

Axonic Brings an Array of Protected Annuity Products to Asia's Wealth Management Markets

New York-headquartered Axonic Insurance Solutions is a specialist creator of tailored, guaranteed and often bespoke annuity products for mass affluent and HNW private investors as well as for institutions, both onshore in the US and offshore. Distribution is through partners such as insurance platforms, private banks and independent wealth managers, while the return and principal guarantees come from highly-rated insurers. The firm is now making a concerted push into the Asian markets, where they have identified significant potential in the dynamic private wealth community, seeing increasing demand for interesting, diversified and secure investment products in the structured annuities field. Hubbis met recently with Giles Boeree, the Hong Kong-based International Marketing MD for Asia and Europe for Axonic International Marketing Group, and also Robert Painter, Head of Product and Actuarial for Axonic Insurance Solutions based in New York. Together they painted a vibrant picture of the products they offer, and of the proposition they bring to the wealth management community in Asia, as well as the major opportunities they see ahead in the region.

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GILES BOEREE
Axonic Insurance Solutions

Axonic Insurance Solutions was formed in 2022 as a subsidiary of US-based Axonic Capital, an independent financial services firm formed in 2010 and headquartered in New York, offering asset management services across structured credit and commercial real estate lending, with an AUM of over USD4.2 billion.

Axonic Insurance Solutions has a team of insurance experts, and partners with leading firms in financial risk management, re-insurance, and asset management, to offer innovative annuity investment solutions for investment growth, principal protection, and income generation.

The firm currently collaborates with single-A rated US firm AmFirst Life Insurance Company to distribute both onshore in the US and offshore, which is where the team are starting to focus considerably more effort these days, especially in Asia.

The products they distribute include life and annuity products with a particular focus on multi-year guaranteed annuities. The products come essentially under

Axonic International – a Snapshot

Hubbis has sourced the following information from the Axonic International website.

Axonic International is a 100% owned subsidiary of Axonic Capital LLC, established in 2010 with USD4.2B in AUM. Axonic Capital is an independent financial services firm, headquartered in New York City, offering asset management services across structured credit and commercial real estate lending.

Axonic International provides niche opportunistic investment solutions and expertise that allows them to create unique advantages through sourcing and asset allocation. Axonic’s investors are given the flexibility to diversify fixed-income portfolios for a differentiated source of return and enjoy higher returns.

Axonic International partners with leading names in financial risk management, re-insurance and asset management in offering innovative investment solutions providing investment growth, principal protection and income-producing strategies.

Their solutions are offered out of the Channel Island of Jersey, which is described on their website as a leading international jurisdiction offering stability and economic strength.

They offer the Guaranteed Fixed Rate Plan, a fixed rate account with guaranteed rate periods of 3, 5, and 7 years, with the ability to diversify into multiple guarantee periods.

And they offer the Guaranteed Investment Plan, an international investment plan with index options, and that in turn, links returns to the values of the world’s major indices while guaranteeing that the investor’s contribution will be valued at no less than 107% or 105% at the end of 7 or 5 years in the corresponding Index Plan. It provides 100% participation on the upside and is subject to an annual cap.

To explain further, the website reports that each 5-year investment plan that remains in the customer’s (Jersey) sub-trust for the entire duration -- that is, no withdrawals have been made -- will be guaranteed to equal no less than 105% of the original investment, according to the firm’s website.

The site states that at the end of the 5-year period, an amount necessary for the investment to equal the guaranteed amount will be automatically credited to the Index Plan value. As long as the assets remain in the Index Plan, this minimum guarantee will automatically renew for successive 5-year periods at the investment’s then-current value. The same investment approach is applied to 7-year plans.



ROBERT PAINTER
Axonic Insurance Solutions

two headings - the Guaranteed Fixed Rate Plan with 3, 5 and 7-year annuity products, and their Guaranteed Investment Plan products, the second of which are essentially indexed-linked annuities that offer both downside protection and minimum returns and also some degree of upside related to leading indices, for example, the S&P500.

Retail and HNW

Rob explains that the target market, both onshore and offshore, spans mass affluent, HNW and even institutional customers. In the US, it might be individuals buying insurance products largely for retirement purposes, or perhaps institutions of varying sizes taking up bespoke insurance/investment-linked products, customised bespoke issuance built with insurance wrappers and/or

customised bond wrappers on behalf of their end investors. In Asia, it could be HNW private clients of private banks or independent advisory firms.

Rob also notes that Axonic is a 'disaggregated' insurance entity, meaning that it works with an array of platform partners to consolidate risk and support their issuance. He says, for example, that on the asset management side, they collaborate with BlackRock and PGIM along with Axonic Capital as their asset managers, and also with a number of brand-name reinsurers to cover the risk mitigation.

Working with best-in-breed partners

"You can think of it this way, that disaggregated effectively means we select best-of-breed partners to support our products and our platform," Rob elucidates. "And on the issuance side, we work with AmFirst Life Insurance Company and other white-label insurance company relationships around the globe, using both our internal distribution and some external distribution partners through established relationships we have in place."

Rob also explains that Axonic Insurance has access to products deriving from Axonic Capital's bespoke relationships

that allow it to effectively source credit paper from certain US government agencies. "The structured credit that emerges from those conduits is allocated in part to us at Axonic Insurance as a portion of the portfolio backing our protected annuity products we design and underwrite for the distributors and investors we work with," he says.

Conjuring up appealing returns

This financial market alchemy results in an appealing product offering with some attractive investment criteria. Rob explains that the structured credit pools that Axonic Capital has originated since its inception in 2010 runs now to tens of billions of dollars, and currently this high-quality USD paper available to the Axonic Insurance general account portfolio, which supports Axonic's protected annuity products, is yielding above 9% p.a.

But he adds that all this is achieved with a remarkably low historical default rate on these assets. "We end up being able to deliver guaranteed, or protected, investment products with attractive yields, supported by high quality investment pools and backed by strongly capitalized and rated insurance partners," he elucidates. "In short, these are insurance-guaranteed annuity products that address the financial needs of different clients of different ages

« "You can think of it this way, that disaggregated effectively means we select best-of-breed partners to support our products and our platform." »

and often with a variety of differing objectives which can range from protected savings to efficient and predictable de-accumulation. And we are highly competitive in terms of returns and rate and features in a highly competitive guaranteed products marketplace.”

The vast opportunity in Asia

Giles offers his perspectives on the market and opportunity in Asia, noting that the demand for yield-enhanced protected products has risen as volatility in other assets – especially equities – has risen.

“With higher and potentially still rising rates, the returns on offer a few years ago are less alluring, so appetite amongst HNWI’s for steady and predictable medium-term returns has increased significantly,” he reports. “These offer robust returns, and while not the highest returns available, they are protected and very low risk, meaning overall a very interesting proposition.”

Carefully structured

They explain that in terms of structure, Axonic has a master trust that is incorporated in Jersey, with Fiduchi as the trustee, BNY

Mellon as the custodian. “Each client buys the annuity product from a sub-trust carved out of the master trust, and also held in Jersey,” says Giles. “If the client buys, for example, a guaranteed growth annuity, they know that they have a return, which is added on an annual basis to their account and that cannot be removed. The client can sit on the product, see the returns roll up and then take those on maturity or roll over into a new product.”

He explains that this is just one product a private client might have in his or her financial armoury, and in Asia, there is plenty of demand coming from private banks, independent wealth managers and family offices, sometimes at institutional scale levels.

Ideal for the wealth management market

Giles explains that any EAM, MFO or private bank can earn fees on bringing their individual private clients, or perhaps single-family offices to the table. “If for whatever reason those advisors choose not to take any fees from the products, we can enhance the client’s rate of return on a pro-rata basis,” he adds.

Rob chips in to offer an example of a product they are marketing in Singapore named ‘Basilica’, which is similar to a zero-coupon bond and with three or five-year terms at a 6.1% guaranteed interest rate and issued by an A-rated entity. The buyers might also opt for linkages to certain global indices, such as the S&P 500, the gold index, or Nasdaq, offering them potentially higher (or lower) returns that have both a cap and a floor.

The right products at the right time

Giles elaborates on the exact proposition for the Asian wealth management community, noting that there are far fewer annuity providers in Asia than in mature markets such as the US or Europe. Moreover, rates had been so low for so long and equities so buoyant, that demand was understandably muted.

“But today all that has changed or is changing,” he reports, “and there is rising demand for these types of well-structured, financially rigorous products. The market here in Asia is the mass affluent and HNWI segments, and we are accessing those buyers through the private banks, EAMs, MFOs

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Short Notes on Giles and Rob

Giles Boeree is Axonic’s International Marketing Group MD for Asia and Europe. He has over 35 years of broad experience in building multi-channel distribution for life companies, funds houses and alternative asset managers in Europe, and the Middle East and for the last 25 years has been based in Hong Kong.

Giles has worked on a consultancy basis for the last twelve years, building assets under management for various funds houses through his network of private banks, family offices and other high-net-worth and institutional investors.

Rob Painter, Head of Product and Actuarial and based in the US, is a highly experienced actuary and financial executive with three decades of experience in the insurance, investment management and investment banking industries.

He has previously held leadership roles within Deutsche Bank’s investment bank and asset management arm in both New York and London, Swiss Re, Conning & Company, and other financial and insurance institutions.

With expertise in insurance risk and capital management and OTC derivatives structuring and trading, for 14 years at Deutsche Bank Robert led global sales and structuring teams, focusing on structured solutions, cross-asset hedging strategies and annuity white-label solutions for institutional and retail clients. Also, while on the Deutsche Investment Management Alternatives Executive Committee he developed and oversaw the integration of the retirement solutions platform for the United States. Prior to Deutsche Bank, he led a third-party investment management/investment strategy consulting practice within SwissRe/Conning & Company.

and single-family offices, and local insurance entities, mostly in Singapore for the time being.”

Building the market presence in Asia

They draw the discussion towards a close by explaining that their

near-term mission is to build a presence with intermediaries and partners to deliver these products to end clients. “We want to build confidence in us as a thoughtful, flexible partner in product development for firms and institutions to then offer to

their own customers, in a win-win scenario. For the more imaginative or larger players, we can tailor products and solutions that match the broader needs of portfolios they might manage, or for direct sale to the private clients, potentially even as a White Label offering.” ■

