

2019 ANNUAL REPORT

Working together to serve our customers

CO
vea Finance

Contents

	Covéa and Covéa Finance Profiles	2
	Column: The rise of ESG, challenges and opportunities for asset management	4
	Interview with Ghislaine Bailly, Chairwoman of Covéa Finance	8
	Macroeconomic panorama: a still uncertain economic environment	12
	Market panorama: financial markets are more contrasted than ever	14
	Interview with Laurent Tollié, Managing Director of Investments for the Covéa Group	16
	Governance: Major organisational changes	18
	Human resources: our assets for attracting talent	22
	Driving forces: behind the scenes of our expertise	24
Innovating for our customers 26	Sales and Marketing: business development continues to grow positively	28
	Complete overhaul of the mutual fund reporting fact sheets	31
	New funds: 7 new funds over 3 years	32
	The range of funds	35
Serving our strategy through digitisation 36	Company Content Management project: Business lines, engineers of the digitisation of their own processes	38
	Digitalisation projects	39
	IT security: a major challenge	40
Optimising our risk management 42	Finalisation of the 3-year regulatory projects:	
	Transition to a single custodian	44
	European monetary funds: Covéa Sécurité version 2019	45
	The EMIR refit	46
	ESG and extra-financial criteria: enhanced expertise on sustainable finance	47
	Final stage of the optimised control system:	
	A reorganised and strengthened control system	48
Adapting our fund management methods to new challenges 50	Reviewing the fund management process: reorganising the collaborative process	52
	Economic and Financial Outlook: Our Economic and Financial Outlook is evolving	54
	The investment process	55
	Research department restructuring: Internal research integrated at the fund management's service	56
	The development of accounting and insurance "tools" and services to support mandates: An in-depth expertise in insurance management	60
	Key figures as of 31 December 2019	62
	Performance of the mutual funds as of 31 December 2019	63

Profiles

Covéa

23,000

Employees in France and abroad*

11.5 million

policyholders in France*

Covéa is a mutual insurance group and a major player in the insurance sector in France, with a presence on key markets, and a market leader in property and liability insurance. Covéa encompasses MAAF, MMA and GMF: three powerful brands, each with their own evolution and market positioning but with shared values. United within Covéa, MAAF, MMA and GMF maintain their own identities, individual features and policyholder clientele. Other Covéa Group companies include the pension fund APGIS and SMI, the inter-professional mutual insurance company specialising in health insurance. The Group also has several subsidiaries specialised in insurance, investment or services, including Covéa Finance. Covéa's strength is founded on a global model that represents all components of insurance; a diverse client base, an extensive product range, multiple distribution methods, a wide breadth of business lines and a significant international presence (in the United Kingdom, Italy, Spain, Luxembourg, Canada and the United States). In an increasingly stringent economic and regulatory climate, a fast-changing society, its size, structural soundness and risk awareness allows Covéa to innovate and adapt, to ensure that it meets the needs of its policyholders and clients in the most effective way. The Group encourages its talented employees and uses technological tools to work towards a shared goal: ensuring that every client and policyholder – whether an individual, a business customer or a large company – has the best insurance experience, with a supportive and understanding partner.

* as of 31/12/2019.

Covéa Finance

Covéa Finance is the portfolio management company of Covéa, a group that brings together the MAAF, MMA and GMF brands. Independent in its decisions, Covéa Finance targets long-term performance.

Through the work of its research teams (focussing on macroeconomics, micro-economics, quantitative analysis and ESG), the company enjoys recognised and award-winning analytical abilities enabling it to anticipate changes in its environment. Its corporate philosophy puts risk control at the heart of its employees' activities, with all of them putting their expertise and know-how to work to provide quality insurance services. Covéa offers a wide range of funds that gives investors access to the world's largest financial markets through diversified asset classes.

AWARDS

Quantalys Award for Best Local Company
- Global Equities Category



Quantalys © All rights reserved

10th

largest French fund
management company*

€101.6

billion in assets under
management**

170

employees**

49

mutual funds**

* Source: AFG at 31/12/2018.

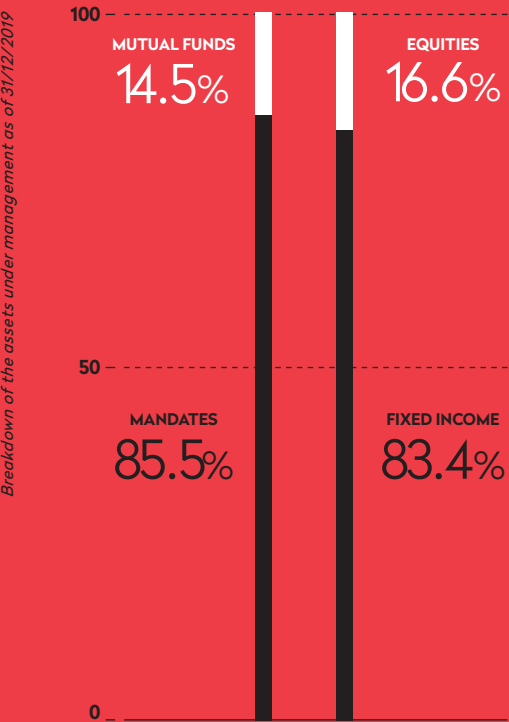
** At 31/12/2019.



FIND ALL
OUR KEY FIGURES ON
WWW.COVEA-FINANCE.FR



Breakdown of the assets under management



The rise of ESG: challenges and opportunities for asset management

by **Ghislaine Bailly**,
Chairwoman of Covéa Finance



ESG in practice

Since the Paris agreements resulting from COP21, held in Paris in 2015, ESG* has made a lasting impact on asset management. Both fund managers, for their investments in the form of company shares or debt, and companies are subject to new obligations and recommendations. The acronym ESG puts environmental protection, social protection and ethical corporate governance on the same level.

What we see today, in practice, is a shift in favour of the environmental dimension over the social and governance dimensions, with the former often taking precedence over the latter. The environmental dimension is also very much focused on energy transition. Fund Management companies, like institutional investors, are “invited” to contribute to this energy transition, either as companies or through their investment orientation and product offering. However, they act on behalf of their clients, who themselves have diverse and varied objectives. The preservation and enhancement of the capital entrusted remains the common thread for all clients of a fund management company.

Consequently, while it is obvious that Covéa Finance is implementing all the necessary means to meet its obligations as a company and as an investment company, if it takes into account the recommendations made on the subject, it nonetheless keeps in mind the purpose of its core business. We therefore feel it is appropriate to carry out an independent analysis and express some concerns about the effects of ESG policies that are needed on the asset management landscape.

“It is natural for Covéa Finance to carry out an independent analysis and express some concerns about the effects of ESG policies on the asset management landscape.”

** ESG: international acronym used by the financial community to refer to Environmental, Social and Governance criteria that generally constitute the three pillars of extra-financial analysis.*

HIGHLIGHT NO. 2 OBSERVATION

The paradoxes of ESG

It is somewhat of a paradox to claim economic liberalism and to want to intervene as closely as possible in the activity of fund management companies, and companies more generally speaking. This is all the more damaging as, since the fall of the Berlin Wall in 1989, the world economy has become more efficient because it promises the free movement of people, capital, goods and services.

The shaky consensus, coupled with limited and unclear commitments, emerging from successive COPs, is leading to distortion of the conditions of competition which, in the medium term, may prove disastrous for European companies across all sectors. Companies find themselves hostage to the wilful display of powerless politicians in the face of a Europe that is struggling to build itself and to which they have conceded the “abandonment” of skills. As a result of the disappointment of its populations, Europe could lose some of its attractiveness for companies that it nevertheless needs if it is to have a say in the decisions of tomorrow's world.

Finally, there is a strong belief that technology will be at the service of the ecological transition, which is itself reduced to the energy transition alone. It is however too often forgotten that technology in the broadest sense

is a high source of energy consumption and consumption in general. Examples include blockchain, digital storage or smartphone notifications to push households to consume, thereby encouraging the destruction of natural resources and the use of low-cost labour.

The environmental and technological determination of the political class, particularly in France, is creating uncertainty over energy security and its cost, which in turn is generating uncertainty concerning the pace of European growth, which has been below that of the developed world for a long time now. Normative uncertainty, uncertainty about the conditions of competition, about the conditions of access to energy and about its price, about the scale and quality of future growth... All these factors disrupt companies' investment decisions and put pressure on fund management companies, which are obliged to secure and make a return on the capital entrusted to them.

We must ask ourselves about the risks of misallocation of resources associated with the risks of overvaluation and the weakening of companies' financial structures through excessive debt, as these threats often lead to social and financial crises when economic conditions evolve unfavourably.

“To say that technology is at the service of the ecological transition is to forget how much it promotes consumption on a general level.”

HIGHLIGHT NO. 3 APPROACH

ESG and Fund Management: Covéa Finance takes advantage of the synergies

For several years now, well ahead of the current trend, Covéa Finance has made the consideration of ESG a key factor in its investment policy. The company now has a dedicated ESG team of four analysts, integrated into its Research department and supervised by the same Managing Director as the Fund Management team. The ESG dimension is therefore present in the daily working practices of the teams, and the ESG function participates in the fund management committees of Covéa Finance, the high point of the company's collaborative process, during which investment decisions are made.

This approach enables Covéa Finance to better understand the impact of this fundamental trend on portfolios and to better grasp the issues related to extra-financial criteria in management. This is necessary to be able to offer ESG-sensitive investment solutions to investors, but also to understand the constantly changing regulatory environment on these sensitive issues.

It is precisely to meet the new expectations of investors that Covéa Finance created, in 2018, four funds with an environmental theme: Covéa Aeris, Covéa Aqua, Covéa Solis and Covéa Terra. These solutions translate into action the willingness to integrate into corporate practices the many environmental issues linked to human activity (population growth, urbanisation, industrialisation, intensive agriculture, air pollution). Proof of their adequacy to the market, these funds posted very good results in 2019. In addition, the volumes traded in these securities are steadily increasing and several significant investors have announced their intention to focus on this “new green economy”.

One of Covéa Finance's strong points? Being able to get fund managers and ESG analysts to work together. This allows fund management to better understand sustainable development issues, and the ESG team to better take into account the fund management strategy in the way they rate securities. The good results of the range with environmental themes testify to the success of this model, which is based on the complementarity of the financial and ESG approaches.

“At Covéa Finance, the extra-financial ESG dimension has been present in the daily work process of the fund management teams for several years.”

Interview

Cultivating team spirit and creativity

Faced with both economic and regulatory challenges, Covéa Finance remained faithful in 2019 to what makes it unique: an independent, proactive and creative approach to the challenges it faces. With always the concern to network and work in collaboration to see further.



How do you look back at 2019, the last year of your 2017-2019 three-year plan?

Ghislaine Bailly: The year was rich in actions and the outcome is conclusive for Covéa Finance. With each of our objectives, the involvement of our teams enabled us to make major progress that today gives us the opportunity to look forward to a new cycle, which we have named "Ambition 2026". Thus, once again in 2019, we have been able to "drive sustainable growth", both in terms of business development and digitalisation.

What commercial milestones were set in 2019?

G. B.: Developing our prospect base and raising our company's profile were at the heart of our strategy, and we multiplied initiatives in this regard: investor luncheons in Paris and the French provinces, increased support for the Covéa Group's Life networks, active participation in the Patrimonia convention, etc. At the same time, globalisation was stepped up, with product passports now validated in five countries. We also note a great success, proof of our ability to innovate in new asset classes and to offer new expertise to the Group: the creation of our private equity fund, Covéa Accompagnement (see page 33).

What has been your progress in digitalisation, one of your other key objectives?

G. B.: In 2019, one of our successes was the launch of our new website in September, a major tool for raising our profile. We also continued our major Company Content Management project, called "Atlas". Other noteworthy achievements include the launch of our

digital training platform, which gives employees the opportunity to train online, at their own pace, and the implementation of our online contract library.

What other developments were achieved in 2019?

G. B.: We were able to "capitalise on collaboration" in order to respond to the various regulatory challenges we faced, but also to face the issues of cybersecurity and crisis management. Significant progress was also made in integrating ESG criteria into fund management portfolios. At the same time, we put into production tools that respond to the adaptation of fund management methods and create added value throughout the company. We should also mention the reformatting of the Economic and Financial Outlook, as well as the set up of our unified Research department, which now includes the ESG team. All of these achievements have been positively impacting the outcome of our three-year objectives, which we discuss throughout this annual report.

What economic and financial challenges did the company face in 2019?

G. B.: In January 2019, we were talking about resilience rather than performance. Admittedly, the financial markets generally experienced a spectacular recovery after the sharp downturn in the last few months of 2018. However, it is legitimate to wonder about the solidity of these performances, when the economic context was hardly favourable for the companies that we support in their development as fund management companies, within the framework of the mandates entrusted to us by our clients. Central banks largely favoured the creation of financial and real estate bubbles. By reducing the return on



2017-2019: what is the outcome?

Through its three-year cycle of objectives for 2017-2019, Covéa Finance established its image and reputation, while maintaining the primacy of the interests of the Covéa Group in its objective of efficient and profitable service. The motto dear to the company, "Finance at the service of insurance", has thus maintained its full meaning thanks to the successful application of the principles of teamwork across all cross-functional work and projects.

The objective "to be a driver of sustainable growth" has namely enabled Covéa Finance to position itself with a wider customer base, while respecting two requirements. The first requirement was to preserve the trust of the Covéa Group by maintaining the quality of service that the company owes it. The second was to ensure the profitability of its actions and to be part of the technological movement of digitisation and digitalisation.

Other objective: to capitalise on teamwork. To achieve this, Covéa Finance called on two of its founding principles, team spirit and teamwork, which have been applied in the major cross-functional projects carried out by the company over the last three years.



savings, they also encouraged small and institutional investors to take on more risk, in market segments that are often less controlled than traditional asset classes. At the same time, the “flow” effect was extremely favourable for listed shares, as companies organised the scarcity of listed securities, either by simply “delisting” their shares or by taking on debt to buyback their own shares, thereby weakening their financial structure twice over.

Government, corporate and household indebtedness reached record highs in 2019, hindering the normalisation of long-term interest rates, particularly in Europe. The tax and social competition that has been raging for years has shifted a large part of the debt burden onto households: as a result, households are facing increased tax pressure, while their horizons have become considerably darker with the rise in unemployment and job insecurity, associated with growing income inequalities. Against this backdrop, our threefold challenge remains to deal as well as possible with low rates, to keep our commitments to our customers and, finally, to find new sources of revenue.

From a society point of view, what can we learn from 2019?

G. B.: 2019 was also the year of many societal struggles, first and foremost the fight against global warming. It is still too early to say whether the energy transition will bring opportunities and a return to stronger growth rates. Or whether, on the contrary, it will generate additional costs that will affect the profitability of companies. The uncertain geopolitical and geoeconomic context in a world of slow growth is already hindering their profitability and pushing them to postpone their investments. Will they be able to bear the costs of an ecological and energy transition without social impacts? Nothing is less certain. As a fund management company, our challenge is twofold: to support companies in this transition while offering investors investment solutions that are in line with this trend.

What about the insurance and asset management sector?

G. B.: 2019 was the year during which the ‘old’ life insurance market in France was destabilised, due to the pressure on euro-denominated funds. The zero to negative interest rate environment orchestrated by the European Central Bank (ECB) finally got the better of the performance of the emblematic “euro funds” of French life insurers. The challenges in 2019 for French

asset management companies were obviously strongly linked to negative interest rates on government bonds and sometimes even on corporate bonds, across a large part of the yield curve. Historically, French fund managers have always been very active in the management of fixed income securities. Covéa Finance did not escape this pressure, but the shift towards equities taken in 2009, strict cost management and reasonable remuneration on outstanding money-market and bond securities enabled our company to manage this difficult period efficiently. Resilience in our company’s own management has been the watchword, in the same way as for the portfolios under management.

Any final words on 2019?

G. B.: Once again, I would like to thank all the Covéa Finance teams for the work accomplished during the three years of our 2017-2019 objective cycle. I am grateful to them for their commitment and their already effective involvement on our new cycle, called “Ambition 2026”, for which collective work and combining expertise will be essential.

Cultural patronage

Convinced of the beneficial role that culture plays in our society, Covéa Finance wants to support the creation of musical works and education in this field. In 2020, the company therefore decided to become a patron of two structures related to this theme: the *Fondation Musique & Radio - Institut de France* and the orchestra *Le Cercle de l’Harmonie*. This sponsorship is meaningful for Covéa Finance as it corresponds to its values and its DNA. Like the structures it has chosen to support, it places importance on rigour and commitment, on the duty of excellence and creativity necessary to have a positive impact in our world, but also on collective work and the transmission of know-how to the younger generations. Covéa Finance also wishes, by this means, to strengthen its social responsibility and its contribution to causes of general interest.

What is the outlook for the coming years?

Covéa Finance’s new strategic plan, “Ambition 2026”, is in line with the company’s DNA: to constantly adapt and transform itself in order to remain both competitive and true to its values.

Covéa Finance is a fund management company able and willing to participate in the consolidation of its sector. It is committed player that delivers on commitments. A company with a future, built on solid foundations and backed by a major shareholder, the Covéa Group. With its proven fund management process and its expert and reactive teams, independent in spirit and insensitive to fashion trends, Covéa Finance has demonstrated its ability to manage complex market situations and to provide long-term support to its clients and the companies in which it chooses to invest. These are forces that take on particular importance today, in a world in search of meaning, and brought back to a cruel reality, the fragility of human societies, with the global pandemic that painfully marks the beginning of 2020. **The economic and financial crisis, a consequence of the health crisis, will accelerate the consolidation of the asset management industry, the revenues of which will come under further pressure in the coming years. With its new strategic plan, “Ambition 2026”, the company is fully in line with this development.**

→ **To support our customers and shareholders as best we can in a world that is still very uncertain and fraught with risk.** Why? Because the policies of central banks, and more specifically

the ECB, have upset the concept of profitable long-term investment, because governments and companies as well as households have become excessively indebted in a world of weak economic growth and therefore with low income growth, putting themselves at risk of insolvency with the slightest storm. However, the coronavirus pandemic is much more than a storm, it is an earthquake that will completely call into question the economic and political framework in which we have been evolving since the fall of the Berlin Wall in 1989. Other elements of context: the ecological transition questions the notion of growth, but also the question of sovereignty. Conflicts are multiplying, diversifying and even coming together despite their very different profiles, but we must expect them to intensify.

→ **To increase our creativity and strengthen our capacity for innovation whilst providing tailored support to our customers.** Covéa Finance’s 2019 leitmotiv, “Resilience rather than performance”, is still valid at the beginning of 2020, to which we now add “vigilance”. The pandemic increases the risk of capital loss on investments and we need to push our limits to create value in this context.

In particular, we need to boost our ability to innovate. Helping our clients to analyse and clarify their needs, better understand their challenges and adapt our know-how to their requirements: these are the keys to our future development. To do this, our offer must constantly evolve, which means refining our product ranges and fund management types while

strengthening our service offerings, particularly in terms of analysis.

→ **Strengthening our collaborative process by constantly revitalising our founding principles and values,** with an asset management process based on collaboration, a notion that the coronavirus has come to bitterly highlight.

With “Ambition 2026”, Covéa Finance will operate in five directions:

- 1 rethink the world in light of the current crisis;
- 2 win the battle for outstandings by securing the flows of its shareholders and customers and by going further in its outward openness;
- 3 develop in Europe;
- 4 strengthen its appeal by being innovative;
- 5 continue to play the collective card, the key to success.

All this whilst keeping its costs under control, anticipating adaptation to new regulatory constraints and encouraging employee support and collaborative initiatives. These challenges can also be summed up in five action verbs: to analyse, to anticipate, to identify, to meet demand and to innovate.

A still uncertain economic environment

A climate of high uncertainty continues to prevail on financial markets, fuelled by growing geopolitical and social tensions. Global economic activity is marking time and central banks remain mobilised.

As the years go by, certain trends persist: the macroeconomic panorama in 2019 was once again characterised by a climate of very high uncertainty, which was particularly obvious in two major areas: the imbroglio in the United Kingdom over the finalisation of the Brexit terms and Sino-American tensions. *“These uncertainties had knock-on effects on global economic activity, which experienced a significant slowdown in growth due to weaker trade flows, but also as a result of the downward pressure on business investment, particularly in the manufacturing sector. Against this backdrop, central banks remained very active, once again easing their monetary policies in order to counter this slowdown”* comments Sylvaine Rodrigues, Head of the Research department.

Sylvaine Rodrigues,
Head of the
Research Department

Frédéric Kleiss,
Head of the
Macroeconomic
and Quantitative
Research teams



“Central banks remained very active in 2019, again easing their monetary policies to counter the slowdown in global growth.”

Sylvaine Rodrigues

“Across Europe, growth was driven by household spending which maintained a sharp contrast between business in services and business in the manufacturing sector.”

Frédéric Kleiss

Mixed outcomes and high geopolitical tensions

In the United States, although moderate, economic growth remained on track, driven by buoyant household consumption, itself supported by a robust job market. *“The US industry was however hit by the escalating tariffs put in place by China and the Trump administration. Against this backdrop of a slowdown in business investment dynamics, the US Federal Reserve (Fed) shifted its focus during the year to embark on a new phase of quantitative easing”* explains Frédéric Kleiss, Head of the Macroeconomic and Quantitative Research teams. In the euro area, activity stabilised at lower levels than in 2018, due to the deteriorated performance of Germany, which was affected by the fragility of its automotive industry. Across Europe, growth was driven by household spending, which maintained a sharp contrast between business in services and business in the manufacturing sector. In the labour market, job creations slowed significantly during the year as a result of the cyclical slowdown: a weakness that prompted the European Central Bank (ECB) to reactivate its quantitative easing programme. *“On the political front, weaknesses are accumulating, as illustrated by certain coalition governments in Italy, Spain and Germany, while the challenge to the yellow vests in France has been a longstanding one”* adds Frédéric Kleiss. In Asia, between trade conflicts and a lurking slowdown, China's performance in 2019 was mixed. Weaker domestic demand particularly affected its trading

partners and weighed on the price of commodities. Finally, in the rest of the world, political and geopolitical tensions remained high and affected growth performance in Hong Kong, Venezuela, Chile, Lebanon, Algeria and the Middle East.

Increasingly threatening imbalances

For 2020, uncertainty remains high and there are many weaknesses. Historically flexible monetary policies and financing conditions appear to limit the risk of an abrupt disruption in global demand and business. *“However, this almost continuous infusion over the last ten years has had the perverse effect of dramatically increasing the debt levels of economic stakeholders, both private and public, in both developed and emerging countries”* explains Sylvaine Rodrigues. This monetary environment and numerous technological changes have also degraded the quality of the labour market and reinforced inequalities. All of these phenomena fuel public opposition to economic policies and maintain a climate of instability and uncertainty. In an environment where imbalances are becoming increasingly threatening, governments' leeway is limited and the trends at the beginning of 2020 are those of a stabilisation of activity on weak and fragile growth, the quality of which raises concerns at Covéa Finance.

Financial markets are more contrasted than ever

Prudence and creativity: two key words in 2019 for Covéa Finance, which had to face a context of geopolitical and social unrest, negative interest rates, distressed public debt and securities. These are all challenges taken up by the company's fund management teams.

In order to understand the global context of the financial markets in 2019, we must remember the situation at the end of 2018. "The central banks had stopped their massive bond purchase programmes, which were supposed to fight against deflation, and were talking about suspending unconventional monetary policy measures" recalls Francis Jaisson, Managing Director in charge of Asset Management, Marketing, Trading and Research. They will be deterred by the fall in securities markets in the Q4 2018 and the absence of inflationary shocks against the backdrop of a slowdown in manufacturing activity. "This extraordinary set of measures has therefore continued this year, pushing European interest rates into negative territory," adds Francis Jaisson. At the same time, securities markets were growing in all international markets, ignoring the significant slowdown in global activity and trade tensions. Tensions to which must be added numerous geopolitical and social unrest, reducing the visibility of companies and their appetite for investment. "The stock markets are nevertheless rising sharply, while flows are negative across the entire equity asset class. This is because share buybacks by listed companies themselves and M&A transactions are increasing stock market attrition and exerting considerable upward pressure, even if this is often done by increasing their level of debt" comments Francis Jaisson. Another noteworthy feature of this stock market year was the continued growth in passive management: 45% of the outstandings are now held in index-linked vehicles where allocation decisions are determined not by accounting fundamentals but by flows. The corollary of this underlying trend is the concentration of index leaders, with market capitalisations that are growing along with those of the index flows.



Francis Jaisson,
Managing Director
in charge of Asset
Management,
Marketing, Trading
and Research

Numerous warning signs

Covéa Finance alerted very early on to weak signals detected upstream, echoing year-end alerts from supranational authorities (IMF*, BIS**) about the risks posed by public and private debt in the event of an economic downturn. "The first corporate bankruptcies have occurred in Europe, while many asset managers have inflated their exposure in leveraged corporate structured debt products" says Francis Jaisson. On the other side of the world, at the end of the year, the first major defaults on yuan and dollar issuances of Chinese state-owned companies were recorded. But it was on the US money market that the main sign of significant blockage appeared: since mid-September, it took the Fed intervention to the tune of \$400 billion to balance the market's demand for dollar liquidity.

Bond markets: adopting a wait-and-see attitude

In 2019, Covéa Finance took advantage of the bond rate levels at the beginning of the year to invest in the sovereign bond markets of core and peripheral countries, while refraining from buying corporate debt with unattractive risk-reward profiles. "Subsequently, the drop in rates in negative territory on the long end of the curve prompted us to adopt a wait-and-see stance and increase our liquidity in anticipation of the rise in term premiums" says Francis Jaisson. On the equities markets, the record levels reached provided an opportunity for risk reduction and profit-taking at a time where earning growth momentum was drying up and balance sheet structures were deteriorating. From an industry standpoint, Covéa Finance continued to pay particular attention to the banking sector, set back both by the destructive effects of negative interest rates and by the ever-present need for additional capital in view of regulatory requirements. Finally, agility and diversification allowed the company to take advantage of major shifts over the year and transient tactical opportunities.

"We will continue to identify the core stocks of tomorrow that can withstand full cycles of macroeconomic growth, as well as stocks that can benefit from any disruption in production, consumption and distribution patterns."

Francis Jaisson

Scrutinised and analysed debt levels

The allocation outlook for 2020 is set against a backdrop of hyper-indebtedness, at State, corporate and household levels around the world. "However, this alarming state is not compensated by interest rates. In addition, Europe and Japan are suffering the effects of negative rates, a deadly situation for financial systems. All of these elements support our under-sensitive positioning in terms of duration and exposure to bond risks" says Francis Jaisson. In equities, Covéa Finance will be equally vigilant with regard to the level of corporate debt, the concentration of index performance on overly consensual theme-based clusters (luxury in France, digital in the United States), and the effects of the continued growth of index instruments.

* International Monetary Fund.

** Bank for International Settlements.

2019 or the paradigm shift

In a rapidly changing geopolitical context and business climate, Covéa Finance once again demonstrated in 2019 the dual capacity that is its strength: playing the long-term card while taking advantage of short-lived opportunities.

HOW CAN THE ECONOMIC AND FINANCIAL BACKDROP OF 2019 BE DESCRIBED?

Laurent Tollié: We are currently experiencing a period of technological, climatic, economic and geopolitical transition. On the markets, this is reflected in particular by a paradigm shift: negative rates and strong central bank intervention are calling into question the economic reasoning on which we based our financial strategy. In addition, assets are valued significantly high and the main stock market indices have reached unprecedented levels, including the CAC 40. This change in our environment also has geopolitical sources: multilateralism is being called into question and the WTO* is no longer in a position to play the role of referee. Three countries intend to take the lead (the United States, China and Russia), while Europe is struggling to speak with one voice. In many countries, democratic principles are being called into question, accused of having allowed inequalities to develop.

WHAT ARE THE PRACTICAL CONSEQUENCES ON INVESTMENT?

L. T.: This context and relative lack of visibility translate into a sense of "unstable balance". The current configuration of the markets does not simplify the role of Covéa Finance as an investor at the service of insurance. If it invests on the Fixed Income side, the Fund Management Company takes the risk of destroying value due to negative rates, and if it dares to move on the Equity side, certain securities present a high risk for very low returns. It is therefore necessary to be even more selective and to be ever more finely informed about the securities and the context. Covéa Finance has no choice but to adapt and think ahead on the basis of our common convictions, in order to be agile and reactive at key moments.

"With the paradigm shift that the markets are undergoing, Covéa Finance has no choice but to adapt and think ahead on the basis of our common convictions, in order to be agile and reactive at key moments."

Laurent Tollié

WHAT WAS THE NEWS FOR COVÉA FINANCE IN 2019 FROM THE GROUP'S POINT OF VIEW?

L. T.: The new organisation put in place in 2019, with a Chairwoman and two Managing Directors, has enabled Covéa Finance to find a new balance and strengthen its serenity, but also its capacity for action and innovation. Another important point: the rise of ESG in the world of finance in the broadest sense is also taking place at Covéa Finance, with a dedicated team under the same management as research, reflecting the growing importance of these criteria in our investment decisions. In 2019, Covéa Finance also pursued its diversification strategy by opening up to private equity with the launch of the Covéa Accompagnement fund (see page 33). The context makes this expansion process necessary, but it must be carried out by adapting our investment

principles to these new asset classes, i.e. a long-term approach, economic vision and finance at the service of insurance. Objective: to ensure the ability of these assets to meet our specific needs, which are not limited to performance. In addition to this new expertise, which is set to develop in the coming years, diversification should also take other forms.

HOW DO YOU SEE COVÉA FINANCE'S 2019 RESULTS?

L. T.: It was difficult to follow 2018, a year of exceptional returns. However, at the end of 2019, we were performing well in terms of financial returns and we managed to significantly strengthen both our capital gains and breakeven points, i.e. the resilience

and ability of our portfolios to withstand headwinds. Covéa Finance therefore once again had a good year, cushioning the impact of the fall in interest rates with timely trades, particularly as regards the equity portfolios. This should not prevent us, given the importance of the liquidity available to us, from remaining extremely cautious with regard to the risk/return trade off.

WHAT IS THE ADVANTAGE FOR THE COVÉA GROUP OF HAVING ITS OWN FUND MANAGEMENT COMPANY?

L. T.: We are insurers, it is our core business, and we therefore have large volumes of funds to invest. However, we need them to be invested to serve our strategy and comply with our needs and constraints. Covéa Finance is our armed branch of investment: the company is independent, but our interests are closely intertwined, and it has a precise understanding of our specifications. And even if it is now developing outside the Covéa Group, with other investors, it continues to respect this logic of finance at the service of insurance. That is its strength. In this respect, the fact that Covéa Finance integrates asset accounting into its thought process and fund management is representative of what it is trying to achieve and allows it to fully understand the insurer's needs.

WHY IS IT IMPORTANT TO FOCUS ON THE LONG TERM?

L. T.: For mutual health insurance companies, it is necessary to be able to see beyond the next day's shifts, while at the same time being able to take advantage of any opportunities that may arise. Covéa Finance's strength is to have this dual capacity. It is also important for Covéa and Covéa Finance to contribute, through their investments, to the economic development of France and Europe, and to the necessary ESG transition.

WHAT IS THE OUTLOOK FOR 2020?

L. T.: The unstable equilibrium I mentioned can continue or suddenly break: we must therefore be prepared for both outcomes, by being able to take both challenges head on. 2020 will also allow Covéa Finance to consolidate its diversification into private equity, and to pursue the "balanced" integration of ESG in its investment processes. Finally, Covéa Finance will formalise its development strategy in a new plan called "Ambition 2026", based on its two fundamentals: finance at the service of insurance, and a vision of excellence and performance in a long-term framework.

* World Trade Organization.



Laurent Tollié,
Managing Director
of Investments for
the Covéa Group

Major organisational changes

Perpetuating the identity and know-how of Covéa Finance was the central objective of the changes in governance made in 2019, with in particular, a modification of the company's Articles of Association. The inside story.

EXECUTIVE COMMITTEE

Ghislaine Bailly
Chairwoman



Francis Jaisson
Managing Director in charge
of Asset Management,
Marketing, Trading and
Research



Yannick Tatibouët
Executive Director, Director
of Strategic Intelligence,
External Relations and
Research, including ESG

Ludovic Jacquier
Managing Director,
in charge of all Support
and Control functions



Franck Ibalot
Executive Director,
Director of Risk,
Operations and
Information Systems

SUPERVISORY BOARD

As of 31/12/2019

Chairman:
Laurent Tollié
Vice-Chairmen:
MMA Vie AM
GMF Assurances

Board Members

Covéa Protection Juridique :
Olivier Le Borgne
GMF Assurances :
Édouard Vieillefond

GMF Vie :
Anne Kachelhoffer
MAAF Assurances :
Anthony Foucher
MAAF Assurances SA :
Stéphane Duroule
MAAF Vie :
Paul Esmein
MMA IARD :
Didier Bazzocchi
MMA Vie :
Geoffroy Brossier
MMA Vie AM :
Éric Lecuyer

Two staff
representatives

REMUNERATION COMMITTEE

As of 31/12/2019

Amaury de Hauteclocque
(Chairman)
Laurent Tollié
Joaquim Pinheiro
Ghislaine Bailly

The major organisational changes in the company's governance, initiated in 2018, were implemented in 2019. The aim was to change the Articles of Association, the governance and the overall organisation of Covéa Finance in order to pursue and establish its development and to align itself with two of the project axes embedded in the company's objectives: the development of the fund management process and the modernisation of the control system. In order to address these two major challenges, it was necessary to modernise the company's governance. This threefold approach was therefore pursued in 2019, with the aim of perpetuating Covéa Finance's identity and know-how, but also to guarantee the transmission of this know-how in the future.

More precise scopes and new Articles of Association

One of the aims of this reflection was to redefine the scope of responsibility, but also the role of each governance body and each of its stakeholders (legal entities or individuals). The new Articles of Association specify the division of responsibilities between the shareholders, the Supervisory Board, the Executive Committee and the company administrators. On this occasion, the position of Managing Director was created within Covéa Finance in order to implement a real separation of the roles of Chair and Managing Director. There are thus two Managing Directors with the most extensive powers in their areas of responsibility, both reporting to the Chair. Like the Chairwoman, the MDs are now appointed by the shareholders, which guarantees their independence in terms of reporting relationship and a total separation of the functions of representation, fund management and control. The Executive Committee has been supplemented by two Executive Directors to assist the Managing Directors, who have delegated authority and are required to play an operational and representative role vis-à-vis the outside world. These Executive Directors are appointed by the Chairwoman on proposal from the Managing Directors and after consulting the Supervisory Board. Ghislaine Bailly was thus reappointed as Chairwoman of Covéa Finance, Francis Jaisson was appointed as Managing Director in charge of Asset





Management, Marketing, Trading and Research, while Ludovic Jacquier became Managing Director in charge of all Support and Control functions. Covéa Finance took advantage of this change in its Articles of Association to reduce the number of company administrators within the meaning of the Autorité des marchés financiers (AMF): there are now only three: the Chairwoman and the two Managing Directors. Each person bears full responsibility for what happens within his or her scope, thus preventing any risk of the Executive Committee being blocked and ensuring business continuity in all circumstances. Finally, the missions of the shareholders have also been redefined: they can now appoint or dismiss the Chairwoman and the two Managing Directors of the fund management company, as well as the members of the Supervisory Board.

More legibility and guarantees for investors

This clearer line organisation is a token of sustainability. Indeed, if one of the company administrators is unable to perform his/her duties, another can temporarily replace said manager and ensure the company's representativeness, but also guarantee business continuity. The separation of powers also makes it possible, vis-à-vis the supervisory authorities and institutional clients, to prove that the roles in charge of controls are independent of those in charge of financial management, thanks to the two new managing directors with separate branches, which are totally watertight and placed under the direct responsibility of the Supervisory Board. These safeguards reassure institutional investors, as they ensure that the arrangements for taking and controlling risks are clearly separated.

The purpose of these changes was to change the legal status, governance and global organisation of Covéa Finance in order to pursue and consolidate its development.

New prerogatives of the Supervisory Board

The Supervisory Board's missions are also evolving. It is composed of members from outside Covéa Finance, chosen by the shareholders, mainly legal entities of the Covéa Group, as well as two employee representatives that are members of the Covéa Finance Social and Economic Committee. The role of the Supervisory Board is to appoint, on the proposal of the Chair of the company, the company administrators and to set the composition and powers of the Remuneration Committee, a body provided for in the Articles of Association of Covéa Finance since its creation in 2007, the missions of which have been redefined (see *opposite*). Its role is also to ensure the effective operation of the company, to review the accounts, to exercise control over the asset management arm of the company, while preserving the autonomy of resources and management that the company administrators for a portfolio management company must have by law.

An Executive Committee with redefined contours

The rules of procedure of the Executive Committee, its missions and its mode of operation were also rewritten. The mission of the Executive Committee is to determine the orientations of the business, the main principles of financial management, the internal organisation of the company and to ensure their implementation. In particular (but not exclusively, which is new), it is composed of the three company administrators within the meaning of the AMF. The concept of collaborative decision has been revised and now includes an arbitration dimension by a majority of those present. Each of the company administrators now bears responsibility for the decisions that he or she shares in the committee, within his or her own scope. Resources are pooled to allow for the arbitrage of resource allocations. The committee meets every two weeks, but now only requires the presence of a single company administrator: an innovation that introduces flexibility.

Governance put to the test by the Group Audit

As a wholly-owned subsidiary of Covéa, Covéa Finance is subject to the Group's governance and control system, which is exercised by the Group Audit. The latter carries out regular audits within the fund management company, the recommendations of which require a formal commitment from Covéa Finance's managers, with the

The new remuneration policy is intended to reflect Covéa Finance's collaborative asset management and its method of operating by cross-functional projects.

implementation of action plans. This additional guarantee complements the governance structure of the fund management company.

Remuneration: the notion of "risk taker" is evolving

The role of the Remuneration Committee is to ensure compliance with the policy of the same name, to supervise the recommendations concerning the remuneration (base and variable) of risk takers and executives, to carry out controls and to inform the Supervisory Board in order to alert it where necessary. In 2019, for greater transparency, Covéa Finance decided to review the principles for calculating the variable remuneration components. The project included a site survey and feedback from the field to ensure that the future policy was suitable for all employees and remained attractive to external candidates. In compliance with the various regulatory constraints (UCITS 5, AIFM, MiFID2, etc.), for greater fairness and with the aim of better rewarding the performance and involvement of employees, Covéa Finance chose to define one single policy extended to all the components of remuneration for all employees and business lines. As a result, the heads of departments of the support and control businesses are now recognised as "risk takers". This system is intended to reflect Covéa Finance's collaborative asset management and its method of operating by cross-functional projects. In line with AMF recommendations, the company integrated a qualitative measurement dimension with the rollout of a standardised objective grid. Finally, the remuneration caps were redefined to ensure a certain balance. The report relating to this policy is now included in Covéa Finance's annual report, as well as in each of the SICAV reports.

Establishment of the CSE, a new body to foster dialogue

Finally, 2019 gave rise to a new employee-representative body, the Social and Economic Committee (CSE), replacing the historical CHSCT and CE [Works Council]. This regulatory change did not induce a major change at Covéa Finance, which was already operating with a sole Personnel Delegation (unified DUP or *Délégation Unique du Personnel*). There are two major differences, however: the CSE has more elected representatives (there are eight of them, almost equal numbers of men and women) and must meet conditions of representativeness and diversity. The missions of the CSE are also broader than those of the DUP. Every two months, it examines occupational health issues, with the obligation to define action plans and monitor their implementation by Management. It then has a more extensive right of access to the company's economic and social databases. These extended prerogatives require training and imply an additional workload, hence the increase in delegation hours. The CSE thus becomes a genuine intermediary for employees: a formalisation of what already existed at Covéa Finance.

The separation of powers makes it possible, vis-à-vis the supervisory authorities and institutional clients, to prove that the roles in charge of controls are independent of those in charge of financial management, thanks to the two new deputy managing directors with separate branches, which are totally watertight and placed under the direct responsibility of the Supervisory Board.

Our assets for attracting talent



→ Boosting our appeal and diversifying the recruited profiles

To meet the ambitious challenges it has set itself and to support its development, Covéa Finance has continued to maintain a high recruitment rate, with 40 positions filled in 2019. *“Over the long term, since 87% of our positions are permanent contracts, with the aim of sustainably strengthening our teams”* adds Guillaume Gilmant, Head of Human Resources department. Another highlight in 2019 was the implementation of an internship campaign, with the aim of integrating a variety of profiles from universities, business schools and engineering schools. For example, 14 interns from 13 different universities/schools were able to learn about how an asset management company operates with 30% of these internships being followed up by a permanent or fixed-term contract. *“We have also continued to develop our partnerships with a number of recruitment sites and redesigned our employer page on LinkedIn. Objective: to be even more visible in our search for new talent in a job market that remains tight. Covéa Finance remains a very attractive employer, with more than 5,000 applications received in 2019”*, says Guillaume Gilmant.

“We are looking for excellence and uniqueness in the profiles we hire, with a variety of experiences and backgrounds, in order to multiply the angles of view.”

Guillaume Gilmant



→ Building bridges between business lines

In 2019, as in the past, Covéa Finance was committed to building bridges between its business lines, by using its tools. These include the discovery circuit that each new employee takes to find out about the company's different businesses and divisions. *“All open positions are posted on the intranet, so that employees are informed and can apply by contacting Human Resources or their manager”* adds Guillaume Gilmant. At the same time, the company's job descriptions continue to grow with, to date, more than 80 job descriptions that are regularly updated to keep pace with changes in the business lines, making it possible to understand the scope of responsibility of each position. In addition, a plan for cross-disciplinary projects brings together the expertise from the different business lines with a common purpose, thus promoting understanding, interaction and possible mobilities between units. Finally, when an employee announces his or her mobility project, a contact person within the training scope is available to enable him or her to change fields, if necessary through specific courses (certificates or diplomas).

“Fostering internal mobility means retaining high value-added profiles who are familiar with the company and our work methods.”

Guillaume Gilmant



→ Digitalising our training to free up the agenda

Digitalisation is an important factor in competitiveness, and training is not exempt from it. Covéa Finance continued to adapt to these new technological uses. *“In order to develop learning methods, we have been equipped, since May 2019, with tools to design digital training materials and an educational platform”* explains Training Manager Sandra Boumendil. Objectives? First of all, to make internal training more flexible, by reducing planning constraints for employees, but also to reduce the number of face-to-face training sessions in a busy company agenda. *“We wanted to reduce the workload of the business experts who carry out these face-to-face training sessions and, eventually, develop a training catalogue on our platform”* adds Sandra Boumendil. Thanks to the new system, an employee taking a digital training course can organise his or her training time according to his or her workload: he or she is no longer constrained by a fixed date and time to attend a session.

“Our online learning platform entails flexibility for employees. It also frees up the time of the business experts.”

Sandra Boumendil



From left to right:
Fabrice Tosello-Bancal, Sandra Boumendil,
Isabelle Mourat, Guillaume Gilmant,
Delphine Sackmann



→ Optimising our social indicators

Particularly watchful of gender equality in the company, Covéa Finance signed an agreement on this subject with the social partners in 2019. Three themes are at the heart of this agreement: training, remuneration and health at work. *“We already have 40% women in our workforce, a high percentage in the still very male-dominated asset management industry. Our intention is to go even further and to continue to maintain equal treatment for all employees, in particular by guaranteeing equal pay for equal work, by supporting the return to work of women following maternity or parental leave and by promoting their access to training”*, says Guillaume Gilmant.

“With an index of 82, Covéa Finance is historically committed to equal treatment between women and men, whether in terms of pay, training or health at work.”

Guillaume Gilmant



Driving forces

Behind the scenes of our expertise

Every day, Covéa Finance employees put their expertise at the service of our customers, in a work climate where communication between business lines, autonomy and initiative are fundamental. Encounters.



“Beyond the classic missions specific to this role, being an assistant at Covéa Finance means taking part in the company’s various projects, but also reflecting on the development of our business.”

Innovation

Céline Cordier,
Assistant

The position of executive assistant is a role that involves support and service. Our role is to optimise the daily life of our director and his management, to facilitate his work and to ensure the drafting and dissemination of information according to a fundamental principle: Maintaining confidentiality.

Thanks to our cross-functional vision of all projects and meetings, we are able to coordinate agendas as well as possible and alert in case of inconsistencies.

On our agenda: no given schedule! Every morning, new missions full of challenges present themselves to me: a meeting to be organised urgently with several people, requests to be dealt with swiftly, even technical problems to be solved sometimes! I never close my door, and I am always prepared for the unexpected. So many daily challenges that I try to face with a smile.

A particular feature at Covéa Finance: there is an Assistance unit in which the company’s seven assistants exchange and develop their know-how: mutual assistance, harmonisation of working methods, exchange and feedback of information, etc. Another proof that the role is valued: many cross-functional projects include an assistant on the team.

Today, our profession is evolving: assistants must be “digital” and have the best tools to carry out their mission. It is therefore necessary to be always on the lookout (blog, trade shows, specialist press) to find new technological solutions and to make them our own. Without forgetting to nurture our human and relational skills.

“Covéa Finance’s trading desk is characterised by its high-performance tools but also by its close collaboration with the fund management teams.”

Collaboration

Kévin Maignan,
Trader

Our mission, on the trading desk, is to execute the fund managers’ buy or sell orders on the financial markets, in compliance with the conditions imposed by the fund management and the “best execution” principles that stem from the MiFID 2 directive.

I am passionate about financial markets, as well as current events and their impact on the economy: this position is therefore ideal for me! No day is like another. You have to be reactive, know how to adapt, control risks and respond in real time to the demands of the fund management teams, with professionalism and discretion.

Among the other strong points of Covéa Finance’s internal trading desk, its state-of-the-art tools are recognised by the entire market. I would also like to highlight the close collaboration we maintain with the fund managers, through true and constructive communication, which makes my work even more interesting. Furthermore, the autonomy that our managers give us, allows us to gain confidence and progress.

Finally, I see every day that our business is constantly evolving. With divided markets, fragmented liquidity, the development of electronics and regulatory constraints, today’s trader is no longer a mere performer. In addition to placing orders the trader’s scope of intervention has broadened. Post-execution, the trader analyses the executions using statistical tools and works closely with the Middle-Office to ensure a timely settlement/delivery.



“Being a developer at Covéa Finance means being curious, agile and attentive to the businesses for which we design and produce IT solutions.”

Service

Jean-Luc Lessault,
Head of the IT Integration team

resulting from the needs of the business lines, the design, the technical choices and the associated trajectories, the estimated schedule and inherent costs, the support of material supplies and the installation of infrastructures, the development and the follow-up of the solution rollout.

Our objective: to improve the services delivered to the business lines and their satisfaction, by focusing our efforts on communication and proximity. We above all aim for the best match between the demand and the solution, ensuring that the latter is sufficiently scalable and efficient to facilitate maintainability and provide service continuity.

With this in mind, it is up to us to always be on the lookout in order to provide the most appropriate responses to the issues the company faces (confidentiality requirements, technology rationalisation, security aspects, performance, etc.).

Being a developer at Covéa Finance means first of all working in a human-sized structure where everyone can make their voice heard by being proactively making proposals. It is also oriented towards the future, with modern (agile) working methods and a strong sensitivity to new trends such as DevOps and digital transformation.

The Integration developer is the craftsman of IT solutions, from their conception to their implementation. The IT Integration team is responsible for the operational management of the projects, including the analysis of the specifications



“At Covéa Finance, being proactive is valued. Everyone can contribute to the enrichment of the systems by proposing new tools or new methodologies.”

Initiative

Nassima Toudji,
Risk Controller

It is a real challenge to assimilate both how the different financial instruments work and the allocations combining them.

One of our missions is to report to management with short concise messages to provide them with clear elements to help their decision-making. This gives us another perspective on the challenges of risk control and the usefulness of our business.

Another key point: Management asks us to be proactive and entrepreneurial to enrich the system by proposing new tools and methodologies, which is very motivating.

Finally, what I like is to work in a rich and diversified investment universe, but also to have the opportunity to contribute to the company's many cross-functional projects (creation of funds, regulatory changes, etc.) during which we work with other business lines. Above all, our business remains closely linked to the context of the ever-changing financial markets, which means that we must always adapt our way of working.

Many factors can impact investments such as market variables, counterparties, liquidity or valuations. It is up to us to identify these risks, measure them and assess their potential consequences. My assignments are very varied as they cover all the funds managed by Covéa Finance.

Innovating for our customers

Making a difference means going the extra mile for our customers. Informing them, listening to them, identifying their needs and meeting their expectations by offering them, well beyond the products, real investment solutions. And because no two specifications are the same, Covéa Finance is gradually favouring tailor-made solutions with offers that allow clients to diversify in a secure way, taking into account both regulatory constraints and extra-financial valuation criteria.



Business development continues to grow positively

Reinforced at the end of 2018, the Sales & Marketing team was able to show its full potential in 2019 to meet Covéa Finance's sales objectives and to serve its customers, first and foremost the Covéa Group, better than ever.

Alongside the Life networks of the Covéa Group

Always at the heart of the Sales and Marketing team's concerns, the Covéa Group's Life networks were once again the subject of numerous initiatives designed to support them through education and dialogue. Nearly a thousand advisors were thus met in 2019 during 94 events. To be closer to customers, the Covéa Finance teams travelled to different regions to interpret to this public very much in demand of such information, the macroeconomic environment, the market situation and the behaviour of Covéa Finance funds. *"This information effort is all the more important in the first quarter of 2019 as the context was particularly strained and many advisors and clients needed to be reassured"* explains Julien Jacquet, Head of the Marketing and Multi-management department.

Convincing new investors

At the same time, Covéa Finance continued to develop its client base by reaching out to new investors, institutions and distributors. The team organised several meetings in Lyon, Lille, Strasbourg, Bordeaux, Nice and Paris. Information operations that were in the form of luncheon conferences where Covéa Finance's key expertise was presented, particularly in European and international equities. *"This increase in the number of initiatives has paid off and allowed us to add to our institutional clients"* adds Julien Jacquet.

Presence and intervention at the Patrimonia convention

As it has every year for the past five years, Covéa Finance was present at the 2019 edition of Patrimonia, which brings together all the players in the ecosystem of independent wealth management professionals. The Chairwoman, Ghislaine Bailly, also co-hosted with Pierre Dockès, Honorary Professor of Economics at the University of Lyon 2, a conference entitled "Artificial intelligence, a new economic revolution? Source of opportunities?".

ESG and SRI - compelling arguments

Throughout the year, the Sales and Marketing team highlighted Covéa Finance's ESG expertise as part of its fund promotion initiatives. *"The integration of extra-financial criteria in our portfolio management is an aspect that is increasingly attracting the interest of our clients. With this in mind, we stepped up the promotion of our range of environmental themed funds and our two SRI-labelled funds, which are increasingly successful"* specifies Julien Jacquet.

New European milestones

Covéa Finance has intensified its collaboration with the Italian subsidiary of the Covéa Group, Bipiemme Vita, which it supports in its portfolio diversification strategy. The company is currently exploring other avenues, still within the European continent.



Communicating through images

To support the Sales & Marketing team in its educational efforts, the Marketing Products & Communication team proceeded in 2019 to overhaul the lexicon's videos, namely by using new technologies. *"These videos are very useful tools for our educational initiatives with the Life networks and investors. Indeed, our interlocutors are keen to receive information on these subjects, that everyone talks about without necessarily knowing exactly what they are about."* says Julien Jacquet. These videos take a fresh look at concepts as varied as the carbon footprint, the difference between ESG and SRI or portfolio diversification. In addition to their use during events organised by the team, their orchestrated distribution on the different communication channels of Covéa Finance (website, social media), but also on financial portals dedicated to investors, reinforces their impact. —>

"In particular, data on inflows and outstandings are now reported on a monthly basis, which makes it possible to monitor business trends in this area more accurately."



Caroline Ribeyre
Management Controller



Reinforcing customer knowledge

In order to comply with the AMF and MiFID2 regulations, but also with a view to getting to know its customers better in order to serve them better, the Sales & Marketing team worked in particular with Covéa Finance's Internal Control, Legal and Audit to guarantee the collection, reliability and traceability of the information to be received from each customer. In the area of customer knowledge, three projects were carried out in 2019. *"The first consisted of upgrades to the Customer Relationship Management (CRM) tool, in order to centralise information and documents related to the obligations of vigilance with regard to business relationships established or to come",* explains Olivier Gastou, Head of the IT Project team. The second project concerned the marking of orders. *"Our UCI custodian, as part of its flow centralisation activity, marks the orders. In other words, it associates them with clients or business finders. The aim of this project was to collect and reprocess these data in order to make them available to the various units*

"We have endeavoured to refine our knowledge of the flows on our mutual funds, both by large client group and at the finest level of detail, by client."



Olivier Gastou
Head of the IT Project team

concerned (Marketing, Management Control, Risk Control, Internal Control, etc.). Objective: to have a better knowledge of the flows on our UCIs, both by large client group (Mandates, internal UCIs, unit-linked funds and external clients), but also by client" adds Olivier Gastou. *"The third project concerned the application that monitors units of account, which had to be reviewed following changes in accounting. An application that makes it possible to present the inventory and flows of units of account on internal and external mutual funds, but also all other types of products"* he concludes.

An upgrade of the unit-of-account application

As unit-of-account accounting is different for each of the Covéa Group's brands, it became necessary to upgrade the existing tool in order to take into account the specific characteristics of each entity. *"In 2019, we therefore proceeded to upgrade the UC tool in partnership with the Back-Office and Information System teams. The new application now makes it possible to automatically integrate all the items from the accounts of the various Life Companies"* explains Management Controller Caroline Ribeyre. Data on inflows and outstandings are therefore reported on a monthly basis, which makes it possible to monitor business trends in this area more accurately.

From left to right
Julien Jacquet, Mike Coelho, Valérie Piquet-Gauthier, Ludovic Dobler and Vanessa Valente



Working together to serve our customers

Complete overhaul of the mutual fund reporting fact sheets

In order to support Covéa Finance's commercial development, the mutual fund reporting fact sheets were entirely rethought, both in terms of presentation and content. Highlight with Aude Ravoahangy, Reporting Manager, and Alice Guyot, Head of Marketing Products and Communication team.

WHY RETHINK FUND REPORTING FACT SHEETS?

Aude Ravoahangy: These fact sheets are one of the main tools of the Sales & Marketing unit. They allow for customer reporting on a monthly basis in respect of the management of mutual funds. Their format had not been reviewed for several years. The aim of the upgrade was to offer more modern fact sheets to customers and prospects, in line with the marketing and communication tools developed in recent years. Another goal is to improve the relevance of the data displayed and the graphics. Finally, the Reporting team wanted to optimise the monthly publication of these fact sheets in order to streamline the production process.

WHO WAS INVOLVED IN THIS PROJECT WITHIN COVÉA FINANCE?

Alice Guyot: This overhaul project, initiated in 2018 by the Reporting team, is part of our three-year objectives: it became cross-functional in the fall of 2018 with a project manager from the Marketing & Communication team. It involves a large number of teams, including Sales & Marketing, ESG, European & International Mutual Fund Management, Multi-Management, Fixed Income Mutual Fund Management, Internal Control, Legal, Financial Data Engineering and Risk Control.

HOW DID YOU PROCEED?

A. G.: The project comprised two phases: the first one, from November 2018 to June 2019, involved workshops to define a blueprint for each type of fund based on a joint framework. Three workshops were organised: Equity, ESG and SRI funds, Multi-management and Profile funds, and Fixed income and Money Market funds. These blueprints were designed by cross-referencing identified customer expectations and market best practices, based on real data, in order to test the envisaged options *in situ*.

A. R.: The second phase, from the summer of 2019 until February 2020, began with the validation of the blueprints by the various authorities. The Reporting team then drafted the statement of requirements

for each fund, before submitting them to the IT Project team. The IT Integration team then developed the blueprints before sending them to Reporting for acceptance, before the final testing stage by the various business lines concerned, to identify any points that needed to be fine-tuned. We plan to publish the first "new generation" fact sheets in 2020.

WHAT'S DIFFERENT WITH THE NEW FACT SHEETS?

A. G.: The graphic design is more modern and in line with our other publications, for greater consistency. The presentation and arrangement of the data has been completely redesigned for smoother reading.

A. R.: The calculation rules were reviewed, as well as the data displayed on the indices. The new fact sheets are based on the data warehouse, which is a much broader source of data than the one used before. The production process is optimised by automating certain tasks, which guarantees faster response times. This also means more time for the teams to devote to higher value-added tasks, such as quality control.



Alice Guyot,
Head of the Marketing
Products and
Communication team

Aude Ravoahangy,
Reporting Manager

7 new funds over 3 years

The diversification momentum continued in 2019 at Covéa Finance, with an increase in environmental-themed funds and the company's first steps into private equity, through the Covéa Accompagnement fund.

Covéa Rendement Réel: a fund addressing the issue of inflation

Launched in 2018, the Covéa Rendement Réel Fund enables Covéa Finance to invest mainly in inflation-indexed bonds.

Covéa Rendement Réel continued its implementation throughout 2019. The aim is to make this fund a 'real assets' fund, within the constraints of its prospectus, that is to say a product that allows Covéa Finance to invest mainly in inflation-indexed bonds, on commodities through index futures, on equities and convertible bonds.

Covéa Ruptures, the fund that sees far into our future

With Covéa Ruptures, Covéa Finance is choosing to invest in companies that contribute to or participate in major disruptions, that is, significant and profound transformations of our environment.

Eager not to remain a spectator of the transformations that are disrupting the balance of our world, Covéa Finance has created a fund on this theme. Created with this in mind, Covéa Ruptures invests in companies that initiate or participate in major disruptions in production, distribution and consumption methods, which may result from technological innovations, social aspirations or regulatory changes. Through innovative funds that meet investors' needs, Covéa Finance is positioned at the heart of today's challenges. Covéa Ruptures' investment strategy therefore consists in selecting companies, from all sectors, that initiate, benefit from or adapt to these disruptions. These companies are selected from a global investment universe, with close attention being paid to their capital expenditure and research and development expenditure, which supports the quality and sustainability of their long-term growth. Finally, each company is subjected to an in-depth financial analysis, integrating the macroeconomic scenarios defined in the Economic and Financial Outlook.

Covéa Accompagnement*: first steps in private equity

As part of its diversification strategy, Covéa Finance demonstrated its capacity for innovation by launching its first private equity fund in the fall of 2019. Discussion.

WHY DID YOU CREATE THE COVÉA ACCOMPAGNEMENT FUND?

Guillaume Dansaut: The aim was for Covéa Finance to diversify by taking advantage of the new Solvency 2 provisions, which encourage the Covéa insurance group to invest in this type of asset with attractive returns. In addition, a private equity fund is also a fabulous vantage point for observing our economic environment.

WHAT ARE THE CHARACTERISTICS OF THIS FUND?

Patrick Arnoud: Created at the request of our Covéa principals - who also want to contribute to the development of local networks - this fund of funds designed for professional customers is for the moment exclusively dedicated to the Group. It is an FPCI, a legal form that is adapted to the fund's investment strategy and does not require specific approval from the AMF.

WHAT WERE THE CHALLENGES IN CREATING IT?

P. A.: The project scoping took place in April 2019, and the effective launch of the fund on 24 October! In other words, we launched it in record time.

G. D.: Almost all of Covéa Finance's value chain was involved in this adventure, in a universe that was totally new to us and that requires a great deal of expertise. Remarkable teamwork.

* Fund dedicated to the Covéa Group and reserved for professional clients.

** Patrick Arnoud became Compliance Manager on 1 January 2020.

Guillaume Dansaut,
Multi-Manager

Patrick Arnoud**,
Product and
Distribution
Legal Manager



Covéa Accompagnement is a professional private equity fund.

The fund is not subject to approval by the Autorité des marchés financiers (AMF) but has been subject to a declaration procedure in accordance with AMF Instruction 2012-06. Exemption investment rules can therefore be adopted. This fund presents a risk of loss of capital and liquidity. The other risks to which the fund is exposed are described in the regulations. The fund is reserved for informed investors (Covéa group entities) and cannot be promoted.

SRI labelling

Two funds received the SRI label in 2018 and 2019: Covéa Actions Solidaires et Covéa Flexible ISR. Created and supported by the French Ministry of Finance, this label aims to make socially responsible investment (SRI) products more visible to investors in France and Europe. "Covéa Actions Solidaires seeks long-term performance, through an active investment policy based on financial and extra-financial social criteria, with a human resources development policy in the selected companies", says Sébastien Duros before continuing: "As for Covéa Flexible ISR, it is one of the few flexible funds in the market to display the SRI label."

Sébastien Duros,
European Equities
UCI Fund Manager



Environment-Themed Funds: a strong commitment to the challenges of our time

Created in 2018, our four funds with an environmental theme reflect Covéa Finance's willingness to base its investments on a long-term vision of climate issues. They also illustrate our concern to reduce the negative impact on the environment and natural resources of human activities such as urbanisation, intensive agriculture, industrialisation, population growth, air and water pollution. Details on these funds by Laurent Inglebert, European Equities UCI Fund Manager and Maxence Rousson, ESG Analyst.

CAN YOU TELL US ABOUT THE ESG APPROACH IN THESE FUNDS?
Maxence Rousson: In addition to the ESG criteria that apply to all directly managed funds, at least 60%

of each fund in this range must be invested in securities for which the fund manager and the ESG analyst have jointly established a systematic and binding dedicated rating that is consistent with the environmental theme. In fact, the 60% threshold is far exceeded, with more than 90% of the securities in the portfolio being directly related to the theme of each fund.

WHAT FIRST ASSESSMENT DO YOU MAKE AFTER EIGHTEEN MONTHS*?
Laurent Inglebert: Despite an unfavourable launch period in June 2018, the strength of the theme enabled the funds to turn a corner and achieve a very good year in 2019, outperforming generalist European indices. We see interest in this type of fund every day.

HOW DO THE COMPLEMENTARY NATURE OF THE FUND MANAGEMENT AND ESG APPROACHES TRANSLATE?
L. I.: The performance I mentioned above also owes a great deal to the fruitful collaboration between Covéa Finance's Fund Management and ESG teams, which in particular enabled the fund managers to better understand the challenges of sustainable development.
M. R.: As far as the ESG team is concerned, we have reviewed our way of rating securities to better take into account the fund management strategy. Indeed, our initial criteria were too penalising for some small caps: the new criteria now allow us to give a chance to SMEs that have a positive environmental impact but do not yet have the resources to prove it and communicate about it. The good results of this range in 2019 testify to the success of this model which is based on the complementary nature of the financial and ESG approaches.

HOW DO YOU SEE THE FUTURE OF THESE FUNDS IN THE LONG TERM?
L. I.: We have moved from a fad to a real groundswell, and companies engaged in this trajectory are being offered solid growth prospects for the years to come. Volumes traded on these securities are steadily increasing and several major investors have announced their intention to focus on this "new green economy". The future looks bright for this investment theme.

* As of 31/12/2019.



Fixed Income and Money Market Funds

UCITS
Europe
Covéa Moyen Terme
Covéa Obligations
Covéa Euro Souverain
Covéa Euro Spread
International
Covéa Haut Rendement
Covéa Oblig Inter
Combined
Covéa Rendement Réel
Combined Convertible
Covéa Obligations Convertibles
Short-term Money Market
Covéa Sécurité

Covéa Actions Investissement

Covéa Actions Investissement is a fund that invests in American and European equities, the management of which is based on the insights of our Economic and Financial Outlook (EFO) and cross-functional fund management committees. It selects stocks with stable growth and reasonable valuation profiles. After holding up relatively well in 2018, the fund posted a very solid performance in 2019, with a 30% increase. In line with the strategic choices made in our Economic and Financial Outlook, the geographic distribution favoured the United States in 2019, enabling this region to make a strong contribution to performance. The themes selected were also performance drivers, namely the themes of innovation and real assets capitalising on changes in business models.

Equities and Combined Funds

UCITS
France
Covéa Actions France
Covéa Perspectives Entreprises
Eurozone countries
Covéa Actions Croissance
Covéa Actions Euro
Countries of the European Union
Covéa Actions Europe
Covéa Actions Rendement
Covéa Actions Europe Opportunités
International
Covéa Actions Europe hors Euro
Covéa Actions Investissement
Covéa Actions Monde
Covéa Terra
Covéa Solis
Covéa Aeris
Covéa Aqua
Covéa Ruptures
Asia
Covéa Actions Japon
Covéa Actions Asie
Americas
Covéa Actions Amérique
Covéa Actions Amérique Mid Cap
Combined
Covéa Patrimoine
Covéa Flexible ISR**

AIFs
Cohesive development/SRI
Covéa Actions Solidaires**
Combined
Covéa Ultra Flexible

Multi-management Funds

UCITS
Countries of the European Union
Covéa Multi Europe
Covéa Multi Immobilier
International
Covéa Multi Small Cap Europe
Covéa Multi Monde
Combined Risk-profile
Covéa Profil Équilibre
Covéa Profil Dynamique
International Equities Risk-profile
Covéa Profil Offensif
AIFs
International
Covéa Multi Haut Rendement
Emerging Countries
Covéa Multi Émergents
Combined
Covéa Multi Absolute Return

* Open.
** SRI-labelled funds.



Covéa Finance's World Committee

Serving our strategy through digitisation

Making a difference means making the most of new technologies to modernise business processes. From portfolio management to communication, from human resources to legal, digital technology makes data processing more fluid and reliable. Covéa Finance has made digitalisation one of its corporate objectives, with cross-functional projects that are profoundly reshaping the company as a whole.



Business lines, engineers of the digitisation of their own processes

Eager to meet the regulatory and normative requirements of a fund management company, Covéa Finance is continuing its digitisation process and is getting its documents in order to organise its range of documents in electronic format.

The content digitisation project, in line with Covéa Finance's three-year objective entitled "To be a driver of sustainable growth", should lead to the implementation of a Company Content Management tool called 'Atlas'. It reached new milestones in 2019. Among these, the final stage of the mapping of all the types of documents existing within the company, in connection with the business lines, but also the drafting of the project master plan. The latter, in addition to explaining the approach and its objectives, gives a clear vision of the timetable: aims pursued, processes to be carried out, selection of necessary and sufficient means and resources, sequences and stages to be observed. As a reminder, it involves taking into account the 90,000+ documents in the current EDM*, as well as the contents present in the repositories identified in the server directories.

Several million documents identified

In order to prepare for the switchover to the future tool, a procedure for cleaning up files and directories was written and workshops with the business lines were organised, with the valuable support of the IT and Security Coordination team. Several million documents were identified prior to this process. The thirteen teams that were set up made themselves available and began this clean-up, which will continue in 2020.

A broad spectrum of expertise

The digitisation project is a major challenge for Covéa Finance, which will enable the company to organise its documentary heritage in electronic form, in line with its business processes. The spectrum of expertise is vast: digitisation, deployment of digitisation sites, image processing, semantic indexing, electronic signature, etc. Another objective is to enhance the value of employees' work and to minimise tasks with low added value. Finally, the security of documents and the introduction of a collaborative working method will encourage cross-functionality and team spirit, in line with Covéa Finance's DNA.

* Electronic document management.



Digitalisation projects

HR, Legal, Communication, voting at general meetings: digitisation is the flavour of the year for all of Covéa Finance's business lines. The proof is in the pudding.

HR in the digital age

The *Déclaration Sociale Nominative* (DSN, electronic payroll reporting), which replaces all the periodic or event-driven declarations to numerous administrations (CPAM, URSSAF, pension funds, Pôle emploi, etc.), was already in place at Covéa Finance. It allows for monthly electronic transmission thus reducing the risk of error and the reporting workload. With regard to withholding tax, the company has been preparing for this since 2016 in direct contact with its software provider and with the support of the DSN system in place, so that the switchover would take place as naturally as possible on 1 January. To support employees through this change, a major HR communication plan was implemented throughout the year. Lastly, lunch vouchers ('*Tickets Restaurants*') were also dematerialised in the form of electronic cards and an online personal space that allows users to monitor their real-time consumption.

A contracts library that goes digital

With this tool, the Legal & Compliance department was able to modernise and secure the monitoring of contracts. On a practical level, the "flows" of new contracts are now integrated primarily into this database, which also contains a large part of the historical inventory. This contract library provides Covéa Finance with a dynamic and collaborative tool that is fully capable of securing the processing and monitoring of contracts, in particular via the configuration of Outlook alerts for contract expiry dates. In 2020, a tailor-made reporting system will still have to be implemented to optimise existing files and to communicate better with other business divisions.

A redesigned website

The overhaul of Covéa Finance's website, completed in 2019, had a twofold objective: digitalisation and commercial development of the company. It was all the more necessary as digital practices evolve very quickly and the latest makeover of the site dated from June 2014, hence the importance of updating it to make it as attractive as possible. The company also wanted to bring a component of vitality and motion: a completely rethought design, but also an emphasis on the company's content and expertise. Finally, entering the site by profile makes it possible to propose an adapted editorial line, both in terms of content and product offering.

Voting digitisation at general meetings

ESG analysts are responsible for exercising the voting rights associated with the shares held by Covéa Finance. They cannot always travel to the general meetings of the companies concerned to vote: this is why the company uses dematerialised voting via an internet platform. This operation was carried out in 2019 jointly with a service provider specialising in voting, the custodians and Covéa Finance's Middle-Office team. Digitisation makes it possible to increase efficiency while reducing the operational risk.

IT security, a major challenge

2019 saw the strengthening of cybersecurity prevention through increased monitoring and training. Objectives: to identify threats, but also to meet the regulatory requirements in respect of data protection.

WHAT ARE COVÉA FINANCE'S MAJOR CHALLENGES IN TERMS OF INFORMATION SYSTEM (IS) SECURITY?

Claude De Oliveira: Faced with a constant increase and evolution of IT threats, markets are now aware of the key issues related to cybersecurity. At Covéa Finance, these risks have been taken into account for a long time. For several years now, the company has been implementing an Information Systems security strategy, which has been supported by a mapping of systems and associated IT risks (disasters or serious events). To be able to continue to operate and honour its commitments whatever the circumstances, Covéa Finance is improving its Business Continuity & Recovery Plan (BCP-BRP) which enables it to meet its regulatory, statutory and internal obligations.

WHAT GOVERNANCE FOR COVÉA FINANCE'S INFORMATION SYSTEMS?

C. D. O.: The administration and monitoring of information systems is also one of our major challenges. This translates into the implementation of an Information Systems Security Policy (ISSP), but also a dedicated comitology, in connection with the outsourcing manager, on the management of incidents and requests as well as any changes. Another essential point is the management of sensitive data, around which we have begun working on their identification and classification, in order to allow for more precise access management and mapping.

IN PRACTICAL TERMS, WHAT CAN BE DONE TO RAISE AWARENESS AMONG TEAMS?

C. D. O.: Covéa Finance realised very early on the driving role that employees can play in terms of Information System security. The company therefore

places great importance on raising awareness and training across all teams in cybersecurity fundamentals including examples from topical events. In this respect, 2019 saw the implementation of cyber risk training for all employees, both on the aspects of internet browsing and email management, as well as on the risks related to travelling. This face-to-face training will be followed in 2020 by an e-learning module to support our employees in their learning.

WHAT WERE THE 2019 WORK FOCUSES IN TERMS OF CYBERSECURITY?

C. D. O.: Several projects relating to Information Systems security issues were carried out this year. First of all, our Information Systems Security Policy continued to evolve in 2019, in particular through the enhancement of new security guidelines with regards to external access. We set up a permanent technology watch which enables us to make it evolve according to current events or the needs of Covéa Finance. To support the company's digitisation and digitalisation project, we began to redefine external access to the IS, thanks to the implementation of a firewall. Employees working out of the office benefit from nomadic devices and secure access to the Covéa Finance IS via a virtual private network (VPN). Finally, we have also improved our IT Business Continuity & Recovery Plan to provide a more suitable and secure working environment for employees affected during the management of a crisis.

WHAT ARE COVÉA FINANCE'S MAJOR CHALLENGES IN TERMS OF DATA PROTECTION IN RELATION TO THESE IT THEMES?

Nadia Ben Salah: First of all, it should be recalled that cybersecurity is one of the major compliance issues according to the positions and publications of

“For several years now, the company has been implementing an Information Systems security strategy, which has been supported by a mapping of systems and associated IT risks.”

Claude De Oliveira

regulatory authorities and market associations (ANSSI*, CNIL**, AMF*** and AFG****). In this respect, the General Data Protection Regulation (GDPR), which came into force in May 2018, has reinforced computer security obligations in terms of the collection, processing and storage of personal data. In this context, Covéa Finance carried out an audit of the processing of personal data within the company and identified the security rules associated with each of these processes.

WHAT DATA ARE WE TALKING ABOUT?

N. B. S.: According to the notion of personal data as defined by the GDPR, personal data concern a broad category of data that may be collected daily by employees for different purposes. Moreover, in addition to the obligation to identify and map personal data mentioned above, the GDPR requires all data controllers to ensure a high level of security of personal data, an exercise which implies a regular reconsideration of the security measures associated with all data (grading, enhanced IT security measures, DPO alert process, etc.).

HOW IS DATA PROTECTION ORGANISED IN RELATION TO THE BUSINESS?

N. B. S.: To meet GDPR requirements, the Legal & Compliance department closely works with all the business lines, and particularly with the IT Project, IT Integration and IS Security team to ensure that management complies with European regulations. In addition, GDPR referents have been appointed in all units where personal data are handled. In the last quarter of 2019, the Legal and Compliance department provided training to these referents, as well as to the staff of the Information Systems department.

* French Network and Information Security Agency.

** Commission nationale de l'informatique et des libertés [French data regulator].

*** Autorité des marchés financiers [French financial market regulator].

**** French Asset Management Association.

Nadia Ben Salah,
Head of Legal
and Compliance
department, DPO

Claude De Oliveira,
IT and Security
Coordinator

Optimising our risk management

Making a difference means not being constrained by the regulatory requirement but rather choosing to transform it into a factor of progress. Covéa Finance regularly rethinks its risk control and management systems in order to secure its business while supporting the necessary changes in the investment and fund management process: a challenge that Covéa Finance tries to take up on a daily basis.



Transition to a single custodian

Regulation can also be a source of opportunity: the proof with UCITS 5, which enabled Covéa Finance to securely move to a single custodian. Cross explanations on this 2019 project.

WHY CHANGE FROM THE PREVIOUS TWO CUSTODIANS FOR MUTUAL FUNDS?

Valérie Sandra: This project took place in a highly changing and dense regulatory context. The custodian's missions and responsibilities were clarified by regulatory texts at the end of 2018, and the transfer to a single custodian was intended to review our relationship with the custodian by signing new contracts that reinforce its obligations in terms of asset protection.

Laëtitia Courdoisy: After putting its two custodians out to tender, Covéa Finance finally selected Caceis Bank, the profile of which was deemed more suitable to meet Covéa Finance's requirements in terms of securing assets held by the mutual funds, while at the same time significantly controlling costs.

HOW DID YOU LEVERAGE ON REGULATIONS TO OPTIMISE YOUR PROCESSES?

V. S.: We took advantage of all the regulatory developments on the custodian's missions and responsibilities, and more specifically the alignment of the regimes of custodian responsibilities between the UCITS 5 and AIFM directives, as well as the latest clarifications on the custodian's obligations with regard to asset custody, to negotiate new agreements with the custodian. With a view to simplifying flows and strengthening contractual security, it was finally decided to entrust our mutual funds to a single service provider who already acts as custodian and centralising agent for some of the mutual funds in our range. We also negotiated the implementation of an additional service agreement in order to redefine the missions and responsibilities of all parties, as well as the operating mode between the players.

L. C.: Renegotiating the contractual terms with the chosen custodian ensured, among other things, that the rules for holding the securities were complied with and that the assets were indeed recorded in separate accounts, as now required by the regulations.



Valérie Sandra,
Head of the Product
and Distribution
Legal Team

Laëtitia Courdoisy,
Head of the
Middle-Office Team

“The teams were highly involved, thus guaranteeing the success of the project.”

Laëtitia Courdoisy

HOW WAS THIS PROJECT CARRIED OUT IN 2019, WITH THE CONTRIBUTION OF WHICH BUSINESS LINES?

L. C. : The migration of the nineteen funds still deposited with our former custodian was dealt with by the Middle Office and Legal teams in February 2019. At the same time, several projects were initiated with the appointment of various project leaders divided between the Middle Office, Legal and IT project units. The mutual funds were transferred in three segments to reduce the operational risk and facilitate the process between the various contributors. The process gave us the opportunity to work on many subjects such as regulations, taxation, management of financial flows, etc. The teams were highly involved, which ensured the success of the project.

V. S. : To give an idea of the volume of work, one of the projects steered by the Legal Department concerned the implementation of the contractual documentation, i.e. the negotiation of fourteen custodian agreements and amendments. The service level agreement required the setting up of in-house workshops with the main business lines concerned, in particular the Middle Office and Internal Control, but also with the custodian itself. We also had to apply to the AMF for transfer authorisations for each of the nineteen mutual funds concerned. At each milestone, the unwavering involvement of the various business lines made it possible to complete the project successfully and to comply with the migration schedule.

European monetary funds: Covéa Sécurité version 2019

The new European regulations on money market funds, which came into force in 2019, required a transformation of the Covéa Sécurité fund.

These new provisions, which are specific to money market funds, require fund management companies to review the monitoring of the credit quality of issuers. Thus, the Covéa Sécurité fund transformation file, finalised in early 2019, was submitted to the AMF and validated by the latter in the first quarter. The valuation is now done internally at Covéa Finance, the assessment of credit quality is carried out independently, according to an in-house model by Microeconomic Research with stress tests carried out by Risk Control and liquidity monitoring by Fund Management and Reporting. In addition to these teams, to complete this very dense project, led by the Legal & Compliance department, other business lines worked together, including the IT Project, Quantitative Research, Middle Office and Reference Framework.



Xavier Chapon,
Head of the Fixed
Income department

The EMIR refit

The European EMIR Regulation, which aims to improve the transparency of derivatives transactions and reduce systemic risk, was amended in 2019. An update on the consequences of its new terms for Covéa Finance.

Since August 2012, the European Market Infrastructure Regulation (EMIR) has imposed new requirements on the various players involved with OTC derivatives trading. The aim is to regulate all transactions on these financial instruments by requiring them to be reported to an approved European trade repository on the one hand, and by requiring them to be cleared or, failing that, to implement risk mitigation measures, such as the obligation to exchange assets serving as collateral on the other. *“To put it simply, EMIR aims to improve the transparency of transactions (by reporting them) and to reduce systemic risk (either through a clearing house or by exchanging collateral),”* explains Damien Sabot, Markets and Operations Legal Manager.

“The EMIR project involved several Middle Office staff members: some were responsible for projects and others for communicating with external partners. Its role was decisive as it namely enabled to establish a link between the different business areas to automate EMIR reporting.”

Pascal Seiller,
Deputy head of Middle-Office team

2019 Amendment and extension of the EMIR project

The EMIR Regulation was amended in 2019, with the aim of easing certain obligations for certain non-systemic risk players, such as small financial counterparties. In this context, Covéa Finance pursued the EMIR project on two fronts: *“The first involves securing the existing system, by delegating certain Middle Office tasks to a service provider, relating to valuation, margin call management and reporting”* says Damien Sabot. The second aspect concerns the use of swaps and a clearing house in the context of the United Kingdom's exit from the European Union (Brexit).

Damien Sabot,
Markets and Operations Legal Manager

Enhanced expertise on sustainable finance

Aware of the stakes involved in taking extra-financial criteria into account in portfolio management, Covéa Finance strengthened its ESG team in 2019, while continuing to bring its expertise to the Covéa Group in the field of sustainable finance.

Sustainable finance is gradually establishing itself as an essential approach for institutional investors. Covéa Finance, which is committed to understanding the impact of this fundamental trend on its portfolios, strengthened its ESG team in 2019, increasing from three to four the number of ESG-dedicated employees. This is in a regulatory context that has seen, in particular, the creation of a European taxonomy of sustainable activities, a real reference system enabling investors and companies to identify sectors that generate environmental “benefits”. This is just one of a number of new measures,

with regulators addressing sustainable finance issues in response to both political and societal concerns. Hence the importance for Covéa Finance to have an in-house team with expertise to take extra-financial criteria into account.

A sustainable finance expert at the service of the Covéa Group

Beyond the fund management company itself, Covéa Finance has also positioned itself since 2015 as Covéa's sustainable finance expert. This translates into specific monitoring of the Group's investments (excluding real estate), but also through the participation of the ESG team in Covéa's “Article 173 of the Energy Transition Act” task force. The aim of this cross-functional working group is to develop a common vision for the drafting of ESG reports known as “Article 173” and to exchange views on regulatory developments and market debates. Covéa Finance also contributes, as a business expert on the financial aspect, to the Covéa CSR Committee: a body that produces in particular the regulatory report known as the DPEF (*Déclaration de Performance Extra-Financière or Extra-Financial Performance Declaration*). In addition to these direct contributions, Covéa Finance aims to be a proactive expert at the service of the Covéa Group, identifying its expectations and needs while uncovering strong trends.

This proactive approach led to the creation of a range of funds with an environmental theme in 2018 and the SRI labelling of two funds at the end of 2018 and beginning of 2019.



A reorganised and strengthened control system

Since 2016, Covéa Finance's control system has been reorganised in order to support the development of the investment and fund management process, but also to secure it. An enriched system that has already proven its effectiveness.

2019 saw the final stage of the work initiated in 2016 to support the development of Covéa Finance's investment and fund management process, with the aim, among other things, of securing this process, but also the entire delegation process. This approach is all the more important in a context of changing organisation and governance arrangements, which also helped to better define the scope of autonomy by providing the fund management departments with tools enabling them to better control their market and operational risks (first-level controls).

Strengthening first-level operational security

Within this framework, several structuring projects were initiated, accompanied by reorganisations at business line level (securing market data, standardisation of data used, optimisation, etc.), which resulted in a new global architecture of the control system comprising four independent functions: risk control, internal control, compliance and Internal Audit. A project was carried out to secure business continuity, namely by modernising IT and dedicated technical solutions, such as the roll-out of a user back-up site. Improving communication actions in

“Objectives of this modernisation: secure the investment and fund management process, but also the entire delegation process.”

Ludovic Jacquier

Franck Ibalot,
Executive Director, Director
of Risk, Operations and
Information Systems

Ludovic Jacquier,
Managing Director,
in charge of all Support
and Control functions



“The Risk Control modernisation project aimed to measure all the risks embedded in the portfolios under management.”

Franck Ibalot

crisis situations was also a work topic last year. The teams were able to test the robustness of the system during improvised, full-scale tests with all the businesses in the value chain, in the middle of the day, the results of which were conclusive. The system also made it possible to offer alternative solutions to employees to ensure business continuity during the transport strike at the end of 2019.

Market risk control: final phase of modernisation

Launched in 2016 to deal with the changes in asset management techniques, this major project, which will have lasted nearly four years, aimed to measure all the risks embedded in the portfolios under management (markets, counterparties, liquidity, valuation, etc.). In 2019, the Risk Control team set up early warning systems for fund management teams based on predefined thresholds. The fund managers remain, of course, in control of their decisions with regard to their scope of responsibility, but they act with full knowledge of the facts if the light is flashing orange. Covéa Finance specificity: Risk Control also issues alerts when levels are near the thresholds, enabling the business lines to correct or justify their position without degrading performance. Also worth noting on this point is the conduct of stress tests on the portfolios, carried out in 2019 using different methodologies.

Operational risks and non-compliance risks: the new Internal Control system

Another structuring project on the agenda for the last three years was the modernisation of the internal control and compliance function, responsible for second-level permanent control. It thus verifies the adequacy and effectiveness of the operational risk control and non-compliance systems, as well as the proper operation of the market risk control system, while ensuring compliance with employee ethics. In addition to these responsibilities, Internal Control also advises the business lines

in order to support them in a continuous improvement process aimed at implementing first-level controls. Objective: to reduce the number of incidents and strengthen risk control. At Covéa Finance, the controllers are not satisfied with simply issuing alerts and making quarterly reports, they are in constant interaction with the managers in order to propose areas for improvement to correct recurring anomalies that pass through the controls in place.

Compliance moves within the Legal department

In view of the work to modernise Internal Control and the regulatory nature of its missions, the compliance function now sits within the Legal department. Nevertheless, it retains its original remit, i.e. to provide advice and assistance to the business lines in implementing legal and regulatory obligations. The team also provides strategic monitoring of future obligations in the pipeline and steers, as applicable, regulatory projects.

The Internal Audit team remains in charge of the periodic control

Another cornerstone of the system is that the internal audit function (i.e. third level control) within Covéa Finance remains in charge of periodic control operations, at the request of Management. With this in mind, it is based on risk mapping and on the proven risks arising from the various Internal Control alerts. At the same time, Covéa Finance reoriented its audit function in 2019: it has now been assigned with an advisory mission and the coordination of potential projects arising from the action plans recommended by the Audit team and validated by the Executive Committee.

A tried-and-true system

From 2019, the new Risk Control system has demonstrated its effectiveness by contributing to several cross-functional projects, such as the project on compliance with regulatory changes for money market funds (very specific work on valuation indicators and monitoring of liquidity risks). It also provided effective support to the fund management teams during the creation of new funds, including Covéa Accompagnement (see page 33). Leading by example.

Adapting our fund management methods to new challenges

Making a difference always means questioning ways of doing things in a continuous progress-driven approach. In a context where asset management is facing major challenges, Covéa Finance's fund management process is no exception to the rule, with a central question: how to take the collaborative process one step further to allow skills other than those from the asset management field to generate added value for the company?



Reorganising the collaborative process

A more complex environment, tougher competition and increased regulations: to meet these challenges whilst cultivating its difference, Covéa Finance launched a review of the development of its fund management process.

The recent governance changes within Covéa and Covéa Finance provide an opportunity to conduct a global reflection on the organisation of the fund management company. “We have a habit of always questioning our way of doing things so that we never stop progressing. It is necessary to regularly ask questions about our fund management process, because our environment is changing and requires constant adaptation to its new challenges. In this context, which I would describe as a healthy development, it is more important than ever for Covéa Finance to cultivate its difference and added value,” explains Yannick Tatibouët, Executive Director, Director of Strategic Intelligence, External Relations, ESG and Research. Covéa Finance’s fund management process, the real core driver, had already been reviewed at each of the mergers that have marked the

“We want to deepen and formalise the shared vision of the fund management and research teams, through an ever closer relationship between the fund managers and our integrated research teams.”

Yannick Tatibouët

company’s history. “In 2019, there was no merger, but one thing is clear: the company has grown a lot, and so has its workforce. It is therefore appropriate to question the collaborative process in our organisation. Add to this a world of finance where asset management is facing major challenges, such as competition from passive fund management, the rise of extra-financial criteria and environmental issues, particularly climate change, which make the analysis even more complex. Finally, this analysis on the fund management process is part of our Ambition 2026 plan” says Francis Jaisson, Managing Director in charge of Asset Management, Marketing, Trading and Research.

Rethinking the Economic and Financial Outlook

Collaborative work, a founding principle of Covéa Finance, finds multiple fields of expression in the company, starting of course with financial management. It is particularly critical to the Economic and Financial Outlook (EFO), which is itself essential to the fund management process. “The Economic and Financial Outlook is the backbone of the company’s investment process. Submitted three times a year to the Group, they provide an opportunity to present the company’s long-term views on all international financial markets. Rethinking them means ensuring the sustainability and appeal of Covéa Finance’s collaborative management model with regard to the Group and its customers”, comments Francis Jaisson. From 2020, the three annual events will each have their own specificity: the beginning of the year edition will remain in its classic form, highlighting the structural framework in which financial management operates, the mid-year edition will focus on the ‘market’ prism and the end of year edition will focus on a particular subject likely to have a lasting influence on the reading of the major economic and financial balances.



Cross-referencing 5 sets of views

The thought behind collaborative work within Covéa Finance is intended to explore new avenues. “We want to deepen and formalise the shared vision of the fund management and research teams on issuers (equity and debt). This means more and more but also better cross-referencing between those five views, those of the fund managers and the four research teams: macroeconomic, microeconomic, quantitative and ESG. We’re already doing it, but in the future, we will go even further” mentions Yannick Tatibouët. Among the other places where collective responsibility is expressed, the cross-functional committees, such as the Commodities Committee and the Foreign Exchange Committee, also provide an opportunity to compare points of view and expertise for the benefit of fund management. Collective responsibility is also reflected in the scenario shared between the fund management and macroeconomic research teams, arbitrated by the head of fund management which makes it possible to refine a vision and apply it, in an adapted and pragmatic way, to portfolio management.

Cultivating difference to serve customers

This integration of research and fund management is a major asset for Covéa Finance and serves its sales and marketing ambitions. Making it more visible in the fund management process also means ensuring its traceability. These are all developments that will make it possible, in the future, to maintain the operational performance of the fund management company through its financial performance at the service of its clients.

“Rethinking the Economic and Financial Outlook means ensuring the sustainability and appeal of Covéa Finance’s collaborative management model vis-à-vis both the Covéa Group and our other clients.”

Francis Jaisson

Our Economic and Financial Outlook is evolving

The historical format of the Economic and Financial Outlook (EFO) is changing significantly in 2020. The result is an analysis of the structural framework through the prism of the markets and cyclical themes. Explanations.

Covéa Finance's Economic and Financial Outlook (EFO) is the backbone of the company's investment process and is the result of cross-functionality and collective responsibility - two founding principles of Covéa Finance - between the research and fund management teams. Submitted three times a year to the Group, these outlooks provide an opportunity to present the company's long-term views on all international financial markets. Beyond the event itself, the EFO overviews are relayed on Covéa Finance's website and on social media, in order to nurture the company's expert reputation and image.

Three-in-One

In 2020, in order to boost the format of these three annual sessions, Covéa Finance has decided to give each one a specific prism, which will guide the presentation. The Economic and Financial Outlook at the beginning of the year will thus remain in its initial form, providing Covéa Finance's view of the world, its diagnosis of savings and debt flows, trade, investment and consumption, the relationship with the financial markets and its investment conclusions. The mid-year session will focus on the markets, with developments on corporate strategies and portfolio construction. Finally, Covéa Finance will reserve its end-of-year session for a specific subject, likely to have a lasting influence on its reading of the major economic and financial balances or to modify in depth the strategies of the States or companies in which it invests for the long term. In line with the latest Economic and Financial Outlook for 2019, which focused on the theme of deflation and its implications on asset allocation.



A bird's eye view

Covéa Finance's organisation, based on information sharing and communication on the visions of the different teams, makes it possible to implement this change in form. In essence, these Economic and Financial Outlooks remain anchored on what has always made them successful: a collective analysis of the economic and financial context in all its forms (from geopolitics to the production sites), an elevated viewpoint, conclusions with a requirement for intellectual honesty and free from any consensual bias, a conviction-based management and operational decisions that commit Covéa Finance.

The investment process

The Covéa Finance investment process raises cooperation to the status of a fundamental principle at all decision-making levels. The objective is to preserve the capital entrusted to the company by its clients by protecting it from monetary erosion and by demanding compensation for the risk taken. To achieve this, Covéa Finance encourages teamwork and has a scalable information system, dedicated to the fund managers. Finally, the company relies on its four major competitive advantages: its method, its employees, its clients and its systems. Its asset management philosophy is built around a long-term vision, based on fundamentals which give meaning to the economy and strategic direction to its investments. Its expertise, based on the maximisation of internal added value, is to propose and implement asset allocation which is expressed and fed through the Economic and Financial Outlook (EFO) process.



Internal research integrated at the fund management's service

One of Covéa Finance's strengths lies in its Integrated Research. This is a major asset that gives fund managers the means to take a step back and allows them to carry out their role in a way that is both differentiating and efficient.

Specificity of the Covéa Finance model: its integrated research department, which works closely with the fund managers. *"It is this complementarity that gives us our strength. Our objective is to provide them with 'tailor-made' work, corresponding to their needs and expectations. Our role is to answer their questions and to provide them with additional added value"* explains Sylvaine Rodrigues, Head

From left to right:
Victor James, Sébastien Berthelot
and Marine Puech



Working together to serve our customers

of the Research department. All the Research teams are thus involved with this common goal in mind: the Macroeconomic team provides information on the economic backdrop and current events, while the Microeconomic team provides accounting and historical analysis of company accounts, and the ESG team provides details on non-financial items. *"All of this contributes to providing fund managers with a 360° view of the companies' environment, complemented by the tools developed by the Quants"* adds Sylvaine Rodrigues. Finally, in addition to this daily work, Research staff actively participate in the weekly fund management committees, as well as in the various specialised committees (commodities, banks, etc.) and meetings with company executives.

Breaking away from the consensus

Far from being solely in a responding position to Fund Management's needs, Research remains attentive, within the framework of its various missions, to innovate and take a step back from the data provided and the information circulating on the market. *"This systematic verification and questioning process helps us to stand out from the consensus and to support fund managers in their efforts to anticipate, but also to manage in a differentiating and efficient way"* points out Sylvaine Rodrigues. Finally, although employees provide groundwork, they nonetheless also remain watchful and responsive, so that they are able to send fund managers alerts, whether positive or negative, enabling them to make informed fund management decisions. In this way, Covéa Finance's Research and Fund Management teams move forward together on a daily basis, in a complementary fashion and a total alignment of interest.

MICROECONOMIC RESEARCH

Beyond the securities

Participate in the analysis of the risk and potential return of the securities held (or to be held) by Covéa Finance as an investor and creditor: this is the objective of the Microeconomic Research.

Based on fundamental analysis, the team presents to the fund managers company analyses enabling them to invest (or not) with full knowledge of the facts. *"Beyond the simple accounting aspects, our research also looks at the company's history, competitive environment, market developments, strategy, regulatory aspects and corporate culture. As such, the analysis includes both quantitative and qualitative data. Everything that is likely to impact the value of a share or bond, from the economic situation of a country or an industry to the efficiency of the company's management, is taken into account"* comments Rémi Seng, Microeconomic Studies Manager. Of course, everyone has a role to play: while Microeconomic Research naturally expresses itself on the quality of the accounts, it leaves it to the fund managers to make their buy or sell recommendations, based on valuation, momentum, the composition of their portfolio and their own perception of value. *"We play a complementary role with them and are there to help them make decisions based on the best possible knowledge of the files"* adds Rémi Seng. The Microeconomic Research team works independently, relying solely on the company's data. *"We use all official documents (annual reports, interim results, presentations, etc.) and also directly solicit primary sources, i.e. the financial or investor relations departments of the companies, in order to obtain the most qualitative and accurate information possible. We also take into account the extra-financial criteria identified by the ESG team and the analytical items of Macroeconomic Research"*, adds Rémi Seng. Where portfolio managers develop a more forward-looking analysis, Microeconomic Research focuses on the fundamental analysis of the company.

Its work serves as a support for reflection and allows fund managers to have a differentiating point of view. *"Finally, we monitor changes in accounting standards so that we can alert fund managers, if necessary, to potential impacts on the financial statements of the companies they hold. In the same way, we update a number of tools enabling us to inform them regularly about trends or developments related to companies and the market"* concludes Rémi Seng.

"We are here to help fund managers make decisions based on the best possible knowledge of the companies."

Rémi Seng

Research department restructuring

MACROECONOMIC RESEARCH

Taking a step back

With a team of five expert collaborators, the main mission of Covéa Finance's Macroeconomic Research team is to provide fund managers with an analysis of the economic environment in order to facilitate their decision-making.

"In addition to country monitoring, we provide themed-based studies that can shed light on developments in the global economy. Our interactions and discussions with the fund management team contribute to defining, in a collective way, the macroeconomic scenario that we develop in the Economic and Financial Outlook and that underpins the investment strategy" explains Sébastien Berthelot, Deputy Head of the Macroeconomic Research team. In this field, independence and rigour are fundamental values. The team analyses the information in order to verify its validity and to be able to propose internal research that allows us to take a step back from the uninterrupted flow of information. *"Our approach consists in providing fund managers with the*

"To provide fund managers with the short-term economic analysis of the environment coupled with a structural vision, in line with the requirements of a long-term investor."

Sébastien Berthelot

short-term economic analysis of the environment coupled with a structural vision, in line with the requirements of a long-term investor," adds Sébastien Berthelot. Fully dedicated to fund management, this expertise benefits greatly from the dialogue between the two departments, particularly during fund management committee meetings, which allows us to be as close as possible to the concerns of the fund managers.

QUANTITATIVE RESEARCH

Applied Mathematics

Fundamental and applied research: these are the two missions of the Quantitative Research team, created in 2006.

"The Quantitative Research Unit at Covéa Finance" says Victor James, a Studies Manager, *"is made up of two distinct professions: fundamental research and applied research".* Fundamental research is the backbone of innovation. The world of finance is changing rapidly, with the development of new technologies (artificial intelligence, robotics) and the increase in data flows and their accessibility (Big Data, Data Science): these are all challenges that a fund management company must take advantage of. *"In this context, the team is at the heart of the innovative spirit that drives Covéa Finance. This philosophy is being implemented to improve*

"The Quantitative Research team is at the heart of Covéa Finance's innovative spirit."

Victor James

the accuracy and reliability of our work" adds Victor James. The team brings its expertise and skills in financial mathematics and market data management, particularly in assessing the value of financial assets. While it develops tools related to investment, hedging and risk management strategies, it will be called upon in the future to make a strong contribution to the development of new products, new fund management approaches and new services to be offered to our clients as part of our Ambition 2026 project.

ESG

ESG joins the Research department

Convinced of the importance of taking into account extra-financial information known as ESG (Social Environment Governance) in addition to financial items in its assessment of the risk on its investments, Covéa Finance has fully integrated this dimension into its investment strategy.

ESG brings real added value to portfolio management: based on this principle, Covéa Finance decided to strengthen its ESG-dedicated team and integrate it into its Research department in 2019. The consideration of ESG criteria in the investment process is framed by five pillars that structure this approach. First pillar: voting policy at general meetings of listed companies. Second pillar: the exclusion policy, in particular of any direct investment in companies involved in controversial weapons, tobacco companies or those with a significant share of their turnover in the gambling and betting sector, and, since June 2019, the exclusion now extends to coal-related companies. Third pillar: the commitment policy, which is expressed through ESG analysis of private and sovereign issuers, as well as through shareholder dialogue, and which enables Covéa Finance to confront companies with their material challenges, to encourage them to improve their environmental, social and governance performance, and to enhance their transparency on these subjects. The fourth pillar is the calculation and publication of the carbon intensity of each of its portfolios. Fifth pillar: a range of funds with an environmental theme and two funds with the Socially Responsible Investment (SRI) label that are subject to a specific rating based on predefined extra-financial criteria. *"With its four analysts, Covéa Finance's ESG team carries out all the ESG analysis of companies itself. Covéa Finance has indeed chosen not to be dependent on extra-financial rating agencies but to*

internalise its analyses, which is a differentiating factor compared to other comparable fund management companies" highlights Marine Puech, Deputy Head of the ESG team.

From an organisational point of view, 2019 was marked by a convergence of the Research teams, and in particular by the integration of the ESG team within this department. *"This development has intensified and consolidated relations between research and fund management teams, since ESG analysts now systematically participate in fund management committees as well as cross-functional committees such as the commodities committee"* says Marine Puech.

"ESG analysts now systematically participate in fund management committees as well as cross-functional committees such as the Commodities Committee."

Marine Puech

The development of accounting and insurance “tools” and services to support mandates

An in-depth expertise in insurance management

Insurance management imposes specific requirements. Covéa Finance, a long-standing player in this business, has organised itself accordingly and has developed a range of tools to be able to manage these very special mandates.

As a subsidiary of an insurance group, a major part of Covéa Finance's activity concerns insurance management mandates. This specificity generates constraints specific to insurance management and the company has set up an adapted organisation, with an internal insurance back-office. Objective: to be able to have direct access to all the items needed to manage these specific mandates.

Insurance management imposes processes that can create discrepancies between the performance actually recorded for the mandates and the performance perceived by the fund manager. Covéa Finance has therefore put in place tools that enable it to visualise these repercussions on the financial result of insurance mandates, and which constitute a real service for its insurance clients. Thanks to these tools, the fund management company and the mandate representative can be on the same page, without any risk of misunderstanding the reality of the portfolio's performance.

By being able to measure the real impacts of fund management decisions, Covéa Finance is in a position to make proposals in an even more relevant way for its insurance customers, while ensuring a precise monitoring of financial risks and accounting data. These tools, which are specific to insurance management, were mainly developed internally by Covéa Finance, like FIFO (“First In, First Out”). For managers of insurance mandates, they are a necessary complement to traditional financial management tools.

Fund management

“Fund Management uses the tools developed and maintained by the Information System. Perhaps the most perfect example of collaboration between our businesses is the development of the FIFO tool. Indeed, insurance companies have a specific method of accounting for capital gains. More than four years ago, fund management wanted to develop a tool to monitor the structure of mandates on a daily basis. This application, called FIFO, was designed with the Information System Department (development), the Middle-Office (operations monitoring) and the Back-Office (accounting). Other requests for developments followed, in particular the request to establish investment programmes in the application and to integrate them directly into our position-keeping tool, NX Manager.”



Romain Crocicchia,
European Equities Mandate
Fund Manager

Information System

“Insurance management involves accounting constraints that cannot be fully managed in the NX Manager tool (in particular FIFO accounting), but which are taken into account by the Covéa Finance Back-Office through the Global Portfolio 3 (GP3) tool, our divisional accounting tool. The IT Integration team has therefore developed the proprietary FIFO tool in order to provide fund managers with a daily view of their positions compatible with these specificities as well as simulation functionalities. To do this, we rely on GP3's monthly inventories that we bring to life with NX Manager's daily transactions. The data calculated in this way also feeds Risk Control.”



Clément Renard,
IT Integration Manager

Back-Office

“The Back-Office interacts with different businesses. The process starts as soon as the Covéa Finance financial transactions file is received from NX Manager. An automatic integration is carried out in the Global Portfolio 3 (GP3) tool. In order to control the quality of the data, the Back-Office has implemented, in collaboration with the Information System department, a securities reconciliation tool (NXG Accurate). The latter allows for a reconciliation of financial transactions between the custodian and GP3. The FIFO stack is thus made more reliable before being provided to Fund Management after various checks made in the dedicated OADI module (application grouping together the various Internal Decision Support Tools). Risk Control is then in a position to extract the reports it needs for its own reporting requirements.”



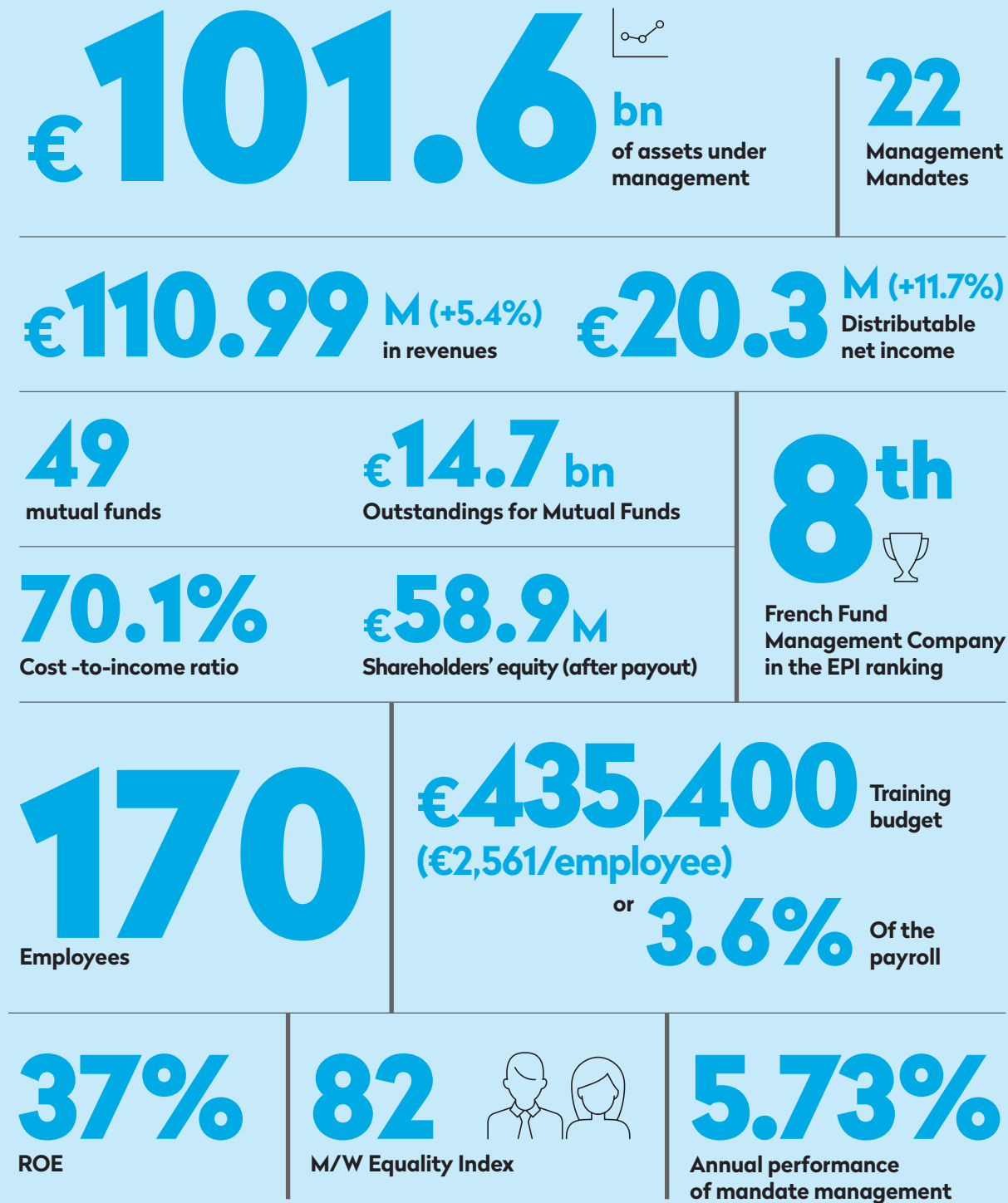
Stéphane Léger,
Back-Office manager

Risk Control

“Covéa Finance has been able to capitalise on the expertise of the Back-Office team and the Information Systems department to provide the fund management and risk control teams with cutting-edge tools for their daily monitoring (standard reporting, decision-making cube, FIFO application, etc.). Standard reports allow for a very granular risk analysis. The decision-making cube, which provides a precise view of mandates with pre-calculated indicators and is based on the FIFO application, has enabled us to improve the relevance of our controls, but above all to produce the most up-to-date reports possible for fund management and executives (unrealised/realised capital gains, financial income, etc.). Three tools that provide Covéa Finance with greater reactivity and agility.”



Soufiane Jaouani,
Deputy Head of the Risk Control
team



Performance of the mutual funds as of 31 December 2019

Source Morningstar

PERFORMANCE OVER THE YEAR 2019								
	Morningstar classification	Benchmark index	Morningstar stars	Mutual fund 52-week volatility	Morningstar category 52-week volatility	Mutual funds	Morningstar category	Benchmark index
FIXED INCOME MUTUAL FUND								
UCITS								
COVÉA EURO SOUVERAIN (C)	Government Loans EUR bonds	FTSE MTS (ex-Euro MTS) Global 16h00 reinvested net coupons	***	3.28%	3.40%	3.79%	4.79%	6.63%
COVÉA EURO SOUVERAIN (D)	Government Loans EUR bonds	FTSE MTS (ex-Euro MTS) Global 16h00 reinvested net coupons	***	3.28%	3.40%	3.83%	4.79%	6.63%
COVÉA EURO SPREAD (C)	Private Loans EUR bonds	Markit IBOXX Euro Corp net coupons reinvested	**	2.33%	2.27%	4.03%	5.55%	6.29%
COVÉA EURO SPREAD (D)	Private Loans EUR bonds	Markit IBOXX Euro Corp net coupons reinvested	**	2.36%	2.27%	4.04%	5.55%	6.29%
COVÉA HAUT RENDEMENT I(C)	Bonds EUR High Yield	Markit IBOXX Euro High Yield Fixed Rate reinvested coupons	*	1.18%	3.14%	3.22%	8.69%	10.43%
COVÉA MOYEN TERME (C)	Bonds EUR Short-Term Diversified	FTSE MTS (ex-Euro MTS) 1-3 year 16h00 reinvested net coupons	***	0.44%	0.61%	0.27%	1.25%	0.05%
COVÉA OBLIGATIONS (C)	Diversified EUR bonds	FTSE MTS (ex-Euro MTS) 5-7 year 16h00 reinvested net coupons	***	2.28%	2.10%	3.16%	4.46%	4.21%
COVÉA OBLIGATIONS (D)	Diversified EUR bonds	FTSE MTS (ex-Euro MTS) 5-7 year 16h00 reinvested net coupons	***	2.28%	2.10%	3.16%	4.46%	4.21%
COVÉA OBLIG INTER (C and/or D)	International Bonds	Merrill Lynch Global Gvt Bond Index (hedged in euros) net coupons reinvested	**	2.28%	3.55%	2.36%	7.78%	4.13%
COVÉA RENDEMENT RÉEL A(C)	International Inflation-linked Bonds	ICE BofAML Euro Inflation-Linked Government net coupons reinvested		2.72%	2.89%	2.97%	3.12%	7.93%
COVÉA RENDEMENT RÉEL I(C)	International Inflation-linked Bonds	ICE BofAML Euro Inflation-Linked Government net coupons reinvested		2.74%	2.89%	3.03%	3.12%	7.93%
COVÉA RENDEMENT RÉEL I(D)	International Inflation-linked Bonds	ICE BofAML Euro Inflation-Linked Government net coupons reinvested		2.74%	2.89%	3.03%	3.12%	7.93%
AIFs								
MAAF OBLIGATIONS 4 (C and/or D)	International Bonds	FTSE MTS (ex-Euro MTS) 3-5 year 16h00 reinvested net coupons		0.29%		0.91%		1.34%
MAAF STRATÉGIE TAUX (C)	Diversified EUR bonds	FTSE MTS (ex-Euro MTS) 1-3 year 16h00 reinvested net coupons		0.72%		-0.07%		0.05%

						PERFORMANCE OVER THE YEAR 2019		
	Morningstar classification	Benchmark index	Morningstar stars	Mutual fund 52-week volatility	Morningstar category 52-week volatility	Mutual funds	Morningstar category	Benchmark index
MONEY MARKET MUTUAL FUNDS								
UCITS								
COVÉA SÉCURITÉ A(C)	EUR money market	EONIA Capitalised		0.04%	0.07%	-0.24%	-0.24%	-0.40%
COVÉA SÉCURITÉ A(D)	EUR money market	EONIA Capitalised		0.04%	0.07%	-0.14%	-0.24%	-0.40%
COVÉA SÉCURITÉ G(C)	EUR money market	EONIA Capitalised		0.04%	0.07%	-0.24%	-0.24%	-0.40%
CONVERTIBLE MUTUAL FUNDS								
UCITS								
COVÉA OBLIGATIONS CONVERTIBLES A(C)	Europe convertibles	Exane ECI Europe net coupons reinvested	★★★★	3.40%	3.31%	10.07%	7.20%	11.44%
COVÉA OBLIGATIONS CONVERTIBLES I(C)	Europe convertibles	Exane ECI Europe net coupons reinvested	★★★★	3.40%	3.31%	10.73%	7.20%	11.44%
COVÉA OBLIGATIONS CONVERTIBLES I(D)	Europe convertibles	Exane ECI Europe net coupons reinvested		3.41%	3.31%	10.73%	7.20%	11.44%
FLEXIBLE MUTUAL FUNDS								
UCITS								
COVÉA PATRIMOINE A(C)	Allocation EUR Flexible - International	-	★★★	3.77%	5.47%	6.45%	12.12%	
COVÉA PATRIMOINE I(C)	Allocation EUR Flexible - International	-	★★★	3.78%	5.47%	7.51%	12.12%	
COVÉA FLEXIBLE ISR (C)	Allocation EUR Flexible - International	-	★★★★	6.61%	5.47%	15.52%	12.12%	
AIFs								
COVÉA ULTRA FLEXIBLE I(C)	Allocation EUR Flexible - International	-		3.93%	5.47%	11.19%	12.12%	
COVÉA ULTRA FLEXIBLE G(C)	Allocation EUR Flexible - International	-	★★	3.93%	5.47%	11.42%	12.12%	
MULTI-MANAGEMENT AND PROFILES MUTUAL FUNDS								
UCITS								
COVÉA MULTI EUROPE A(C)	European Equities Large Cap. Mixed	DJ Stoxx 600 net dividends reinvested	★★★	9.54%	9.95%	22.55%	24.66%	26.82%
COVÉA MULTI EUROPE I(C)	European Equities Large Cap. Mixed	DJ Stoxx 600 net dividends reinvested	★★★★	9.51%	9.95%	23.39%	24.66%	26.82%
COVÉA MULTI IMMOBILIER A(C)	Property - Indirect eurozone	-	★★★	7.10%	9.81%	19.12%	21.18%	
COVÉA MULTI IMMOBILIER I(C)	Property - Indirect eurozone	-	★★★★	7.29%	9.81%	21.61%	21.18%	
COVÉA MULTI MONDE A(C)	International Equities Large Cap. Mixed	MSCI AC World (in euros) net dividends reinvested	★★★	10.60%	10.43%	25.87%	26.19%	29.03%

						PERFORMANCE OVER THE YEAR 2019		
	Morningstar classification	Benchmark index	Morningstar stars	Mutual fund 52-week volatility	Morningstar category 52-week volatility	Mutual funds	Morningstar category	Benchmark index
COVÉA MULTI MONDE I(C)	International Equities Large Cap. Mixed	MSCI AC World (in euros) net dividends reinvested	★★★	10.61%	10.43%	26.75%	26.19%	29.03%
COVÉA MULTI SMALL CAP EUROPE A(C)	European Equities Mid Cap.	Euromoney Smaller Europe net dividends reinvested	★★	12.66%	12.45%	27.44%	27.68%	28.75%
COVÉA MULTI SMALL CAP EUROPE I(C)	European Equities Mid Cap.	Euromoney Smaller Europe net dividends reinvested	★★★	12.67%	12.45%	28.47%	27.68%	28.75%
COVÉA PROFIL DYNAMIQUE (C)	Allocation EUR Aggressive - International	60% MSCI World +40% FTSE MTS Global 16h00 net dividends and coupons reinvested	★★★	4.26%	7.85%	11.55%	18.52%	20.41%
COVÉA PROFIL DYNAMIQUE (D)	Allocation EUR Aggressive - International	60% MSCI World +40% FTSE MTS Global 16h00 net dividends and coupons reinvested	★★★	4.27%	7.85%	11.55%	18.52%	20.41%
COVÉA PROFIL ÉQUILIBRE (C)	Allocation EUR Moderate - International	40% MSCI World +60% FTSE MTS Global 16h00 net dividends and coupons reinvested	★★★	3.08%	4.96%	7.69%	12.41%	15.71%
COVÉA PROFIL ÉQUILIBRE (D)	Allocation EUR Moderate - International	40% MSCI World +60% FTSE MTS Global 16h00 net dividends and coupons reinvested	★★★	3.04%	4.96%	7.72%	12.41%	15.71%
COVÉA PROFIL OFFENSIF (C)	Allocation EUR Aggressive - International	80% MSCI World +20% FTSE MTS Global 16h00 net dividends and coupons reinvested	★★★★	6.39%	7.85%	17.23%	18.52%	25.22%
COVÉA PROFIL OFFENSIF (D)	Allocation EUR Aggressive - International	80% MSCI World +20% FTSE MTS Global 16h00 net dividends and coupons reinvested	★★★★	6.42%	7.85%	17.24%	18.52%	25.22%
AIFs								
COVÉA MULTI ABSOLUTE RETURN I(C and/or D)	Other	-		2.12%		1.49%		
COVÉA MULTI ÉMERGENTS A(C and/or D)	Emerging Market Equities	MSCI Emerging Markets (in EUR) net dividends reinvested	★★	8.97%	12.69%	15.01%	21.16%	20.71%
COVÉA MULTI ÉMERGENTS I(C and/or D)	Emerging Market Equities	MSCI Emerging Markets (in EUR) net dividends reinvested	★★★	8.98%	12.69%	15.82%	21.16%	20.71%
COVÉA MULTI HAUT RENDEMENT (C and/or D)	International High Yield Bonds	Merrill Lynch Global HY & EM Sovereign (hedged in euros) net coupons reinvested	★★	3.97%	3.59%	7.55%	9.35%	10.42%
EQUITY MUTUAL FUNDS								
UCITS								
COVÉA ACTIONS AMÉRIQUE A(C)	Large Cap US Equities. Growth	S&P 500 (in euros) net dividends reinvested	★★	11.71%	12.83%	32.64%	34.85%	33.21%
COVÉA ACTIONS AMÉRIQUE I(C)	Large Cap US Equities. Growth	S&P 500 (in euros) net dividends reinvested	★★★	11.71%	12.83%	34.09%	34.85%	33.21%
COVÉA ACTIONS AMÉRIQUE MID CAP A(C)	Mid Cap US Equities.	S&P Midcap 400 (in euros) net dividends reinvested		13.60%	14.41%	33.88%	32.23%	33.19%
COVÉA ACTIONS AMÉRIQUE MID CAP I(C)	Mid Cap US Equities.	S&P Midcap 400 (in euros) net dividends reinvested	★★★	13.55%	14.41%	33.71%	32.23%	33.19%

PERFORMANCE OVER THE YEAR 2019								
	Morningstar classification	Benchmark index	Morningstar stars	Mutual fund 52-week volatility	Morningstar category 52-week volatility	Mutual funds	Morningstar category	Benchmark index
COVÉA ACTIONS ASIE (C)	Asian equities excl. Japan	MSCI AC Asia Pacific (in euros) net dividends reinvested	☆☆	8.47%	12.73%	16.05%	21.42%	21.66%
COVÉA ACTIONS CROISSANCE (C)	Large Cap Eurozone Equities.	95% DJ Euro Stoxx + 5% CAC Small net dividends reinvested	☆☆☆☆☆	11.20%	10.68%	30.39%	24.07%	25.67%
COVÉA ACTIONS CROISSANCE (D)	Large Cap Eurozone Equities.	95% DJ Euro Stoxx +5% CAC Small net dividends reinvested	☆☆☆☆☆	11.21%	10.68%	30.39%	24.07%	25.67%
COVÉA ACTIONS CROISSANCE I(C)	Large Cap Eurozone Equities.	95% DJ Euro Stoxx +5% CAC Small net dividends reinvested		11.22%	10.68%	31.57%	24.07%	25.67%
COVÉA ACTIONS EURO A(C)	Large Cap Eurozone Equities.	DJ Euro Stoxx net dividends reinvested	☆☆☆	8.58%	10.68%	26.27%	24.07%	26.11%
COVÉA ACTIONS EURO I(C)	Large Cap Eurozone Equities.	DJ Euro Stoxx net dividends reinvested	☆☆☆☆	8.57%	10.68%	27.57%	24.07%	26.11%
COVÉA ACTIONS EURO I(D)	Large Cap Eurozone Equities.	DJ Euro Stoxx net dividends reinvested		8.56%	10.68%	27.56%	24.07%	26.11%
COVÉA ACTIONS EUROPE (C)	European Equities Large Cap. Mixed	MSCI Pan-Euro (in euros) net dividends reinvested	☆☆	8.18%	9.95%	25.93%	24.66%	25.04%
COVÉA ACTIONS EUROPE (D)	European Equities Large Cap. Mixed	MSCI Pan-Euro (in euros) net dividends reinvested	☆☆☆	8.18%	9.95%	25.93%	24.66%	25.04%
COVÉA ACTIONS EUROPE HORS EURO (C)	European Equities Large Cap. Mixed	DJ Stoxx Excl. Euro net dividends reinvested	☆☆☆☆☆	7.01%	9.95%	28.35%	24.66%	27.57%
COVÉA ACTIONS EUROPE OPPORTUNITÉS A(C)	Europe Equities Flex Cap	MSCI Pan-Euro (in euros) net dividends reinvested	☆☆☆☆	8.67%	11.26%	25.01%	23.19%	25.04%
COVÉA ACTIONS EUROPE OPPORTUNITÉS I(C)	Europe Equities Flex Cap	MSCI Pan-Euro (in euros) net dividends reinvested	☆☆☆☆	8.67%	11.26%	26.26%	23.19%	25.04%
COVÉA ACTIONS FRANCE (C)	French Equities Large Cap.	-	☆☆	11.34%	11.15%	26.04%	25.24%	
COVÉA ACTIONS FRANCE (D)	French Equities Large Cap.	-	☆☆	11.34%	11.15%	26.02%	25.24%	
COVÉA ACTIONS FRANCE I(C)	French Equities Large Cap.	-	☆☆☆	11.34%	11.15%	27.27%	25.24%	
COVÉA ACTIONS INVESTISSEMENT (C)	International Equities Large Cap.	60% S&P 500 +40% MSCI Pan-Euro net dividends reinvested	☆☆☆	10.18%	11.16%	31.72%	31.26%	29.92%
COVÉA ACTIONS JAPON (C)	Japanese Equities Large Cap.	Nikkei 300 (in euros) dividends not reinvested	☆☆	9.03%	8.80%	21.67%	21.58%	19.93%
COVÉA ACTIONS MONDE A(C)	International Equities Large Cap.	55% S&P 500 +30% MSCI Pan-Euro +15% MSCI Asia (in euros) dividends reinvested	☆☆☆	9.78%	11.16%	31.34%	31.26%	28.91%
COVÉA ACTIONS MONDE I(C)	International Equities Large Cap.	55% S&P 500 +30% MSCI Pan-Euro +15% MSCI Asia (in euros) dividends reinvested	☆☆☆☆	9.78%	11.16%	32.80%	31.26%	28.91%
COVÉA ACTIONS RENDEMENT (C)	European Equities Yield	MSCI EMU (in euros) net dividends reinvested	☆☆	8.05%	10.18%	16.61%	21.93%	24.39%
COVÉA ACTIONS RENDEMENT (D)	European Equities Yield	MSCI EMU (in euros) net dividends reinvested	☆☆	8.05%	10.18%	16.63%	21.93%	24.39%
COVÉA PERSPECTIVES ENTREPRISES A(C)	French Equities Small and Mid. Cap.	CAC Small & Mid Cap net dividends reinvested	☆☆☆☆	13.45%	13.04%	28.49%	19.27%	21.27%

PERFORMANCE OVER THE YEAR 2019								
	Morningstar classification	Benchmark index	Morningstar stars	Mutual fund 52-week volatility	Morningstar category 52-week volatility	Mutual funds	Morningstar category	Benchmark index
COVÉA PERSPECTIVES ENTREPRISES I(C)	French Equities Small and Mid. Cap.	CAC Small & Mid Cap net dividends reinvested	☆☆☆☆	13.45%	13.04%	29.39%	19.27%	21.27%
COVÉA RUPTURES A(C)	International Equities Large Cap.	MSCI World (in euros) net dividends reinvested		13.00%	11.16%	29.95%	31.26%	30.12%
COVÉA RUPTURES I(C)	International Equities Large Cap.	MSCI World (in euros) net dividends reinvested		13.01%	11.16%	30.85%	31.26%	30.12%
AIFs								
COVÉA ACTIONS EUROPE INSTIT (C)	European Equities Large Cap. Mixed	MSCI Pan-Euro (in euros) net dividends reinvested	☆☆☆	8.49%	9.95%	28.54%	24.66%	25.04%
COVÉA ACTIONS EUROPE INSTIT II (C)	European Equities Large Cap. Mixed	MSCI Pan-Euro (in euros) net dividends reinvested	☆☆☆☆	8.75%	9.95%	28.31%	24.66%	25.04%
COVÉA ACTIONS EUROPE INSTIT III A(C and/or D)	European Equities Large Cap. Mixed	MSCI Pan-Euro (in euros) net dividends reinvested	☆☆☆☆	8.48%	9.95%	29.28%	24.66%	25.04%
COVÉA ACTIONS SOLIDAIRES (C)	French Equities Large Cap.	-	☆☆☆	10.48%	11.15%	28.22%	25.24%	
RANGE WITH ENVIRONMENTAL THEMES								
UCITS								
COVÉA AERIS A(C)	European Equities Large Cap. Mixed	-		10.71%	9.95%	32.75%	24.66%	
COVÉA AERIS I(C)	European Equities Large Cap. Mixed	-		10.71%	9.95%	34.35%	24.66%	
COVÉA AQUA A(C)	European Equities Large Cap. Mixed	-		11.11%	9.95%	28.77%	24.66%	
COVÉA AQUA I(C)	European Equities Large Cap. Mixed	-		11.11%	9.95%	30.20%	24.66%	
COVÉA SOLIS A(C)	European Equities Large Cap. Mixed	-		11.56%	9.95%	27.71%	24.66%	
COVÉA SOLIS I(C)	European Equities Large Cap. Mixed	-		11.55%	9.95%	29.19%	24.66%	
COVÉA TERRA A(C)	European Equities Large Cap. Mixed	-		9.78%	9.95%	25.90%	24.66%	
COVÉA TERRA I(C)	European Equities Large Cap. Mixed	-		9.78%	9.95%	27.43%	24.66%	

Graphic conception: **VAT** - wearetogether.fr - 1909_00304.
Writing: Covéa Finance, WAT - **Photos Credit:** Bim/iStockphoto,
cnythzl/iStockphoto, renan gicquel/Gettyimages, HAKINMHAN/iStockphoto,
Laurent Mauger,pawel.gaul/iStockphoto, Chainarong Prasertthai/iStockphoto.



COVÉA GROUP'S
PORTFOLIO
MANAGEMENT COMPANY

8-12, rue Boissy d'Anglas
75008 Paris, France
Tel. +33(0)1 40 06 51 50

Authorised by the AMF, the French Financial Markets Authority
GP 97-007 | PARIS TRADE REGISTER NO. 407 625 607

www.covea-finance.fr
www.covea-finance.com

 @CoveaFinance
 in Covéa Finance