Covéa Patrimoine, to which are added the training and educational support materials, particularly educational sheets and videos, and finally its presence in the Group’s networks through regional training activities and events, with financial advisers. Second area: capitalising on the expertise developed with the Group to offer similar services to other networks, such as independent wealth management advisers (CGPI). Finally, the third area: building on its strong expertise in long-term portfolio management and the allocation under liabilities’ constraints of institutional investors (such as insurers, mutual insurance companies or pension funds), thanks to its status as subsidiary of an insurance group specialised in both non-life and life insurance. The objective here is to offer its competencies in this area to institutional investors whose size does not allow for the degree of diversification and of sophistication of a fund manager like Covéa Finance.

7,000

This is the number of visitors each year to the Patrimonia trade fair in which Covéa Finance has been participating for three years.

TO RESPOND TO THE MARKET’S NEEDS AND DEAL WITH INCREASED COMPETITIVE PRESSURE

In an environment marked by increasing regulatory pressure and numerous challenges such as the ongoing changes in taxation or even the emergence of new digital distribution channels, portfolio management companies have to demonstrate a high capacity to anticipate and prove their flexibility. Faced with the same stakes, but not always armed to respond to them, investors therefore expect Covéa Finance to be capable of offering them investment solutions rather than mere products. Article 173 of the French law on energy transition for example imposes new requirements on institutional investors in terms of transparency of their actions, in terms of consideration of Environmental, Social and Governance (ESG) stakes, not forgetting climate, in their investment policy. This is why Covéa Finance is currently working on integrating these major issues in its investment solutions.

PROCURING THE MEANS TO ACHIEVE ITS AMBITIONS

To support Covéa Finance’s strategy, the sales team has seen an increase in its human and technical resources. Firstly, with the arrival of a head of Sales and Multi-management department and, secondly, with the rolling-out of dedicated tools and events. For three years now, the participation in the Patrimonia trade fair, each year bringing together close to 7,000 fair attendees (independent wealth management advisers or employees, accountants, notaries, brokers, etc.) embodies this dynamic, as does our increased reaching-out through videos or specific marketing tools. In addition, the Sales team plays a significant role in the big fund management events, such as our Economic and Financial Outlooks, presented three times a year to our principals, for which it acts as spokesperson to the Group’s Life Insurance networks and even external customers. ■

Being an administrator at the service of insurance is not incompatible with an approach to develop our collection.

Conclusion

TODAY, THE DEVELOPMENT OF THE COLLECTION IS ONE OF THE THREE-YEAR OBJECTIVES OF COVÉA FINANCE, and, to this end, mobilises all those involved in the company’s value

chain. The teams are set in action to be able to respond to the new requirements of investors, with the ambition of standing out from an abundant competitive offering.

TO RISE TO THESE CHALLENGES, THE SALES UNIT SAW AN INCREASE IN ITS RESOURCES in 2017 with the arrival of a dedicated head of Sales and the roll-out of a specific communications plan.

The dematerialisation of content and processes

is one of the key stakes of Covéa Finance to gain in efficiency and in performance. The digitalisation approach which is its corollary is a good lever for developing the reputation of the company, particularly via social media.

Integrating

the new uses
and the new

consumption methods

DEMATERIALIZATION AND INCREASING DIGITALISATION

The world is changing, as are the means of communication and working methods. Technological developments are increasingly quick, increasingly demanding and today it is impossible to ignore them in our business lines: need to maintain its appeal and particularly to be in line with the new uses and the new requirements of our customers who are looking for information that is increasingly easier to access and ever-more interactive. Uses are changing and we have to understand them to offer the best responses possible. This is why we are working on two complementary areas: dematerialisation of content and digitalisation, with the objective of taking advantage of these new working methods which we have to integrate, in order to get closer to our customers and better support them in their investment decisions.

A NECESSARY TRANSFORMATION OF OUR WORKING METHODS AND TOOLS

To do this, we have launched a large cross-functional project dedicated to dematerialisation, which will be implemented over the course of the next three years. The issues of digitalisation in the

3 million

This is the number of content concerned by the digitisation project, for all formats.

different units of Covéa Finance (Sales, Fund Management, etc.) are also being considered. In this respect, steps are being taken to automate processes within the company, whether these relate to social data, HR or regulatory data, some of which have already been completed. Objective: to make the circulation of information more reliable and to store it better, whilst saving precious time for the teams.

SUCCESSING IN THE DIGITAL REVOLUTION FOR OUR EXTERNAL COMMUNICATION

Likewise, the intensification of our digitalisation is a major stake for us: we have to be competitive and make the most of these new opportunities to facilitate, intensify and consolidate our external communication. There is however one prerequisite: ensuring, at each additional stage in the digitalisation, that we have reached the necessary maturity to guarantee the control of risks and remain faithful to our values and to our fundamentals. We thus conducted an in-depth examination of our social media presence, which led to the creation of our LinkedIn and Twitter accounts. This launch was integrated in a more comprehensive digital communication plan for the company: optimising our website, making use of video, and reaching out more frequently. ■

Digitalisation

also allows us to get closer to our customers and better support them in their investment decisions.

Conclusion**COVÉA FINANCE IS CARRYING OUT A CONTENT DIGITISATION PROJECT,**

in order to have an Electronic Document Management (EDM) in line with the growing digitalisation of its environment.

IN PARALLEL, THE COMPANY IS AUTOMATING ITS PROCESSES

to make the circulation of information more reliable and to help the teams gain precious time.

FINALLY, COVÉA FINANCE'S COMMUNICATION IS DEVELOPING ITS DIGITAL SECTION,

in line with the company's strategic digitalisation objectives, now with an active social media presence.

A portfolio management company has to constantly adapt to the extremely changing world surrounding it, in order to remain successful regardless of its environment. Regulations, technological changes, increase in the workforce: Covéa Finance is ready to rise to the challenges and demonstrate, each day, its adaptability.

Adapting our business lines for *long-lasting performance*

NEW BUSINESS LINES The increasing complexity of the value chain, with the upsurge in certain business lines and the creation of new functions, is increasingly complicating our task and forces us to rethink the interactions between our different business lines. The evolution of trading business lines, which today require the mastery of sophisticated tools and rules, or even risk control, has seen a bigger role in recent years and, in this sense, illustrates the point perfectly.

AN ECONOMIC ENVIRONMENT THAT IS INCREASINGLY DIFFICULT TO DECRYPT The persistence of low rates and the low returns on less risky securities, such as Government loans, require greater diversification in terms of asset classes and in geographical terms. This diversification requires strong expertise across the entire financial management chain. In addition, a financial crisis of rare intensity has affected the global economy since the bankruptcy of the investment bank Lehman Brothers in 2008: asset management has not, of course, been spared, and this sector has seen the competition stoked and becoming more aggressive.

24

This is the number
of cross-functional
projects in progress.

AN INTENSIFICATION OF THE REGULATORY DIMENSION The reinforcement of the regulatory framework is a direct consequence of the crisis mentioned above. The change in regulations requires calling its organisation into question, ensuring its solidity and the visibility of all the links in the value chain. Financial performance alone, independently of the risks taken on the assets entrusted to portfolio management companies and their ability to stand up to troubled periods, is no longer the only indicator for qualifying the best or worst performance.

RALLING TOGETHER TO ADDRESS THESE CHANGES To rise to all these challenges, Covéa Finance is rallying its vital forces. First working area: bringing the business in line with the new regulations which are currently affecting financial players, the first of which are the fund management companies. All these reinforce the constraints weighing on Covéa Finance and require implementing significant projects to guarantee the compliance of our procedures. For example, the entry into force of the MiFiD2 Directive on 3 January 2018 was the object of intense preparation works in 2017, including the complete rewriting of the counterparty selection and execution policy. As for the Information System, with the outsourcing of its IT management to a service provider, last year Covéa Finance turned a new page in its technological transformation, designed to procure equipment that is better suited to asset management. With regard to internal control and risk management, in 2017 the company reinforced its procedures, its teams and its competencies. ■

The steps to adapt

to the new regulations
allow it to question its
organisation, ensuring
its solidity and the
visibility of all the links
in the value chain.

Conclusion

INTENSIFICATION OF REGULATORY PRESSURE, CHANGING BUSINESS LINES, UNCERTAIN ECONOMIC ENVIRONMENT:
Covéa Finance is evolving

in a context where today adaptability is an essential condition of performance, and even of survival, for all investment companies.

FROM LEGAL TO THE INFORMATION SYSTEM, FROM FUND MANAGEMENT TO HUMAN RESOURCES, all of the company's units are rallying around these major stakes.

Fourth objective of Covéa Finance: to develop its fund management methods to ensure ever-better control of the risks, to cultivate agility, to develop specific fund management tools and to procure the means of reinforcing its internal research.

Optimising our fund management practices in a *changing* *world* in *acceleration*

INCREASINGLY COMPLEX GLOBALISED MARKETS

Covéa Finance invests the assets entrusted to it on the markets, mainly intended for two types of players: companies and States or related entities. The first issue shares and debt, with the latter being either widely accessible or reserved for a small number of players. The second issue debt in the form of bonds. These two types of players are evolving, in the same way as Covéa Finance, in a globalised economy, which is characterised by increasing complexity and a certain opacity on the use of the capital raised, hence the need to have an exhaustive vision of all the risks related to the investment made. As an example, a French cable and mobile phone telecommunications services company for individuals and companies served as a warning to the credit market at the end of 2017: the sharp fall in the share on the Stock Market reminded investors that a company's debt level, here over €50 billion, had a limit, a fortiori on businesses with strong competitive pressure and which require major investments. With a net debt ratio representing seven times its EBE, this company was far from what Covéa Finance considers to be its comfort zone, whose maximum ratio is two.

The globalisation of the economy is characterised by increasing complexity and a certain opacity on the use of the capital raised, hence the need to have an exhaustive vision of all the risks related to the investment made.

REINFORCING OUR PRODUCT OFFERING Covéa Finance continuously wishes to optimise its offering by creating new products which respond to the needs of its investors. The Covéa Ultra Flexible fund, for example, allows for investing in any type of asset classes and all geographic regions outside the traditional markets of Europe, the United States and Japan. Its creation allowed for a strong acceleration of the extension of its investment universe.

DEVELOPING OUR RESEARCH AREAS To create products that are the most in line as possible with the current stakes, Covéa Finance has set up thematic focus groups on major issues. Through its group on the evolution of banking models, or even its Raw Materials committee, it thus has essential tools for exercising collegiality, one of its basic principles. It is also a necessity to respond to a major challenge: the increase in expertise to be orchestrated. According to the same line of reasoning, the Research department has evolved in order to adapt to the new stakes of Covéa Finance and to guarantee an element which remains key for it: its independence of mind.

THE CHALLENGES OF THE CORE BUSINESS Four main challenges today are the driving force behind the core business of Covéa Finance. The first consists of reaching a compromise with new experts, like with risk control or the reference framework. These business lines are not new, but the missions entrusted to them require more refined expertise than in the past, with extremely sophisticated recruitment profiles. Second challenge: customers have reinforced their requirements and wish to have access to wider markets than the French financial market or that of the eurozone, hence the importance of dominating the stakes related to foreign exchange risk. Third challenge: customers are demanding more investment solutions, to the detriment of products which are only one tool of a more comprehensive solution. Fourth and final challenge: customers are now seeking to understand the management and construction method of the fund in which they invest, which encourages Covéa Finance to develop educational tools so that they can better understand their investments. ■

Conclusion

GLOBALISATION ALSO AFFECTS THE FINANCIAL SECTOR AND EXPERTISE IS MORE THAN EVER MAKING THE DIFFERENCE BETWEEN THE FUND MANAGEMENT COMPANIES:

Covéa Finance therefore has to continue to cultivate its decision-making independence. A necessity to which the company responded by reinforcing its Research department, but also by supporting its internal focus groups, on the banking and raw materials sectors in particular.

COVÉA FINANCE IS USING ITS ENTIRE DYNAMIC TO RESPOND TO THE NEW EXPECTATIONS OF ITS CUSTOMERS,

that want to have access to ever-wider markets, are seeking real investment solutions and no longer mere products, and finally want to better understand the way in which their funds are managed.

**COVÉA GROUP'S
PORTFOLIO
MANAGEMENT COMPANY**

8-12 rue Boissy d'Anglas

75008 PARIS

Tel. +33(0)1 40 06 51 50

Fax. +33(0)1 40 06 52 40

www.covea-finance.com



**CO
vea** Finance