

# “MODERN TIMES” OUR NEW ANNUAL RESEARCH ON THE FRENCH INSTITUTIONAL MARKET

New regulations in France present institutional investors with a challenging landscape. It is not merely the advent of Solvency II, which has a disproportionate impact on the French market due to the predominance of insurance as the savings vehicle of choice, it is also pressure caused by the regulatory application of ESG principles. These two factors combined with the persistence of low yields are triggering a radical break with past practices.

Our 16<sup>th</sup> annual research on the French institutional market, “Modern Times” captures this break in detail. It defines the challenge and paints the road ahead more clearly than any other study, as we capture the views of close to 100% of the market for outsourced assets. This makes our research the most comprehensive analysis available in French institutional outsourcing, highlighting the opportunity for third party asset managers.

## Asset allocation: increased polarisation

2016 shows a further polarisation of investments. On the one hand, investors are adopting a wait-and-see attitude by allocating more assets to short-term cash instruments, in anticipation of a change in the yield curve.

At the same time, diversification is progressively transforming into a shift towards illiquid, unlisted instruments; while high yield continues to grow with an increasing number of investors allocating to this asset class.

Figure 1 - The rise of real assets and private debt in institutional allocations (source: INDEFI)



Private corporate and infrastructure debt have been the main winners of institutional diversification in 2016. At the same time, investments in real estate, infrastructure and private equity also show rapid growth.

## On the way to a ‘new normal’

In our research we capture the salient trends, including the shift towards unlisted assets, the transformation of insurance, the use of off-balance sheet investment management and hedging and the introduction of ESG policies. This catapults France into the forefront of investment and outsourcing trends in Europe.

Will France set the new norm?

We would be happy to further explain this opportunity to you and your teams and discuss how INDEFI can help in positioning your company for growth in this attractive yet demanding market.

## Third-party delegation: dawn of a new cycle?

Total assets delegated to third-party asset managers continue to grow. A key driver of external delegation has been and continues to be insurance outsourcing.

Figure 2 - Growth in third-party assets (source: INDEFI)



The growing diversification into less traditional and unlisted illiquid assets presents a unique opportunity to players for whom the market previously would have been difficult or even inaccessible, including international asset managers.

At the same time, third-party delegation is taking a new turn with the rise of customised solutions, away from the traditional product push, as a differentiation driver under Solvency II. In addition, expectations in terms of service and solutions are increasing as new ESG regulations come into force.

### ABOUT INDEFI

INDEFI is a strategy advisor for the investment management business in Europe. Our unique focus on top line growth in one industry, the use of our own field research and skill diversity of our consultants form the bedrock of our consulting philosophy. It gives us an unparalleled vantage point from which we aim to serve our clients - asset managers, private equity and infrastructure investors (and their portfolio companies) - with understanding, insight and actionable advice.

We tell the truth as we see it, will go against the grain when needed and endeavour to spar with our clients to enable them to address and remove obstacles to growth and build or enhance sustainable competitive advantage.



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