

INSURERS TAKE ACTION TO COUNTER THE RISK OF INFLATION ON THEIR INVESTMENT PORTFOLIOS, REVEALS STUDY

- **Insurers turn to a variety of different asset classes to help hedge against inflation**
- **Insurers identify stagflation as a major risk**

A new global study* among investment management professionals in Life Insurers, London Markets (re)insurers and investment managers who support insurers, reveals they see inflation as the biggest risk they face, and they have taken steps to address this.

Overall, 40% of survey respondents believe the portfolios they help to manage are ‘very well’ hedged against inflation, and 55% say they are ‘quite well’ hedged.

The study, from Ortec Finance, the leading global provider of risk and return management solutions for insurers and other financial services companies, reveals that to help hedge against inflation, 79% of the insurance investment professionals interviewed say they have increased their allocation to inflation linked bonds over the past 12 months.

Furthermore, 54% say they have increased their allocation to money market accounts and 47% have invested more in Indirect (listed) Real Estate. Nearly two out of five (38%) and one in five (21%) say the funds they help to manage have increased their allocation to gold and infrastructure respectively, to help hedge against inflation.

In terms of what action survey respondents expect the funds they help manage will take over the next 12 months to hedge inflation, 75% expect them to increase their allocation to inflation linked bonds, followed by 53% who expect an increase in allocation to money market accounts, and 51% who anticipate more investment into gold.

Asset class	Percentage who <u>have</u> increased their allocation to this asset class over the <u>past 12 months</u>	Percentage who <u>expect to</u> increase their allocation to this asset class over the <u>next 12 months</u>
Inflation linked bonds	79%	75%
Money market funds	54%	53%
Indirect (listed) Real Estate	47%	45%
Direct Real Estate	44%	40%

Gold	38%	51%
Infrastructure	21%	22%
Other commodities	15%	14%

Despite taking these steps, with inflation remaining above target and pressure on economic growth, 51% of the insurance investment professionals interviewed say they are very concerned about the threat of stagflation, and another 47% say they are quite concerned.

Hamish Bailey, Managing Director UK, and Head of Insurance & Investment said: “Although inflation is falling, our survey shows that investors still see it as a major threat to their portfolios. It is clear that many have been proactive in taking steps to ensure they are adequately hedged, and these are evolving in terms of planned asset allocation for 2024.

However, with rising prices and pressure on economic growth, the threat of stagflation is real, and this is clearly a concern for insurers.”

“In these volatile and challenging times, insurers need to monitor the many risks facing their investment portfolios and have tested strategies in place for managing them.”

Ortec Finance provides insurers with a range of services to help them confront challenges like complex liabilities, low yields, increasing investment performance analysis demands, or to assess climate change related risks and opportunities.

Specific services Ortec Finance provides to insurers are around asset liability management, asset allocation, risk management, economic scenario testing and performance measurement & attribution. For further information visit

<https://www.ortecfinance.com/en/industries/insurance-companies>

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Notes to editors:

*Ortec Finance commissioned independent research company Pureprofile to interview 100 investment management professionals at life insurance companies, Lloyds of London insurer and reinsurers and at fund managers who support insurers in November 2023. Survey respondents are located in the UK, the USA, France, Germany, Hong Kong, Italy, Netherlands, Singapore and South Korea. Collectively the organisations they work for manage around \$5 trillion.

For more information, contact:

Phil Anderson, Perception A.

phil@perceptiona.com / +44 7767 491 519

About Ortec Finance

Ortec Finance is the leading provider of technology and solutions for risk and return management. It is Ortec Finance's purpose to enable people to manage the complexity of investment decisions.

This is accomplished via the delivery of leading technologies and solutions for investment decision-making to financial institutions around the world. Ortec Finance's strength lies in an effective combination of advanced models, innovative technology, and in-depth market knowledge. This combination of skills and expertise supports investment professionals in achieving a better risk-return ratio and thus better results.

Headquartered in Rotterdam, The Netherlands, Ortec Finance has offices in Amsterdam, London, Toronto, Zurich, Melbourne, and New York. Ortec Finance helps 600+ clients manage their \$15 trillion assets under management. www.ortecfinance.com