



AXA boosts risk transfer foothold

AXA IM's structured finance unit raised over €1bn in total commitments for the AXA IM Partner Capital Solutions VII fund at the end of September, following its launch in July 2017. The capital was raised from repeat and new clients and is the largest amount that AXA IM has raised for capital relief trades, reflecting an increased asset management foothold in the alternative credit space.

"Raising more than €1bn in the regulatory capital relief space is an achievement for AXA IM as it is a complex asset class requiring investors able to invest in the long term, while having the capacity to understand these transactions," says Christophe Fritsch, co-head of securitised and structured assets at AXA IM. "It is also a proof of their trust. To put this number in perspective, Partner Capital Solutions VII more than doubled its predecessors in size."

As with AXA IM's previous capital solutions funds, the private equity-like structure features commitments and capital calls, a lock-up period where the assets will be reinvested for more than four years, and is targeting high single digit net returns. "In practice, investors have committed capital to the fund and this will most likely be called during the next two years," says Fritsch.

According to the Global Legal Entity Identifier Foundation (GLEIF) the legal form of the fund is an FCP, a common investment fund with no legal personality, which must be managed by a fund management company.

The fund seeks to provide access to quality credit, representative historically of the European economy, from SMEs and mid-caps to large corporates, while aiming to offer exposure to diversified portfolios selected by AXA IM in core bank financed performing credit portfolios. However, despite more cash to put to use, Fritsch expects the market to remain a niche one.

"One of the key challenges for issuers is to ensure that investors understand the structural features and can safeguard confidential information. In AXA IM's view, therefore, the limit is not the appetite for banks to issue CRTs, but the number of investors they can trust," he says.

Oliver Fochler, ceo at Stone Mountain Capital, expresses similar views. He says: "CRTs are restricted to banks and insurance firms, since they are the ones who have the structuring expertise and the capital need to do them. For other investors in alternative credit it is just much more convenient to do an outright sale or an acquisition."

Fochler confirms a wider investment base among insurers, along with more cash to put to use.

AXA IM is riding a wave of asset management activity in alternative credit. According to Willis Towers Watson, the world's largest 100 alternative asset managers - including AXA IM - saw assets under management increase by 10% in 2016, rising by US\$4trn.

The Willis survey, which captures long-term institutional investment trends by seven main investor groups across 10 alternative asset classes, showed that of the top 100 alternative investment managers, real estate managers have the largest share of assets (35%, over US\$1.4trn), followed by private equity fund managers (18%, US\$695bn), hedge funds (17%, US\$675bn), private equity funds of funds (12%, US\$492bn), illiquid credit (9%, US\$360bn), funds of hedge funds (6%, US\$228bn), infrastructure (4%, US\$161bn) and commodities (1%).

In terms of growth by asset class among the top 100 asset managers, illiquid credit saw the largest percentage increase over the 12-month period, with assets under management rising from US\$178bn to US\$360bn. Conversely, assets allocated to direct hedge fund strategies among the top 100 asset managers fell over the period, from US\$755bn to US\$675bn.

Insurance company assets managed by the top 100 alternative asset managers grew from 10% to 12% of total assets.

Partner Capital Solutions VII is still open for subscriptions. AXA intends to launch new Partner Capital Solutions funds every two to three years on average, but this will also depend on investor appetite and market environment.

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