

# Asset Management

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# Asset Management creates value by capitalising on its core capabilities

## Challenging macro and financial market outlook

- Increase in (geo)political risk
- Uncertain policy outlook
- Fragile global growth environment
- Elevated asset price volatility
- Central bank activism

## Asset Management capitalises on its competitive edge

- Global, long-term investor with stable funding source
- Strong platform to support Group strategy
- Investment discipline and a high-quality portfolio
- Diversified sources of income
- Sustainable returns with integrated ESG criteria

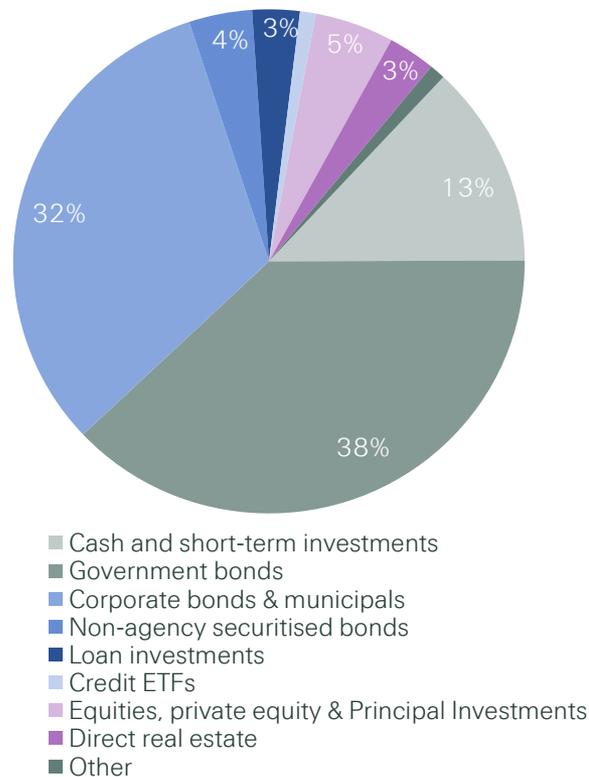
Continued strong contribution to Swiss Re's financial results in an integrated Asset-Liability framework



# Asset Management contributes to Swiss Re's financial performance and delivers strong and sustainable results

## Swiss Re's investment portfolio

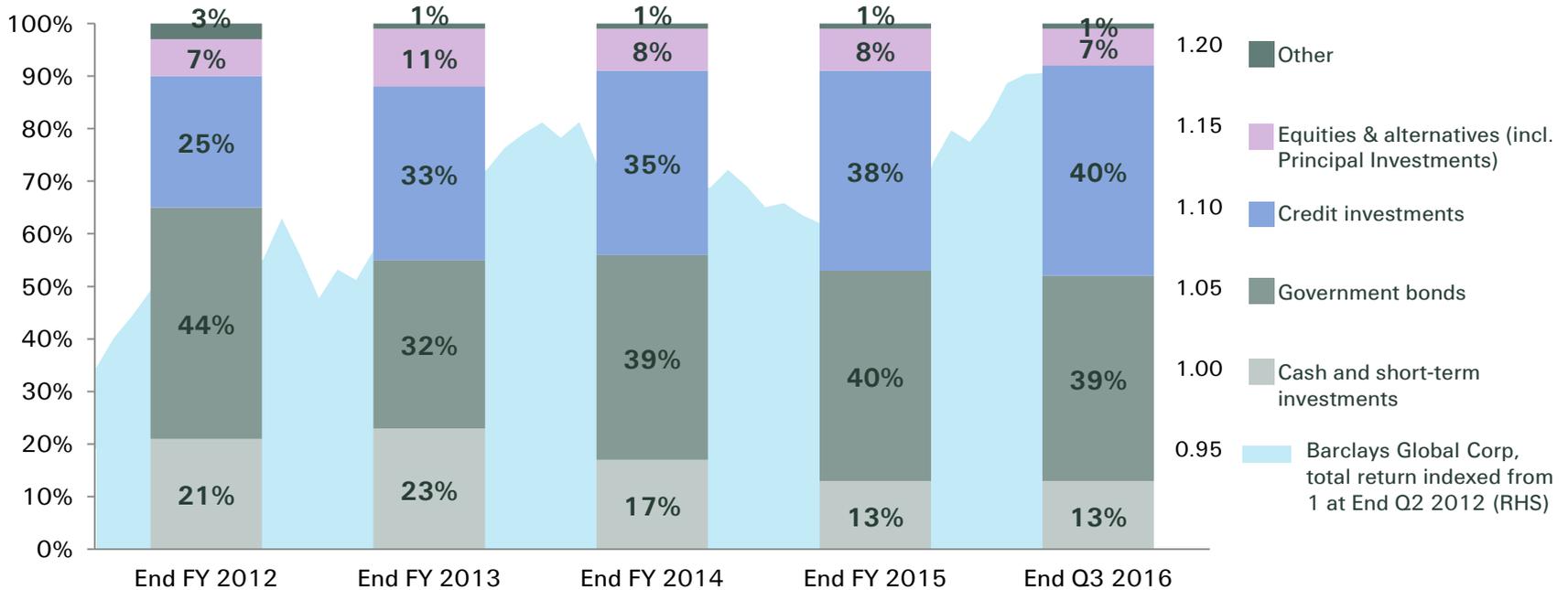
USD 135bn<sup>1</sup>, End Q3 2016



- Strong performance in challenging markets
  - average ROI of 3.8% and total contribution to ENW of USD 5bn over 2011-2015
- Global footprint with an agile platform
- Diversified sources of income (e.g. infrastructure debt and real estate)
- Key enabling function for the Group strategy
  - Supports entry into new markets and large transactions
- Strong controls and risk management

<sup>1</sup> Group asset allocation with direct real estate shown at market value

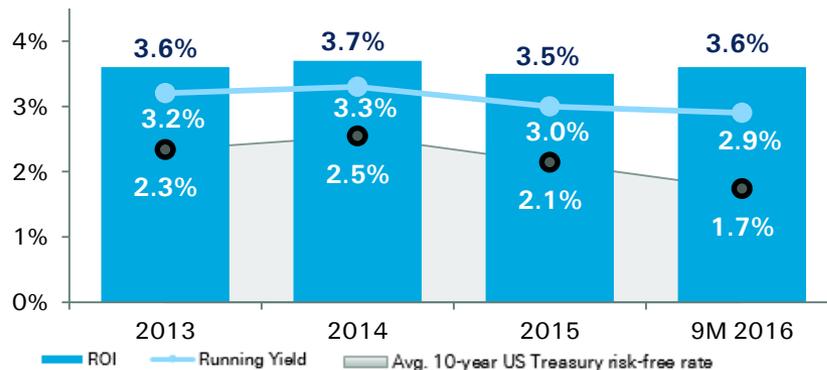
# The portfolio reallocation resulted in enhanced performance



- Significant rebalancing to high-quality credit, capturing the positive market development
- Equities and hedged funds reduced from 2014 onward
- Direct real estate increased (mainly in the US)
- Decrease in cash and short-term investments

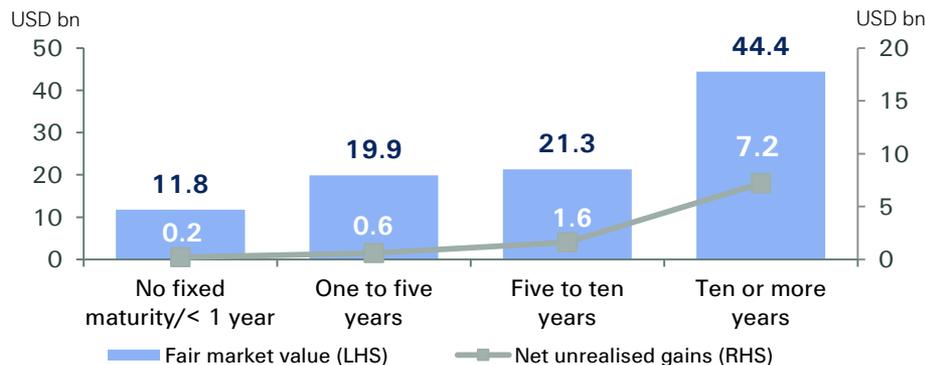
# Building on a successful performance track record we are well positioned for future returns

## Recent investment performance results



## Fixed income portfolio maturity profile (End Q3 2016)

Available for sale classification



- Group ROI remains strong despite challenging rates markets
  - 1%pt of ROI  $\approx$  4%pts of Group ROE (pre-tax)
- Approx. 85% of the ROI attributable to net investment income and realised gains from equities and alternatives
- 75% of unrealised gains in long duration securities
- Approx. 1% of overall investment portfolio consists of fixed income securities with negative book yields

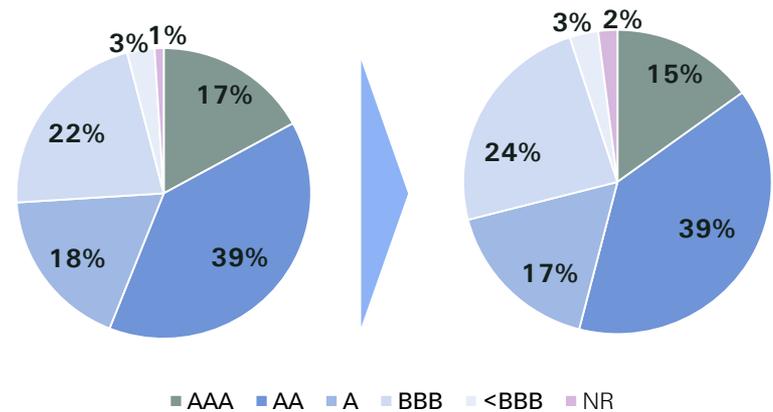
# Low impairments due to disciplined investment approach and high quality portfolio

- Overall fixed income portfolio ratings breakdown similar to 2013
  - no “yield chasing” as focus remains on high quality
  - negligible high yield; no dedicated allocation
- Focus on sustainable income: matching long-term liabilities with long-duration assets
- Impairments remain very low
  - fixed income impairments impact ROI on average approx. 2bps, which is below typical default assumption
  - actual spread income earned on the credit portfolio is approx. 150bps

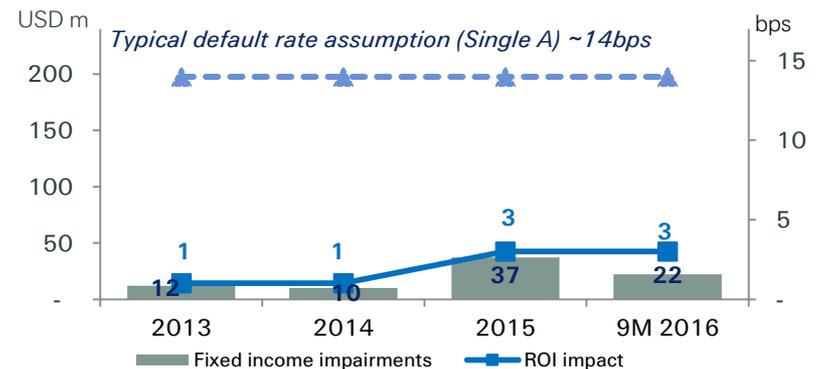
## Fixed income ratings mix

USD 79.3bn - End FY 2013

USD 101.0bn - End Q3 2016



## Fixed income impairment trend

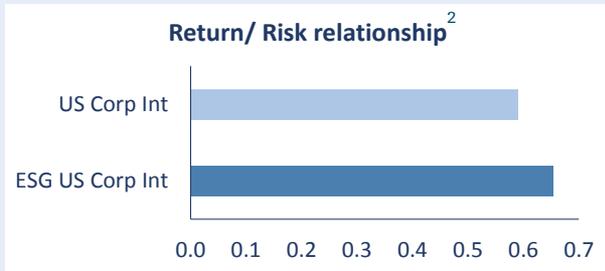


Source: Swiss Re analysis based on Moody's data

# Environmental, Social and Governance criteria are an integral part of the investment process

## Improved risk/ return profiles

- Clear evidence for the business case of ESG investing<sup>1</sup>
- Credit ESG benchmark shows lower volatility at comparable return



- Swiss Re consistently received top-quartile PRI<sup>3</sup> ratings
- Further strategic improvements being implemented

## Strategic Asset Allocation (SAA)



### Enhancing

- ESG benchmarks
- > 95% of our managers are PRI signatories

### Inclusion

- Green bonds
- Renewables & social infrastructure

### Exclusion

- Coal related
- Based on Sustainability Risk Framework

Focus to integrate ESG across portfolio to create sustainable investment returns on a risk-adjusted basis

<sup>1</sup> E.g. G. Friede, T. Busch & A. Bassen (2015). *ESG and financial performance*. Study conducted by Deutsche Asset Management and the University of Hamburg

<sup>2</sup> Sources: Barclays, Swiss Re; data sample last five years

<sup>3</sup> Principles for Responsible Investment



# Differentiation is pivotal to extending our role as a knowledge company and strategic asset allocator

## Robust investment process



- Sophisticated risk budgeting process
- Integrated Asset-Liability Management
- ESG fully reflected in the investment process
- Best-in-class controls and risk management

## Strong platform



- Advanced external manager framework
- Strong in-house Rates and Treasury management capabilities
- Well developed operational platform
- Strong access to a broad range of external capabilities

## Knowledge company



- Thought leadership in long-term investing
- Knowledge partner (e.g. World Bank GIF advisor)



# Swiss Re Asset Management is well positioned to maintain strong performance across uncertain markets

We create value through superior insurance asset management...

...by capitalising on our core capabilities and strong competitive edge

Asset Management remains a strong contributor to Swiss Re's financial performance

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Investment portfolio is well positioned for attractive risk-adjusted returns

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Disciplined investment approach and long-term focus drives sustainable performance

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Swiss Re is a truly global and well-diversified investor

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Continued focus on differentiation strengthens role as a strategic asset allocator

by diversifying sources of income and exposures, and maintaining high portfolio quality

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benefitting from a stable and long-term funding structure, and breadth of portfolio scope

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avoiding concentration in crowded markets; no forced selling during market stress

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entering markets strategically, through highly flexible investment platform and superior market access

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supported by a robust investment process with integrated ESG criteria and thought leadership



# Corporate calendar & contacts

## Corporate calendar

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### 2017

23 February

**Annual Results 2016**

Conference call

16 March

**Publication of Annual Report 2016**

21 April

**153<sup>rd</sup> Annual General Meeting**

Zurich

## Investor Relations contacts

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- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on Swiss Re’s investment assets;
- changes in Swiss Re’s investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
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- possible inability to realise amounts on sales of securities on Swiss Re’s balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
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- the cyclical nature of the reinsurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- policy renewal and lapse rates;
- extraordinary events affecting Swiss Re’s clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting Swiss Re or its ceding companies, and the interpretation of legislation or regulations by regulators;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

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