

CO³ voices: VIG Asset Management



Péter Kadocsa



Gábor Veresegyházi



Market turbulence, regulatory changes, the technological and digitalization revolution – 2024 is a challenging year for the European insurance sector. The profitable yet cautious and professional management of institutional assets, along with the increasingly prominent risk management, is therefore a particularly important task. In this, the VIG Group's own asset management company can provide significant and cost-effective assistance.

We spoke with Dr. Péter Kadocsa, Chairman and CEO of VIG Asset Management, and Gábor Veresegyházi, the company's CO³ Ambassador, Head of Digital Channels and Sales Support, about the broad cooperation opportunities, the experiences so far, and the CO³ initiative that facilitates collaboration among group members both within and across countries.

Due to economic and regulatory changes, the insurance sector continues to face numerous challenges this year. What tasks do these significant industry trends pose in the field of asset management, and how can an “in-house” asset management company assist in navigating them?

P.K.: In challenging market and operational conditions, many insurers expect their investment portfolios to support their overall corporate objectives. As a result, the composition of assets and their contribution to returns and earnings volatility have become increasingly important considerations. Consequently, more and more industry players are contemplating portfolio risk in relation to broader business strategy and overall performance. Similar processes are unfolding among the clients of insurers as well. Innovative products and asset management solutions are needed for success. As an asset management company within the Group, we have the necessary competencies to assist in managing these challenges.

How can VIG Asset Management support the CO³ efforts of the Group?

G.V.: Fortunately, we’ve been working this way for nearly 30 years, allowing our activities to quickly and effectively contribute to the new, forward-looking direction. Through its predecessors, VIG Asset Management has a long-standing history in the regional asset management sector. As a member of Aegon Global Asset Management, the company became the Central and Eastern European regional asset management hub for the Dutch-owned group, managing assets and providing product support for Polish, Romanian, and Hungarian insurers and pension funds since the 1990s. Therefore, we have decades of experience in collaboration between various entities, both within countries and across borders.

The experience you have gained so far undoubtedly provides a solid foundation for further cross-border cooperation. The VIG Group includes more than 50 insurers across 30 countries. Which countries have already established effective collaboration?

P.K.: The number is rapidly growing: we are now managing nearly 4 billion euros in assets across 10 countries. When we joined the VIG Group in the spring of 2022, we had collaborations with only three countries: Hungary, along with the then-group members in Poland and Romania. Over the following year, we expanded to include the Czech Republic, and in the past six months, we’ve added six more countries: Montenegro, Bosnia, Lithuania, Latvia, Estonia, and, as of June, Austria, all of which are great examples of successful cooperation. So, not only are we present in the two largest markets within the Group, Austria and the Czech Republic, but we’re also active in smaller markets such as Bosnia, where we operate as advisors.



Péter Kadocsa
Chairman and CEO, VIG
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What expertise is currently needed in different locations? Can you share any successful collaborations where you've provided support to the insurers within the Group in specific areas?

P.K.: The collaborations span a wide range, tailored to align with regulations and local characteristics in each country, ensuring the most effective approach. For example, in the Baltics, we have a successful partnership with the Estonian Compensa Life insurer, part of the Group, which operates in all three Baltic countries and is very active in selling unit-linked insurance policies. On the non-life side, a good example of collaboration is with BTA, one of the largest local players in Latvia, which has entrusted us with managing a portion of its insurance reserves. In the first case, we provide a product that channels client funds, while in the second, we assist in managing the insurance reserves.

G.V.: Our long-term goal, however, is to participate in the asset management of the entire VIG Group – of course, in cooperation with the asset management divisions and colleagues of the individual insurers. On one hand, we offer ready-made products for our members, such as complete unit-linked products that we can provide and fully manage. We also support other institutional investors within the Group; for example, we manage six portfolios for the Hungarian Alfa Pension Fund, which has 161,000 members. On the other hand, leveraging our decades long international experience, we can actively participate in joint product development with them. Since December 1 of last year (when the VIG Group bought out the Hungarian state's ownership stake), we have been continuously expanding our international coverage. This year, we aim to expand into additional countries and, over the next two years, double the number of our collaborations.

The Asset Management company has significant experience in managing insurance reserves and insurer assets. However, these competencies have also been developed within individual insurers in many cases. What cooperation opportunities do you see in this area?

P.K.: For VIG members where there isn't sufficient capacity or comprehensive, global investment expertise in asset management, we can, of course, offer a complete solution. A good example of this is the two Hungarian insurers within the VIG Group (Alfa and UNION) and the Polish Aegon insurer, where we manage the entire asset portfolio with positive results.

However, we can also take on mandates for just a portion of the reserves. This is how we work, for example, with BTA in Latvia, where we manage the equity portfolio, as well as in Austria. Asset management activities can be shared between the Asset Management company and the specialized teams within the insurers: we provide support only where the necessary expertise is lacking.

Where the necessary capabilities exist, it makes sense to leave the investment and asset management activities in the hands of the local teams for those specific areas. For example, local professionals may have deeper market knowledge when it comes to managing local bond portfolios, while we can offer significant added value in managing a global equity portfolio.

The target countries are diverse. What competitive advantages does the Asset Management company have over local and international competitors?

P.K.: VIG Asset Management is one of the leading regional players, with nearly 30 years of successful operation and multiple awards as the Asset Manager of the Year in the highly competitive Hungarian market. We have a strong track record of documented past performance. With a team of over 75 professionals, we manage 50 strategies (funds) across six currencies, which is a rarity even in international comparison.

We consistently introduce new, innovative solutions, such as megatrend, absolute return, and factor-based investment funds. We offer independent securities account management—a product that, through successful collaboration, is now sold by 230 advisors at the Hungarian UNION and Alfa insurers, and 138 advisors at Czech partners Kapitol, Bohemika, and CPP. Additionally, we provide investment advisory services and portfolio management. For these, we've developed our own innovative market forecasting model, and we regularly publish its results in a monthly English-language newsletter. The “House View” is already being considered at the board level by some of our Baltic insurance partners during the preparation of investment and business decisions. This can provide a significant competitive advantage for all VIG members.

G.V.: There is virtually no area where we cannot collaborate. Importantly, we hold all the necessary licenses required within the European Union. These include licenses for UCITS funds, alternative investments, and even for launching EU money market funds. The latter is a very safe investment form that requires approval under special regulations, which is why very few companies offer such a product. In fact, only three asset managers across Central Europe provide this, and we are one of them. For instance, in the significant Czech Republic market, there is no local company offering such a product. Overall, establishing and operating such an operation requires a significant amount of time and considerable investment.

As such, VIG Asset Management offers a cost-effective, in-house alternative for asset management within the Group?

P.K.: Effective cost management is particularly important for insurers in today's world. At the same time, their clients increasingly demand innovative, “sexy” products, which, in most cases, would not be feasible to create and operate profitably and at reasonable costs with external providers. The special pricing offered to VIG group members – known as “Family Pricing” – resolves this contradiction. As the largest insurance group in Central Europe, we can leverage economies of scale to achieve more favorable pricing, especially as we are entrusted with more activities. External asset managers often have cost structures that conceal very expensive services. Moreover, the lower cost levels that can be achieved this way align with the new EU requirements, which aim for investment-related (unit-linked) services to be ethical insurance products and to reduce the costs borne by customers. For an insurer to achieve visible profits from such a product, effective cost management must play a significant role. This is essential if they want to remain competitive.

So, there is an EU expectation to reduce costs and a customer demand for innovative products. Can you provide a specific example of the latter?

G.V.: As mentioned earlier, we manage our own investment funds in six currencies. But we also offer other currency-based products tailored for insurers, such as the euro and dollar-based “Zen” pension insurance created for Hungary’s Alfa Insurance. It took only six months to develop and launch this product, and we have the expertise to create similar solutions for other group members. With such a new product, insurers can open up new markets for their sales and advisory networks that they previously did not have access.

We are particularly proud of our joint project with Alfa Insurance and Alfa Pension Fund, which was submitted under the VIG Xelerate program and placed 2nd out of the 25 entries from VIG countries. Our solution involves offering savings products through personalized and automated digital Xsell campaigns via mobile applications (Alfa Go, Alfa Plus) that have not been used for this purpose before. This could potentially make our investment service accessible to hundreds of thousands of customers connected to the VIG Group through their insurance.

These solutions significantly expand the number of accessible markets. What other specialized expertise can VIG Group insurance members find at Asset Management?

G.V.: There are specialized competencies, such as ESG- (Environmental, Social, and Governance) focused investments. Our Asset Management team has significant practical experience in responsible investing – in 2022, we were awarded the prestigious title of “ESG Asset Manager of the Year” in Hungary. This expertise allows us to support other institutional members of the VIG Group in these areas as well.

In September, we are launching our Greenbond bond fund and Greentrend equity investment fund, which are the first in the Central European region to represent the highest “Article 9” category, meaning that the vast majority of the included investments are in such ESG-compliant assets. The ESG approach is an increasingly significant customer expectation and aligns with the VIG Group’s goals, such as sustainability towards society, customers, and employees, as well as investing in renewable energy.

But those who work with us can also be confident that the group-wide values that apply to VIG Asset Management will be upheld both in our operations and in the investment strategies we employ. These specialized competencies enable us to generate as much value as possible “in-house” within the asset management value chain, which in turn enhances the group-wide results.

At the same time, in the vast majority of cases, it is not cost-effective to develop this expertise locally – often in parallel – within each entity.

P.K.: At the group-wide meeting in March, CEO Hartwig Löger emphasized that a key cornerstone of the VIG Group's operations is that local management independently runs the insurance companies. This is an efficient approach, as insurance is primarily a local market. However, to fully leverage the synergies in the knowledge and competencies of group members, it is important to connect these independent entities. Learning from each other, sharing experiences and knowledge are essential for increasing efficiency and, ultimately, for profitable operations and expanding market share – key objectives of the VIG 25 group strategy.

Increasing efficiency and profitability is also crucial for maintaining the independence of the VIG Group and its members. VIG Asset Management – and its predecessor – has been following this strategy for 30 years; it's embedded in our DNA, something our colleagues live and breathe every day. With this decades-long experience, we can assist in the swift and seamless transfer and implementation of these skills and best practices.