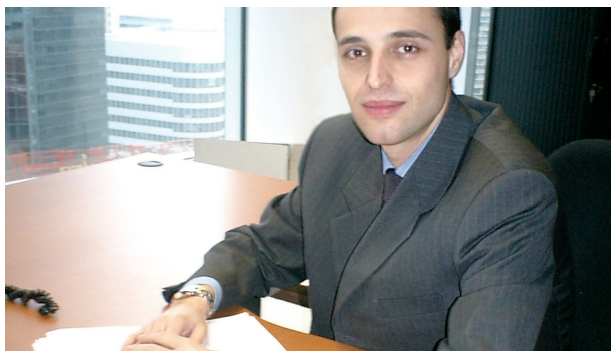


Best in France

Axa Investment Managers



Denis Cohen Bengio, Axa Investment Managers

> Paris-based Axa Investment Managers (Axa IM) does not have an investment banking arm nor does it enjoy the distribution advantages that come with having your own proprietary bank branch network. But the novel circumstances in which Axa IM finds itself has not deterred its success in the structured products space. At the end of 31 August its structured products business garnered €4.544 billion assets under management globally with at least €2.632 billion stemming from France.

Being active in a market that is traditionally closed to third-party products means Axa IM has had to work harder at identifying and promoting its unique value proposition. "When our competitors develop products it is for their banking network but we have to work with external distributors, so we have to be very innovative to remain attractive," says Paris-based Denis Cohen Bengio, head of retail product management at Axa IM.

And it has done this by leveraging off its expertise as an asset manager and carving a name for itself as a specialist in constant proportion portfolio insurance (CPPI) funds. Although CPPI funds have been around since the 1980s, Axa IM was one of the first managers to introduce CPPI funds to the French retail market through insurance wrappers.

Through on-going education and impressive past performance records, Axa IM has brought CPPI back into vogue, offering the market an alternative to traditional option-based structures. And in the last year, it has reinforced the strengths of the actively managed formula through a series of innovative and highly successful product launches.

In February 2005, Axa IM came to market with the Garantiss'Immo, a five-year retail CPPI fund that invests in listed European real estate funds, including the EPRA tracker fund that Axa IM launched last July. "We had initially experienced the appeal of the real estate market as an asset

class for institutional clients with the previous issue of a dedicated CPPI fund (July 2004) that has achieved a net performance of 48.3% since launch," Bengio explains.

Although some asset inflow came through Axa IM's insurance arm which distributed the product in Spain, Italy and Luxembourg, the bulk of the Garantiss'Immo was distributed primarily through Cortal in France, a subsidiary of BNP Paribas specialising in investment and savings products for private investors. In total, the fund raised €43.5 million in assets under management.

In May of this year, Axa IM also launched France's first credit derivatives fund, Patrimoine Obligation Croissance (POC), in partnership with ABN Amro and aimed at private investors in France and Monaco. Axa IM managed the credit default swaps (CDS) portfolio while ABN Amro structured the capital guarantee component. This was an eight-year capital protected product distributed almost entirely by ABN Amro's private banking channel, Neuflyze Gestion (NSM). The fund collected a total of €63 million in assets.

While Axa IM has had a successful run with third-party distributors, Axa IM also managed to achieve scale through internal distribution channels, comprised of Axa's insurance business. "Offering CPPI products through insurance wrappers was how Axa IM first broke into the retail structured products market," Bengio says. The Performance Confort, an eight-year CPPI product based on a portfolio of equity funds and distributed exclusively through Axa's insurance arm, raised €125 million from its fourth issue in September 2005. Since its inception in 2002, the fund has raised a total of €500 million in assets and the fifth issue is currently being subscribed while Axa IM is planning to launch the sixth issue soon, Bengio says.

There is also talk of extending the Performance Confort concept beyond the confines of Axa Insurance by incorporating an emerging markets component to cover countries such as China, India and Brazil, or a commodities component for wider appeal, Bengio confirms.

Why Axa Investment Managers won

Axa Investment Managers has achieved success in France by working against the grain. The asset management firm has managed to deliver mammoth asset inflow despite having to work in a "closed," or at best, "guided" distribution environment while contending with the popular option-based structures. Its commitment to promoting actively managed structured products while keeping a close eye on product innovation has given Axa IM its edge.

Distributors