For professional and/or qualified investors only

Global Insurance Solutions at Columbia Threadneedle Investments

September 2023

COLUMBIA THREADNEEDLE INVESTMENTS

Our team of specialists is entrenched in the nuances of the insurance space and we work as an extension of our clients' organisation, complementing their in-house expertise and resources with our own.

We leverage investment talent across the global universe of strategies and managers, and draw on our specialist actuarial and insurance know-how to provide best-fit capabilities and deliver a fully bespoke solution.

Why Columbia Threadneedle Investments as your insurance asset manager?

Our Insurance Solutions offering is tailored to support our clients' complex needs, meeting their distinctive risk/return, responsible investment, risk management, regulatory and governance requirements

We have a rich insurance heritage and a long history partnering with insurance clients dating back to 1934. The vast majority of the insurance assets we manage represent unique strategic partnerships with involvement extending well beyond asset class relationships.

We benefit from deep insurance investment expertise with a focus on each individual strategic partnership. This is an important differentiator as this brings together a diverse range of styles, experiences and skill sets to deliver a fully bespoke insurance solution.

At Columbia Threadneedle we now have the benefit of a combined, research intense Responsible Investment capability, with a team of over 40 dedicated professionals. This team supports ESG integration across the investment value proposition, from research, through to active ownership and managing specialist ESG investment strategies. We have one of the longest tenures in the market with 35 years managing ESG investment strategies, and 23 years of company engagement and voting.

Our experienced, multi-disciplinary insurance solutions team is supported by Columbia Threadneedle's global investment platform, encompassing 650+ investment professionals and a dedicated insurance client team with over 11 years history. We have a deep understanding of insurance clients' specific requirements and are commited to embedding Columbia Threadneedle's executive leadership team into each partnership, ensuring delivery of our clients' changing business objectives, and ultimately help our clients become more competitive and deliver on policy holder value.

We believe that we are well positioned to help insurance clients as our strategic partner meet their investment needs and reduce costs with competitive commercial terms set at levels which align and support the future growth of their business.

Our credentials

- We manage over $80 billion of insurance assets
- 1/3 of our AUM is managed for our global insurance partners
- We work with 3 main strategic partners
- We manage a broad range of assets for insurers' balance sheets, With Profits funds and retail customer unit-linked and savings funds
- RiverSource, our insurance company affiliate, provides insurance expertise within our firm, and leverages our multi-manager capabilities

20+

years of consistent management of assets for a Global Multi-line insurer

10+

years as the sole strategic partner for a UK Life Insurance company

Past performance does not predict future returns. Source: Columbia Threadneedle Investments, as of September 2023, unless stated otherwise. The AUM figures provided above are as of 30 June 2023.

Managing assets for insurance companies
We understand the differentiation

We understand managing assets for insurance companies is different to other institutional channels. Insurers have variation and complexity in their liabilities, additional regulatory requirements which influence their investment and servicing needs.

We believe it is essential to take a specialist approach to managing insurance assets and we do so through a dedicated insurance client facing team which is supported by a team of insurance experts dedicated to developing insurance investment solutions for our clients.

Our approach to insurance asset management is based on three core pillars

Insurance investment

This is the starting point in how we engage with our insurance clients to understand the investment requirements. This differs by type of insurer and profile of insurance company.

Our outcome-oriented approach solves for the traditional investment priorities of the clients such as: liquidity, duration, risk appetite, expected return. We work with the insurer's investment team to develop an optimised portfolio which serves as a base portfolio.

Insurance solutions

Over and above the base investment portfolio we draw on our actuarial and insurance specific understanding of the mandate to modify the base portfolio for capital efficiency, and refine the portfolio to reflect the liabilities or policy holder expectations.

Solvency II encourages an asset-liability management (ALM) approach to building insurance portfolios. The regulation rewards diversification and through our understanding of the market risk module we are able to modify the capital utilisation of the portfolio.

Insurance client servicing

We appreciate the significance of supporting insurance clients with non-standard regulatory reporting for Pillar I and Pillar III purposes under Solvency II.

We measure a standard formula solvency capital requirement (SCR) for our insurance mandates and work closely with our clients to ensure they receive the necessary reporting in a timely and efficient manner.

Our approach to building multi-asset portfolios

Our multi-asset investment process relies on adding value across four distinct dimensions. The combination of these dimensions seeks to provide our clients with a smoother journey and build agile and regime sensitive portfolios, while meeting their individual investment objectives or constraints.

Experienced leaders in each of the four dimensions are responsible for their components with the Insurance Solutions team overseeing how these dimensions work together to deliver value in a consistent, agile and holistic fashion. This process evolves through time to adapt to evolving clients' needs and to navigate different investment regimes.

Strategic Asset Allocation

Our Insurance Solutions team is responsible for designing the long-term asset allocation, which will then form the benchmark for our Global Asset Allocation colleagues to manage against.

Tactical Asset Allocation

The Global Asset Allocation team will then take tactical views which aim to benefit from valuations and mispricing opportunities between asset classes. These views are built from collaborating across teams and sectors, placing great emphasis on teamwork and an integrated research process.

Manager Selection

The asset class views are implemented via investment strategies, which could be internal or external strategies as well as active or passive. The selection of the strategies used in portfolios will be within the purview of both our Global Asset Allocation team and Multi-Manager solutions team and they will select the best investment strategies to implement in clients' portfolios. Manager selection is an ongoing process and it is continuously being reviewed to deliver flexible and market sensitive portfolios.

Underlying Manager Alpha

The underlying manager alpha we deliver via investment strategies is the final source of value-add, with Columbia Threadneedle as well as external investment strategies adding alpha over medium- to long-term horizons.

Source: Columbia Threadneedle Investments, as of September 2023.

Our asset management expertise and strategic support for insurance companies

Pension risk transfer

Across EMEA, the fastest growing pension risk transfer (PRT) is in the UK where sponsors of UK defined benefit pension schemes transfer their pensions liabilities to insurance companies. The transition to a higher rates environment has accelerated this trend with bulk annuity purchase (BPA) transactions expected to reach £500 billion over the next decade. Whilst the stars have largely aligned in terms of improvement to pension scheme funding levels and competitive pricing from existing BPA insurers, this risk transfer from pensions to insurance balance sheets is significant and resource intensive for both parties. As a leading provider of liability driven investment strategies in the UK, we are very familiar with the economic characteristics of UK defined benefit pension liabilities. We also have deep experience in managing matching adjustment portfolios for UK annuity writers. This places us in a unique position to support BPA insurers in optimising their cashflow matching portfolios.

We recognise that every BPA insurer will have differences in their risk appetite, internal model and matching adjustment applications. The overarching framework is for Columbia Threadneedle to act as extension of their investment function, mirroring their governance and reporting requirements. Our investment solutions professionals are steeped in insurance balance sheet management and are responsible for delivering the outcome to the insurer, providing internal oversight of the portfolio management teams doing the security selection and portfolio construction.

In practice, this can encompass a broad range of service models. For example, BPA insurers may wish to carve out a portion of their cashflow profile for us to manage using investment grade public credit assets alongside any ancillary cross-currency hedges needed to swap overseas asset cashflows back into Sterling. This leverages our proprietary cashflow matching tools optimised for a range of insurance relevant metrics and allowing for client specific constraints. It also taps into the breadth and research intensity of our single name coverage, ensuring we are screening the investment universe to bring the best ideas to client portfolios but importantly avoiding those names that bring risks of defaults and downgrades. Where appropriate we can also offer direct access to credit analysts, acting as an extension of insurers' own credit oversight functions.

This is a scalable process; as insurers are adding new BPA transactions, we can merge these deals into a single liability profile to ensure they are achieving economies of scale and targeting the most appropriate investment opportunities. We are also set up to support new deal pricing and can assist in implementing hedges of price lock portfolios during the exclusivity phase and tap into our global trading desk to manage transitions of in-specie securities to the desired end state portfolio post the risk transfer date. Our proprietary dynamic relative value framework can also assist in managing any swap spread or IOTA risks inherited as part of a price lock portfolio.

Asset intensive reinsurance opportunities

The structural trend towards publicly listed insurers reducing exposure to legacy reserve intensive product lines and supporting growth in new balance sheet intensive business lines has spurred growth in asset intensive reinsurance. This trend is happening globally but with unique local characteristics.

In the UK, bulk purchase annuity (BPA) insurers have used asset intensive reinsurance as a way of reducing new business strain on BPA transactions and tapping into unique asset origination capabilities offered by reinsurers. US life insurers have focussed on reducing exposure to legacy product lines which are reserve intensive and complex to manage, motivated by other capital redeployment opportunities, improving earnings metrics and managing spread compression. This includes but is not limited to universal life policies with secondary guarantees, structured settlement annuity contracts, variable annuities with living benefits and long term care. In Asia, there is an element of reducing exposure to reserve intensive product lines, such as foreign currency denominated single premium savings products in Japan, whilst in the higher growth markets such as Hong Kong product development has expanded the primary insurance market and with it the need for reinsurance. Furthermore, the shift to risk-based capital frameworks across Asia more broadly is likely to spur expanded use of reinsurance for capital optimisation.

With this increased demand for reinsurance, we have seen significant inflow of external capital attracted by the prospects of using insurance liability origination as a source of long-term funding for their asset strategies. We have a number of strategic partnerships with reinsurers offering a range of services including input on asset strategy, cashflow optimisation and illiquid asset origination. We have also supported new business opportunities such as providing input on collateral terms and deal pricing. Our familiarity with offshore regulatory regimes (e.g. Bermuda) and experience in managing long duration annuity style cashflows for insurance companies including for our US parent insurance company, means we are well positioned to support both existing and new entrants to the Long Term Life Reinsurance.

Managing assets for Life Insurers

The wide variety of insurance products necessarily produces a wide disparity in the strategies that the investment portfolios backing these products must follow.

At a high level, insurers' liabilities can be broken into those where payments to policyholders depend on the performance of a backing asset pool – this participation can be reasonably direct in the case of unit-linked business or more complex in the case of with-profits business – and liabilities that do not have a dependence on asset performance (so-called conventional or non-profit business).

In all these cases, asset-liability modelling considerations are decisive.

Conventional business is typically backed by fixed income, the single largest asset class on most insurers' balance sheets. We construct these portfolios so that the asset duration and/or cashflow exposures align with those of the liabilities. Insurance policy liabilities run the gamut from short term savings products to whole of life policies with a very long duration.

By leveraging our platform of extensive security-level credit research, we build and manage portfolios that maximise returns while remaining within tight constraints on credit risk and capital. In some regulatory contexts, the liability value as well as the capital requirement is linked to the asset portfolio - we optimise portfolios to reflect the total balance sheet impact, as appropriate.

Unit-linked policies typically pass the performance of the underlying investment vehicle through to the policyholder, but even here the presence of guarantees, in the form of a sum assured and way that the cost of these guarantees is met through unit cancellation, means that careful consideration of future net cashflows ('value in-force') helps determine the appropriate asset policy.

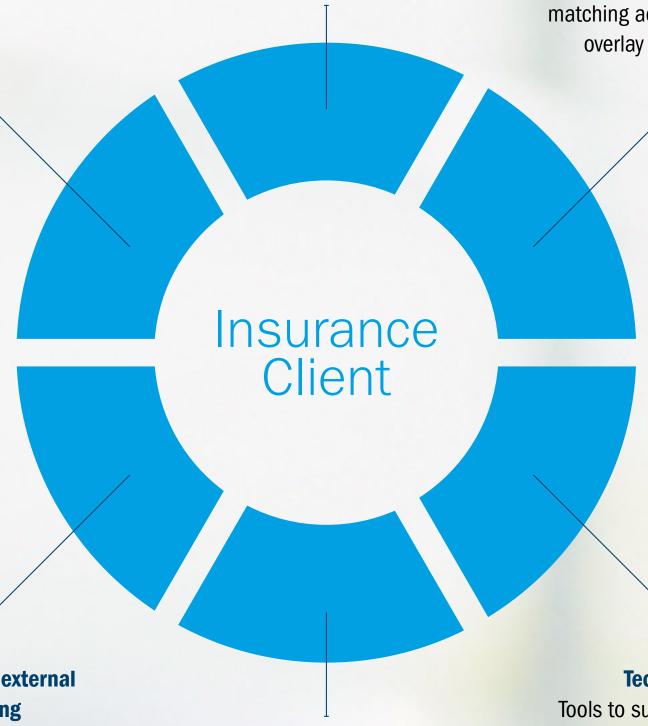
Finally, with-profit policies have the most extensive ALM requirements. The embedded optionality within the liabilities driven by a patchwork of legacy guarantees and bonus policies, contingent on both policyholder behaviour and market performance, makes market consistent valuation of liabilities and then assessment of capital requirements especially challenging. We find that liability proxies enable the key characteristics to be captured with only a modest modelling overhead and this can then help drive the appropriate asset allocation that takes proper account of policyholder return expectations as well as shareholder risk and capital-consumption appetite. Building portfolios that respond appropriately to, or are partially secured against, market tail risks is often helpful to all stakeholders concerned.

In all cases, we believe that the fundamental need is to support insurers with the construction and management of an investment portfolio to outperform their future cash flows with a focus on secured stable cash flows in a capital efficient way.

Source: Columbia Threadneedle Investments, as of September 2023.

Our strategic partnership Investment management is just the starting point

Our focus is to support our clients achieve their commercial priorities and investment objectives, whilst meeting all Regulatory & Governance responsibilities



A holistic approach to insurance asset management

A proven track record of delivering much more than investments

Source: Columbia Threadneedle Investments, as of September 2023. For illustrative purposes only.

Insurance client servicing

Our Strategic Partner Relationship framework provides a tailored approach to support the insurers' commercial priorities, as well as their regulatory and governance obligations.

Example of enhanced insurance client servicing for strategic insurance relationships

- **Quarterly Investment Performance Reviews**
  Detailed review with portfolio managers at asset class level and on Macro and Asset Allocation views
  Overseeing third party managers where appropriate
- **Quarterly Risk, Governance and Oversight Controls reviews**
  Integrated Risk, Operations and Governance oversight functions
- **Annual Strategic Asset Allocation advisory**
- **Marketing partnerships: Working strategically in the design and distribution of written and digital marketing collateral**
- **Delivering value in a fee compressed institutional market**
- **Regular forums to support the client's commercial priorities and product development needs**
- **Full range of sales and marketing services to support the client's commercial activities**
- **Complete set of bespoke reporting to meet client's needs**
- **Derivative or ALM driven execution support**
- **Support in relationship with regulator (for example ORSA)**

Responsible Investment

At Columbia Threadneedle, we have built a powerful responsible investment capability, with research at its heart, deep expertise in its veins and an active spirit. It's making a difference for clients and we are energised about how we will continue to evolve to meet the global demands of the future.

We integrate financially material Environmental, Social and Governance (ESG) considerations into our overall investment research and stewardship approach. This approach helps inform our investment decision-making, manage risks, and identify opportunities to create long term value and influence positive change. We scientifically process and analyse data from many suppliers to create powerful analytical tools, designed to enhance and inform the integration of ESG considerations into investment research, portfolio construction and risk monitoring.

Engagement is additive to our research. Engaging in collaborative dialogue with companies, corporate issuers and real asset occupiers can supplement gaps in our data and help us gain a better understanding of how ESG risks and opportunities are managed. We seek information and encourage improvement around ESG practices that we believe generate and sustain long-term investor value.

We contribute thoughtfully and proactively to government and regulatory consultations, helping to improve industry standards and stimulate innovation within responsible investment.

In a complex and changing world we believe investing responsibly is fundamental to long term wealth creation

40+

Responsible Investment experts

The Responsible Investment team is positioned within the investment department and acts as a global centre of excellence on ESG insights. The team supports our clients, investment professionals, and our overall business, with expertise across thematic research, engagement, voting, data, reporting, product development, and screening for specialist ESG portfolios.

250+

Global research analysts

The Responsible Investment team works closely with over 250 global research analysts to strengthen our research and investment capability.

Portfolio managers

The Responsible Investment team works with the Portfolio managers collaboratively to enhance knowledge, highlight risks and opportunities, and help assess which investments to make.

Source: Columbia Threadneedle Investments, as of September 2023.

Global Insurance Solutions

Our Responsible Investment heritage
At the front for more than three decades

1984 Launched the first ethical fund in Europe

2000 Launched dedicated engagement overlay service – ***reo***®

2005 Founding signatory of the UN Principles for Responsible Investment

2020 First net zero pledge made

2021 Acquisition of BMO GAM EMEA to strengthen our RI capability

2022 Successful in application as signatory to the UK Stewardship Code

Responsible Investment
Our approach to voting and engagement

We have extensive experience of supporting clients' stewardship policies through our engagement service, ***reo***®. Reo's enhanced engagement reporting enables our clients to demonstrate how our activities support their own goals. We are also able to offer various optional extras, such as bespoke engagement.

Voting in segregated accounts is governed by the terms of clients' investment management agreements and clients are able to retain voting authority, or have a custom voting policy.

We envisage including access to our core ***reo***® service as part of our future relationship, and can discuss tailored stewardship options as part of this approach.

Factoring ESG into the security and third party asset manager selection ESG is a core component of our research process. A deep understanding of our clients' investment objectives, constraints and needs is the critical first step in our research process, which includes ESG. Whether a client is seeking to invest in sustainable investments focused on a sustainable/social outcome or strategies which integrate ESG factors into the research or portfolio construction process, we will customise our search criteria to meet each client's specific needs.

Our analysts researching companies/stocks consider ESG factors within their investment theses or research notes, and company research is enhanced by thematic research and engagement.

Internal and external models and data provide teams with access to granular information on issuers' ESG profiles. Metrics include controversy data, key carbon analytics, and our internal ESG Materiality model. Research and analytics also help us prioritise engagement, where we might see opportunities to help a lower quality company improve its score.

During the diligence process on a third-party asset manager, our multi-manager research team requires all investment managers to submit written responses outlining the firm's commitment and approach to responsible investing. Analysts use these detailed written responses to inform further discussions with the investment team, and ultimately to assign a rating and produce an assessment of the strategy's suitability for clients seeking ESG within their portfolios.

We support insurers with climate related disclosures by providing the data required (where available) by regulators.

We are working to integrate carbon metrics and other disclosures into our client reporting offering. Product-level disclosures typically include:

- Weighted average carbon intensity
- Total carbon emissions
- Carbon footprint
- Carbon intensity
- Exposure to carbon-related assets
- Scenario analysis

Climate-related disclosures are constantly changing as new ideas and regulations are introduced. Our climate specialists track these developments, and we look to enhance our reporting to ensure clients obtain the data they require to support their business in this area.

Thoughtfully addressing climate impact

We are a signatory to the Net Zero Asset Managers Initiative (NZAMI). Working in partnership with our clients, we aspire to reach Net Zero by 2050 or sooner across all assets under management.

To achieve this we have

- Developed and published a methodology for equities, bonds and direct real estate
- Analysed and approved a first wave of funds to be covered; AUM covered will be provided in the NZAMI report for the Q4 2023 reporting cycle
- Developed and rolled out training on Net Zero engagement to analyst and portfolio management teams

Source: Columbia Threadneedle Investments, as of September 2023, unless stated otherwise. The reo® assets provided are as of 30 June 2023.

Contact us

0800 085 0383

~~sales.support@columbiathreadneedle.com~~

columbiathreadneedle.com

Telephone calls may be recorded.

Follow us on LinkedIn

Investment risks

Past performance is not a guide to future performance. Your capital is at risk. The value of investments and income derived from them can go down as well as up as a result of market or currency movements and investors may get back less than the original amount invested. Not all investment ideas are suitable for all investors.

No capital guarantee – Positive returns are not guaranteed and no form of capital protection applies.

Exchange rate risk - Where investments are in assets that are denominated in multiple currencies, or currencies other than your own, changes in exchange rates may affect the value of the investments.

Economic and regulatory risks – Economic and regulatory risks can be significant. These factors can affect liquidity, settlement and asset values. Any such event can have a negative effect on the value of your investment.

Sustainable outcomes - Investing in companies which deliver sustainable outcomes requires adhering to a set of Sustainable Investment Guidelines. The Guidelines will affect exposure of an investment solution or portfolio to certain sectors, which may impact the performance of the solution or portfolio positively or negatively relative to a benchmark or other funds without such restrictions.

For professional and / or qualified investors only. Not to be used with or passed on to retail clients.

Disclaimer

This document is a Marketing Communication. This document should not be considered an offer or solicitation to buy or sell any securities or other financial instruments, or to provide investment advice or services. Past performance is not a guide to future performance. The value of investments and any income is not guaranteed and can go down as well as up and may be affected by exchange rate fluctuations. This means that an investor may not get back the amount invested.Where references are made to portfolio guidelines and features, these are at the discretion of the portfolio manager and may be subject to change over time and prevailing market conditions. Actual investment parameters will be agreed and set out in the prospectus or formal investment management agreement. Please note that the performance targets may not be attained.

The analysis included in this document has been produced by Columbia Threadneedle Investments for its own investment management activities, may have been acted upon prior to publication and is made available here incidentally. Any opinions expressed are made as at the date of publication but are subject to change without notice and should not be seen as investment advice. Information obtained from external sources is believed to be reliable, but its accuracy or completeness cannot be guaranteed.

This document is the property of Columbia Threadneedle Investments and must be returned upon request. This document is not investment, legal, tax, or accounting advice. Investors should consult with their own professional advisors for advice on any investment, legal, tax, or accounting issues relating an investment with Columbia Threadneedle Investments.

This document has been prepared and is issued in the **United Kingdom** by Threadneedle Asset Management Limited, No. 573204 and/or Columbia Threadneedle Management Limited, No. 517895, both registered in England and Wales and authorised and regulated in the UK by the Financial Conduct Authority.

Issued September 2023. Valid until September 2024. 5946698.