

# **SURA Asset Management Corporate Presentation**

Q1-2020

# Disclaimer

The forward-looking statements contained herein are based on Management's current forecasts and outlook.

For better illustration and decision-making, figures for SURA Asset Management and its subsidiaries are administrative rather than accountant, and therefore may differ from those presented to official entities. Thus, SURA Asset Management assumes no obligation to update or correct the information contained in this presentation.

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**03** Corporate  
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**04** Client Centric  
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**OVERVIEW**

# Who we are

## #1 PENSION FUND MANAGER

in Latam, with a growing voluntary Savings and Investment business

**22.3%**

**MARKET SHARE**  
Mandatory Pension

## 35 YEARS OF EXPERIENCE

in the region, with a unique knowledge in the asset management industry.

**9,189**

**EMPLOYEES**

## REGIONAL PLATFORM

with a leading presence in 7 countries

**+482**

**SOLUTIONS AND PRODUCTS FOR OUR CLIENTS**

## RELEVANT CLIENT BASE

in attractive markets

**~20.5 million**

retail clients

And **304**

Institutional clients



ASSETS MANAGED BY OUR BUSSINESS

**USD 117 bn**

OPERATING REVENUE

**USD 92.4 m**

OPERATING EARNINGS

**USD -33.1 m**

**7** COUNTRIES

INVESTMENT GRADE:

**FITCH BBB+**

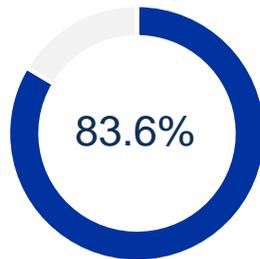
**MOODYS Baa1**

# Backed by reputable shareholders

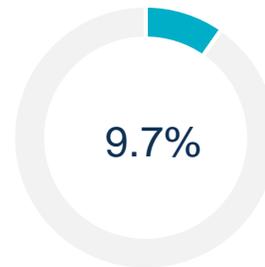
## Support from Strong and Sophisticated Shareholders



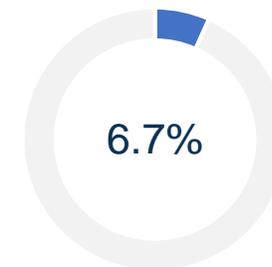
Latin American holding company with a strategic focus on the diverse financial services sector.



Colombian investment group with significant experience in the financial sector



Second largest pension fund in Canada, CDPQ managed assets of \$308.3 billion invested in Canada and elsewhere.





PERSONS



INSTITUTIONS

## MANDATORY

- » Mandatory pension
- » Severance



**AUM**  
**USD 102.9 bn**

## SAVINGS AND INVESTMENT

- » Voluntary Pensions
- » Distribution of own Mutual Funds and open architecture
- » Unit linked
- » Insurance distribution
- » Sales and trading



**AUM**  
**USD 8.7 bn**

## INVESTMENT MANAGEMENT

- » Management of investment portfolios and services (Mandates and Funds)
- » Creation of investment products and services including distribution to institutional clients



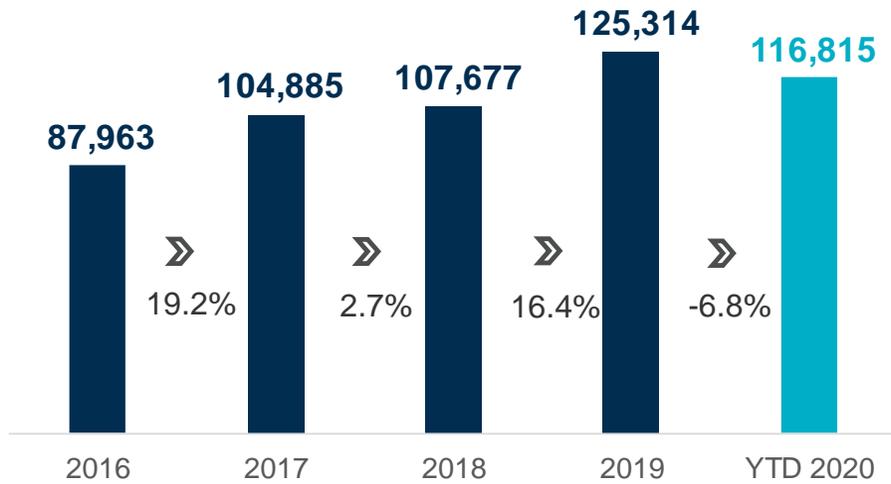
**AUM**  
**USD 8.7 bn**

\* USD 3.5 bn from WM business

**FINANCIAL  
PERFORMANCE**

# SURA AM's Financials Evolution

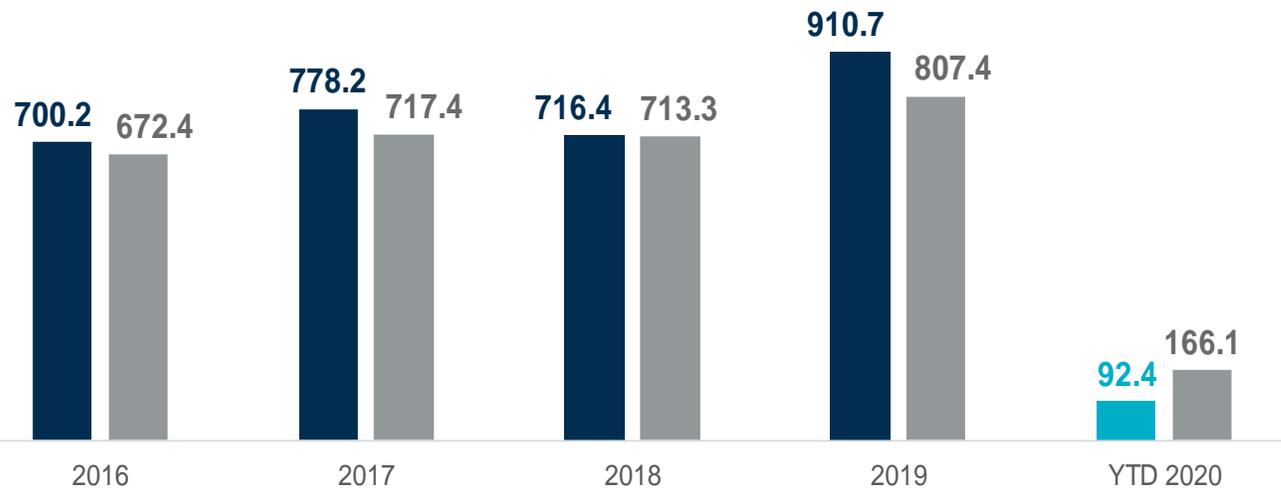
## AUM



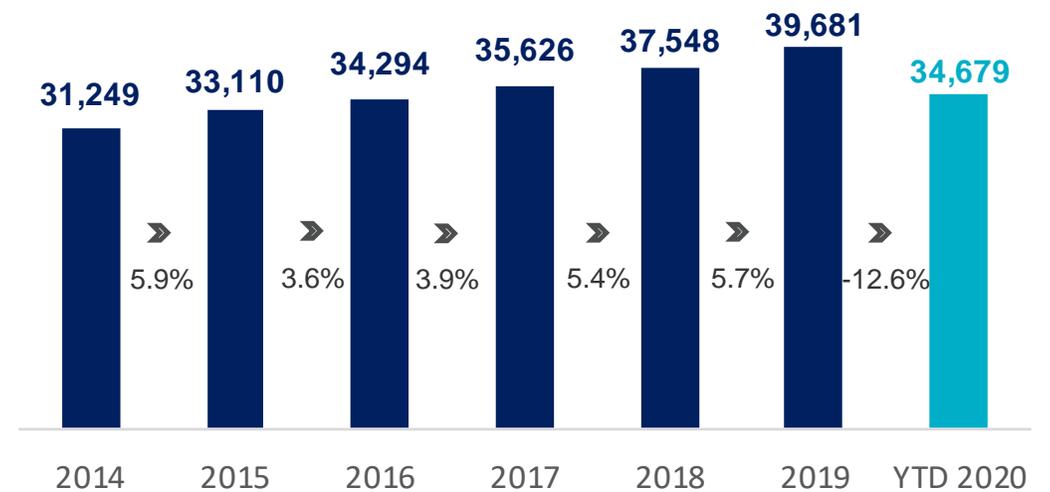
## RETURN ON LEGAL RESERVE



## OPERATING EARNINGS



## WITH A STABLE SALARY BASE

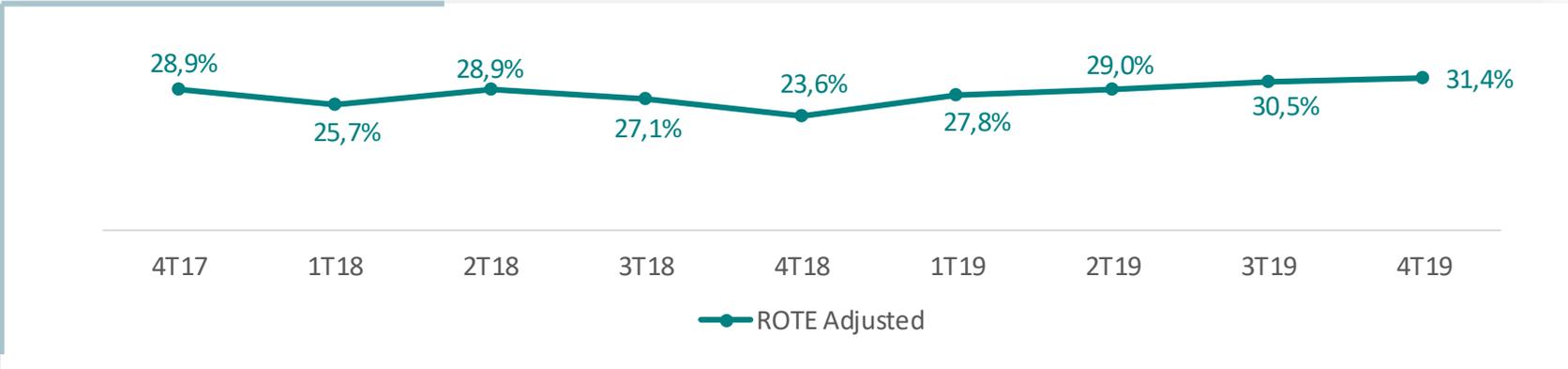
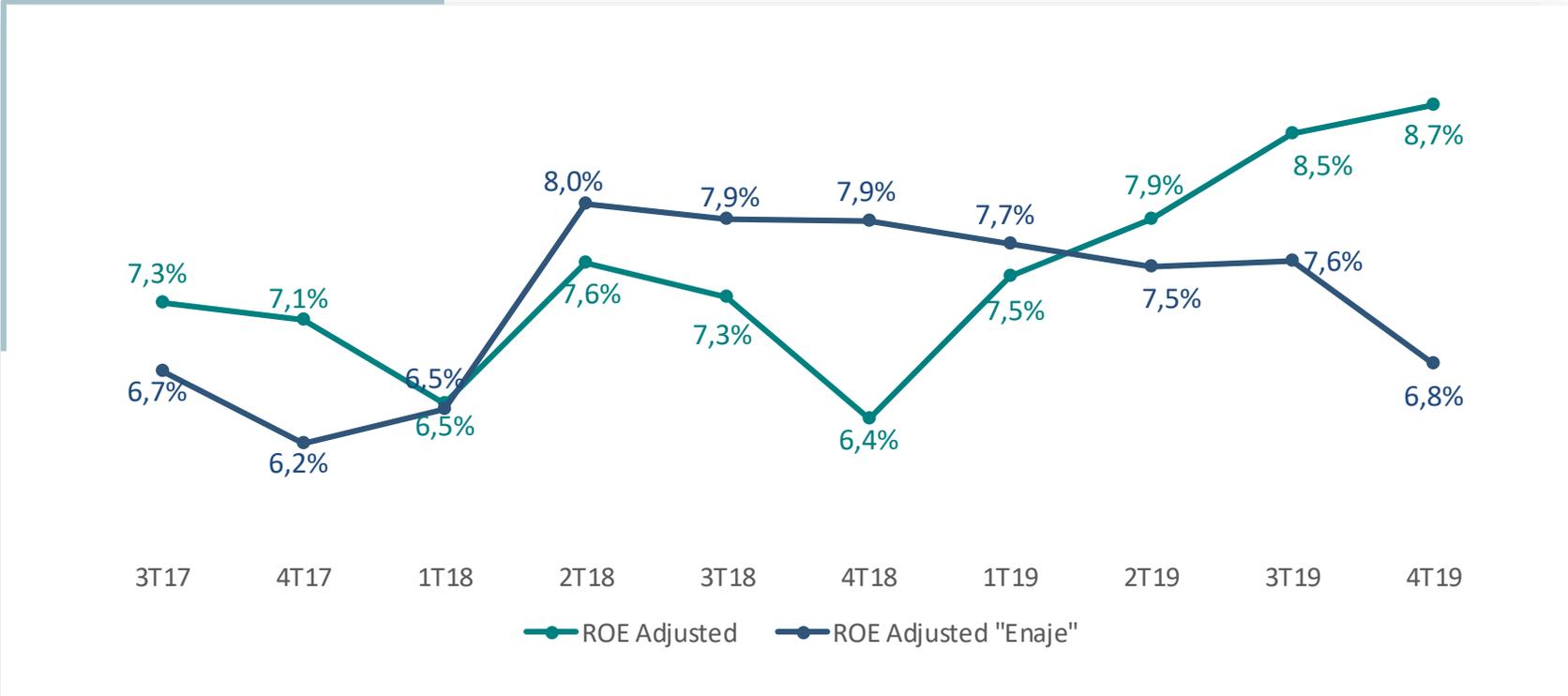


Operating earnings

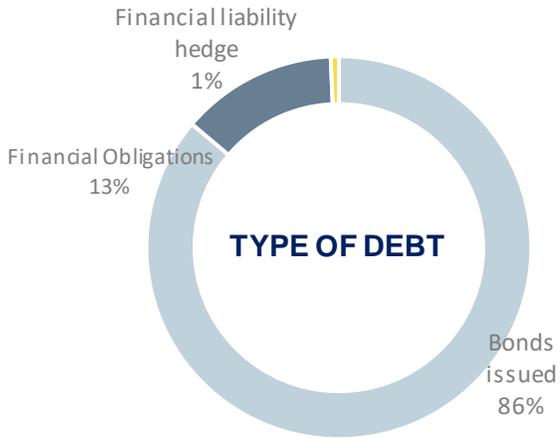
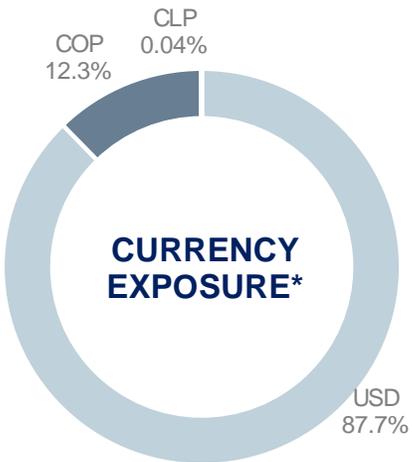
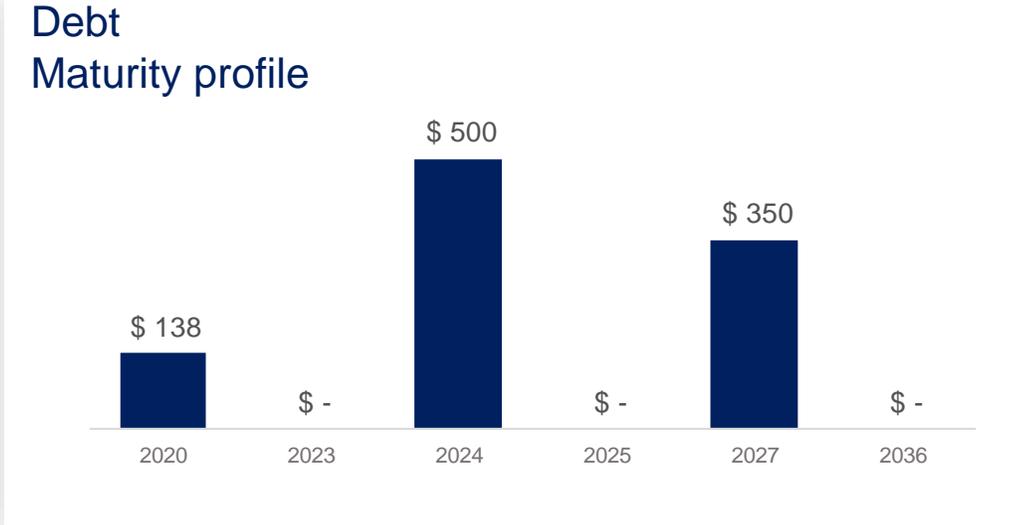
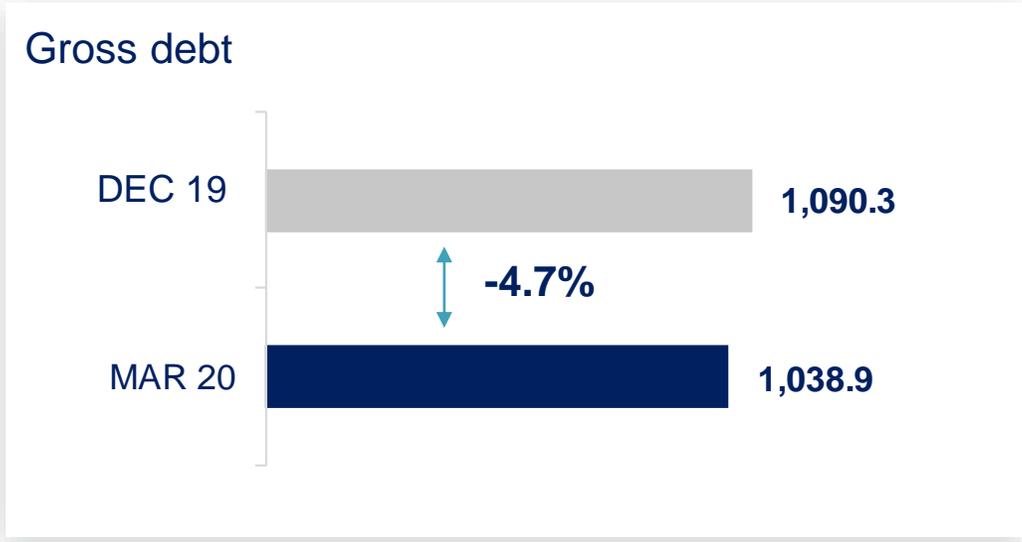
Operating earnings exc. "encaje"

Note: Figures in USD million

# ROE Adjusted by Encaje



# Debt Sura Asset Management



**GROSS DEBT/ EBITDA LTM (BRUTA)**  
**3.2x**

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**COST OF D (Total)**  
**6.27%**

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**EBITDA YTD / INTERESTS**  
**4.2x**

**CORPORATE  
STRATEGY**

## OUR PURPOSE

Helping our clients to achieve their dreams and goals

## STRATEGIC GUIDELINES

» Our client in the **center of our strategy**

- Persons
- Institutions

» Core guidelines for the **development of our businesses**

- Sustainability of our Mandatory Business
- Transforming our Savings and Investment Business
- Developing our Investment Management Business

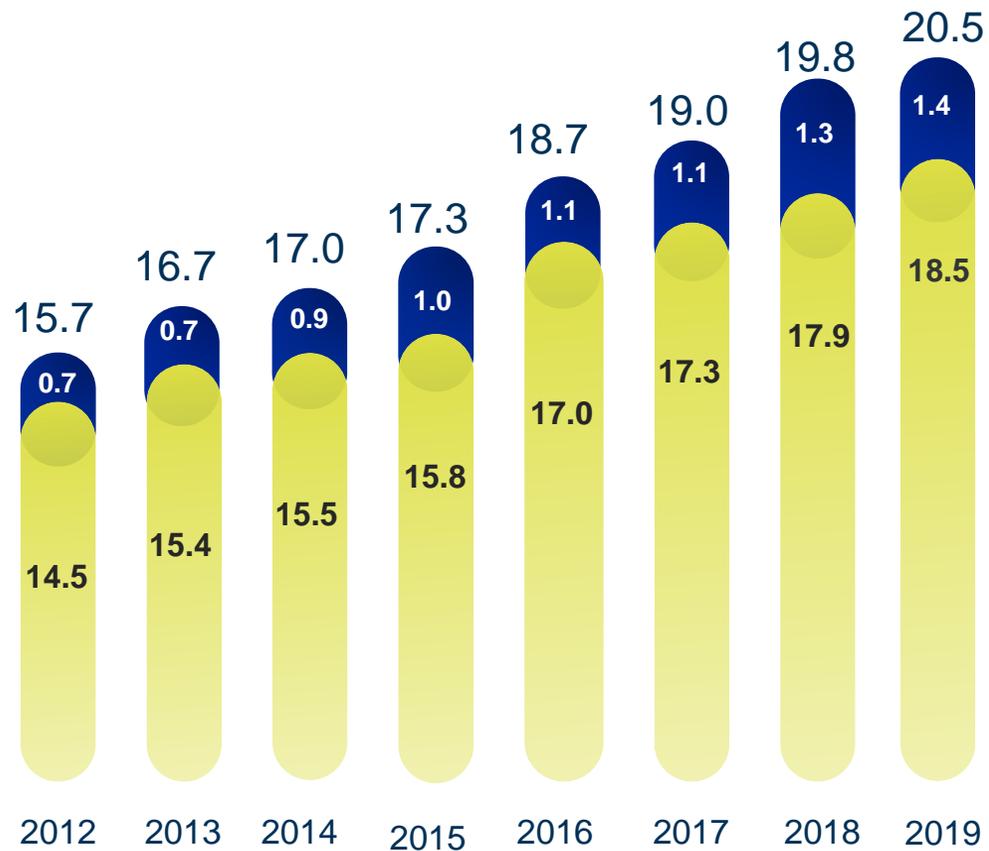
» Capacity development through transversal **enabling strategy guidelines**

- Investment Management
- Channel Management based in our advisory services
- Innovation and digital transformation
- Human Talent and our transforming culture

**CLIENT CENTRIC  
FOCUS**

# Clients at the core of our corporate strategy

## CLIENTS

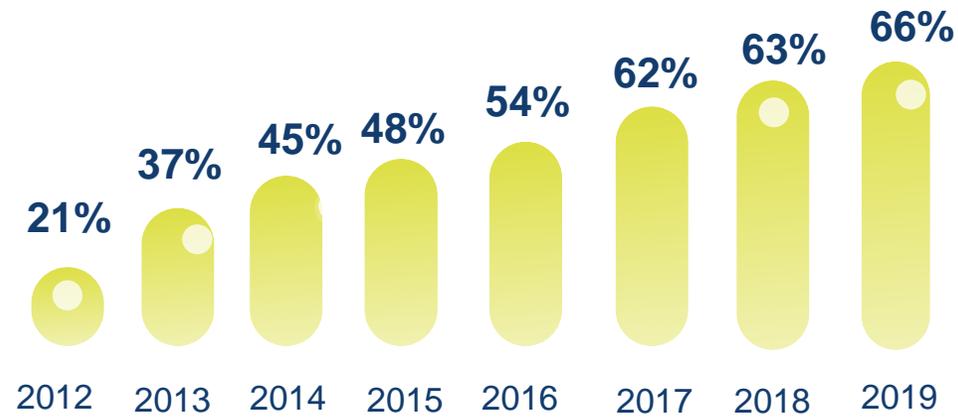


**TOTAL**  
**+4.5%**  
**CAGR 12-19**

● **MANDATORY**  
**+3.9%**  
**CAGR 12-19**

● **VOLUNTARY**  
**+13.0%**  
**CAGR 12-19**

## BRAND AWARENESS



Outstanding  
brand  
recognition



Relevant  
Client base



High client  
recommendation

**MANDATORY  
PENSION BUSINESS**

# Mandatory pension business

## Investments Highlights



Natural Source  
of Revenue  
Stability



Economic and  
Demographics  
Growth



Undisputable  
leadership in  
the Region



Outstanding funds  
performance and  
Efficiency in  
operative model

# Mandatory pension business

## Investments Highlights



Natural Source  
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Outstanding funds  
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# Highly stable business compared to other financial services

## The Mandatory Pension Funds System Is a Natural Source of Revenue Stability



Stable cash flows as fees are mostly based on monthly contributions

Longstanding client relationship with recurrent, "sticky" contributions

Regulated fund performance is similar among fund managers, leading to lower client churn

Upside potential due to attractive demographic trends

## TRADITIONAL ASSET MANAGERS

Vulnerable cash generation as fees are more volatile, generally based on AuM and performance

Not captive client base, can flee easily

Investor's asset allocation and performance lead to higher client churn

More mature and developed markets

# Mandatory pension business

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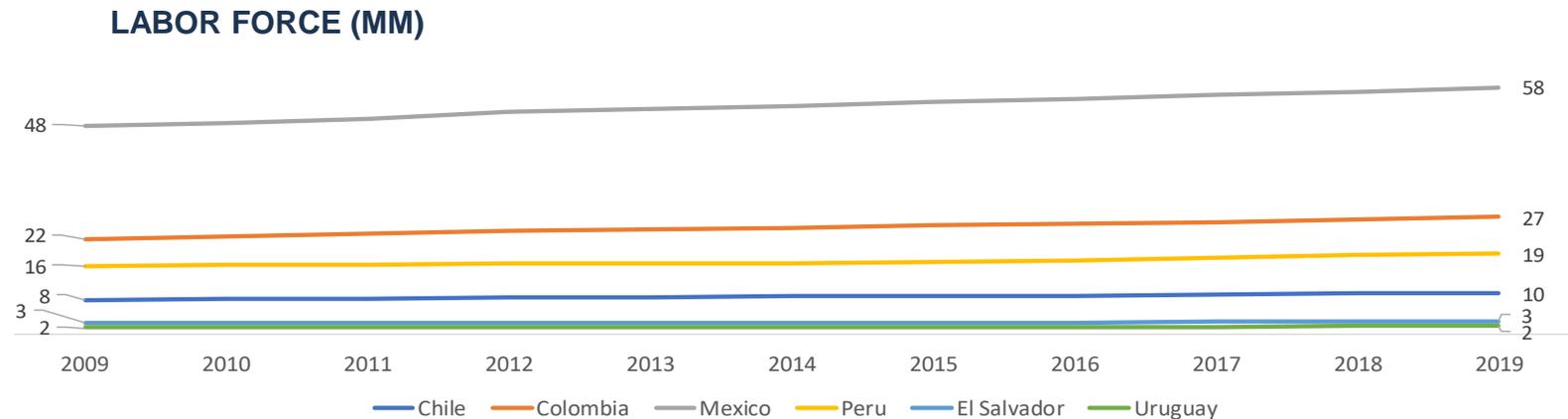
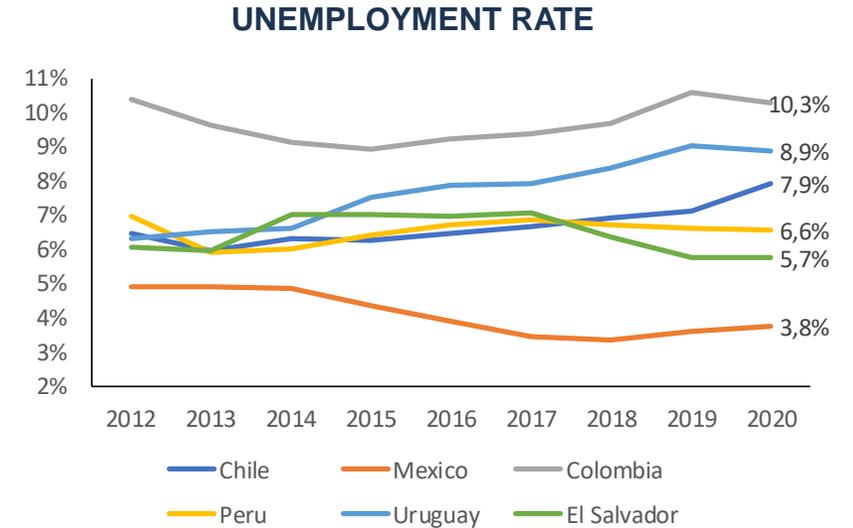
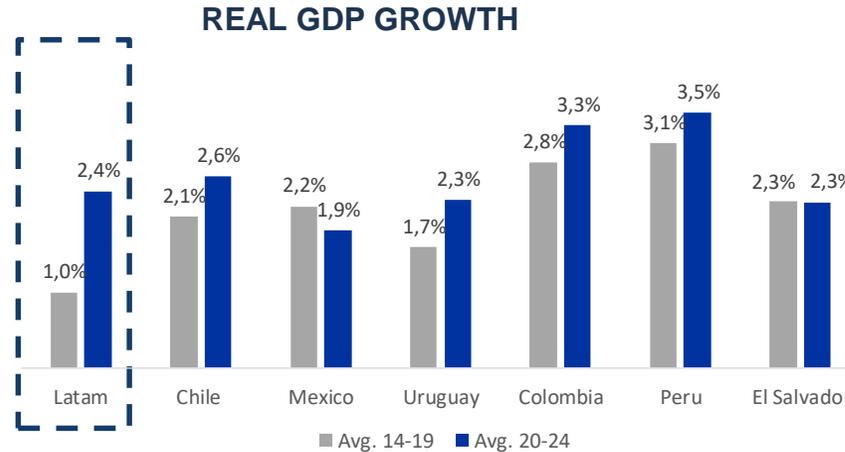


Outstanding funds  
performance and  
Efficiency in  
operative model

# Strong Macro Performance Despite Global Volatility...

SURA-AM's markets continue to present compelling fundamentals supporting long-term growth:

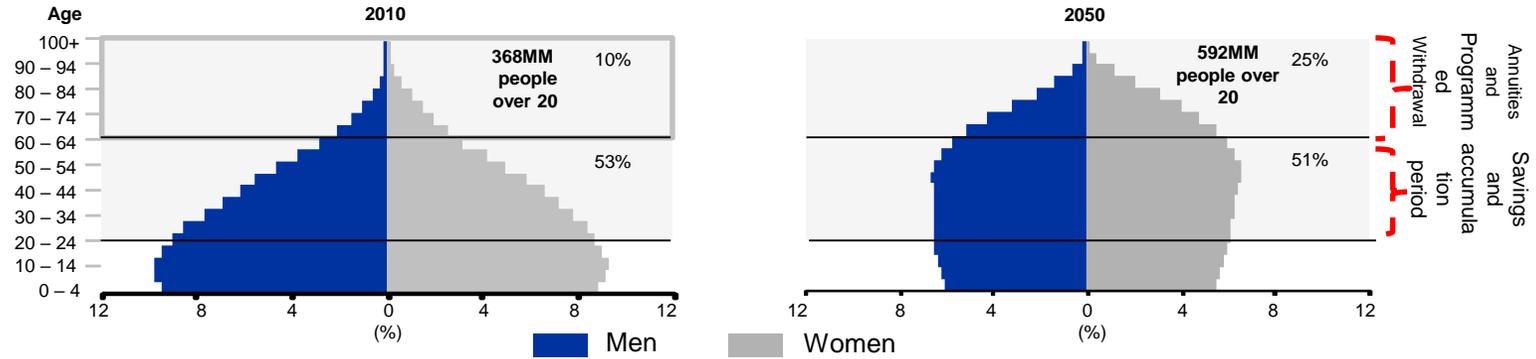
- i** Resilient economic growth and growing labor markets
- ii** Young populations and increasing employment formalization
- iii** Deep under-penetration of pension and wealth management products



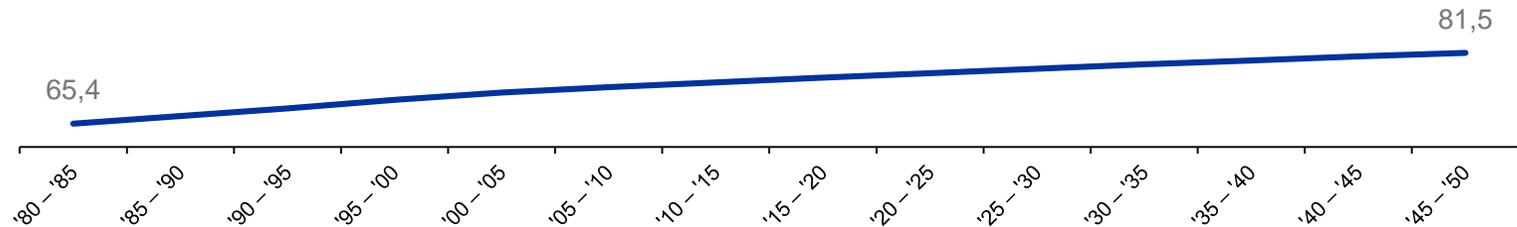
# ...Coupled With Strong Growth Potential Given Favorable Demographics...

## Strong Share of Population in Savings and Accumulations Age Poised to Bolster AUM

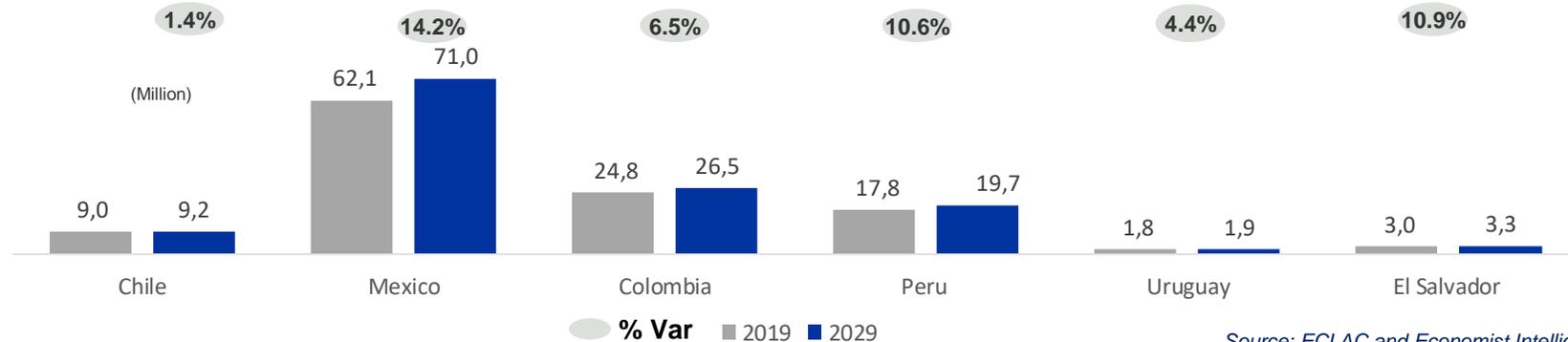
Attractive Demographics in a Fast Growing Market<sup>(1)</sup>



Growing Life Expectancy in LatAm<sup>(1)</sup>



Growing Economically Active Population

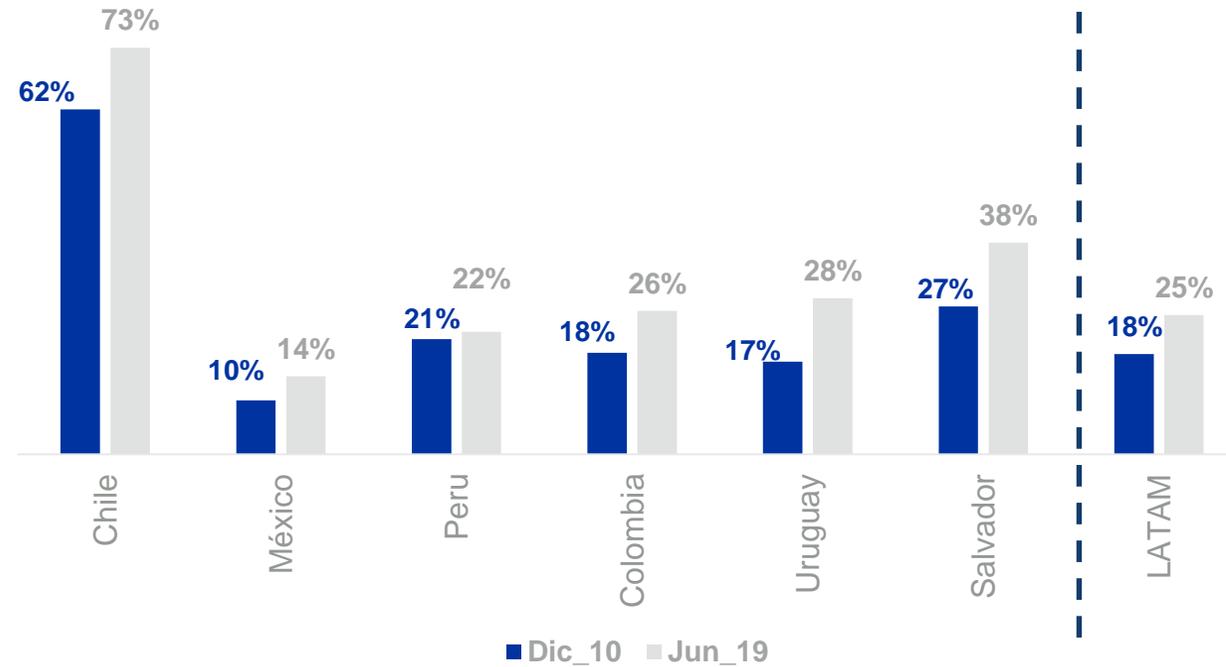


Source: ECLAC and Economist Intelligence Unit.  
(1) Population distribution for Latin America as reported by ECLAC.

# ... In Underpenetrated Pension Industry

Low Penetration of Financial Services in LatAm Result in a Growing Opportunity in the Mandatory Pension

## June 2019 % GDP – PENSIONS



Source: LatinoAFP \*2019  
Market penetration = AUM / GDP.

# Mandatory pension business

## Investments Highlights



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Growth



Undisputable  
leadership in  
the Region



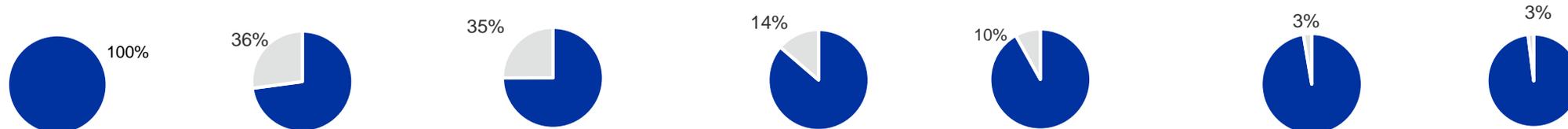
Outstanding funds  
performance and  
Efficiency in  
operative model

# Undisputed leadership in Mandatory Pension Business



	 CHILE	 MÉXICO	 COLOMBIA	 PERÚ	 URUGUAY	 EL SALVADOR
	<b>22.3%</b>	<b>19.4%</b>	<b>14.4%</b>	<b>35.8%</b>	<b>37.2%</b>	<b>47.5%</b>
	<b>Ranking 1<sup>st</sup></b>	<b>Ranking 3<sup>th</sup></b>	<b>Ranking 3<sup>rd</sup></b>	<b>Ranking 2<sup>nd</sup></b>	<b>Ranking 1<sup>st</sup></b>	<b>Ranking 2<sup>nd</sup></b>
Habitat (ILC + Prudential)	10.9%	28.3%			7.0%	
Metlife	8.8%	24.5%				
Principal	8.7%	17.9%	6.5%			
Banorte	7.7%		22.1%			
Grupo AVAL	6.2%			44.4%		
Citibank	6.1%		17.5%			52.5%
Scotiabank	4.3%			13.5%	25.3%	
Grupo BAL	5.3%		15.2%			
<b>Total AUM (USDBN)</b>	<b>462.2</b>	<b>166.7</b>	<b>160.8</b>	<b>64.6</b>	<b>44.8</b>	<b>13.5</b>
<b>Number of players</b>		<b>6</b>	<b>12</b>	<b>5</b>	<b>4</b>	<b>4</b>

**\$557 Bn AUM industry by country**



# Mandatory pension business

## Investments Highlights



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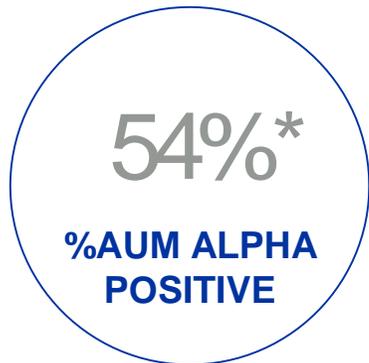
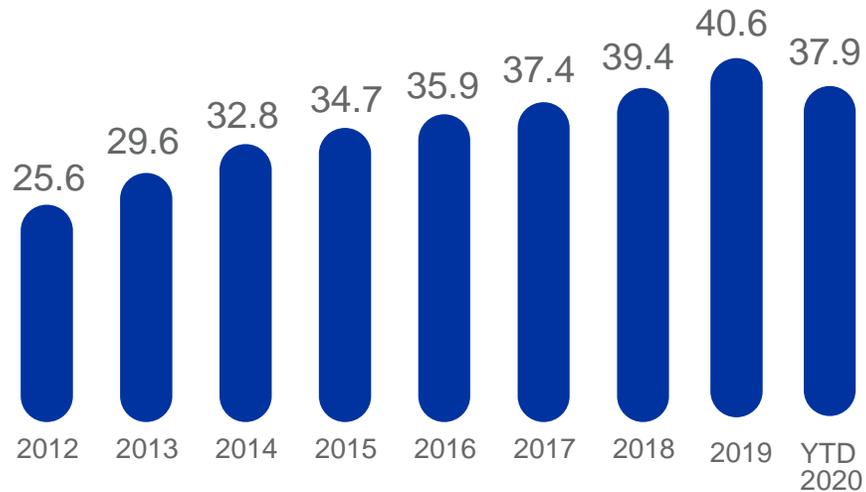
Undisputable  
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the Region



Outstanding funds  
performance and  
Efficiency in  
operative model

# Mandatory pension business

## SALARY BASE



## CLIENTS



Figures as of December 2019 in USD million  
\*12 months % AUM Alpha Positive as of December 2019



Natural Source  
of Revenue  
Stability



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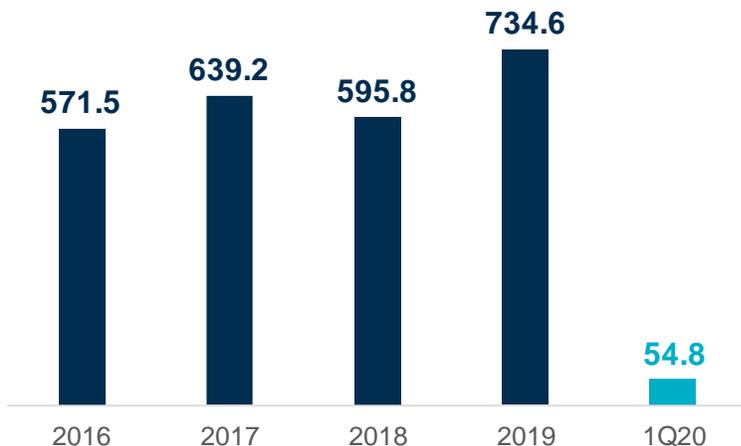
Undisputable  
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Region



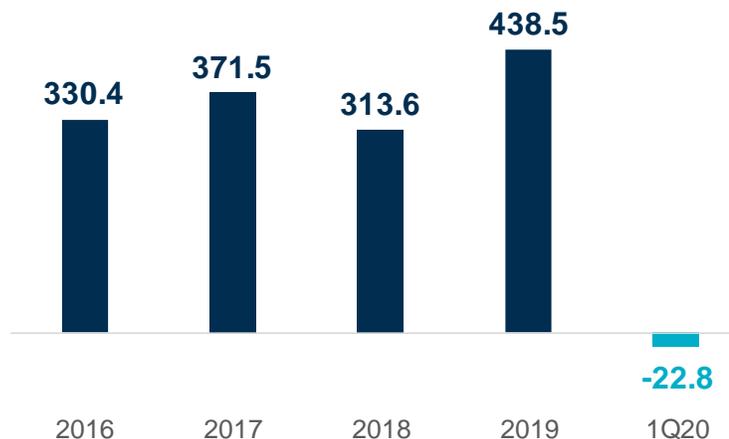
Outstanding funds  
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# Mandatory pension business

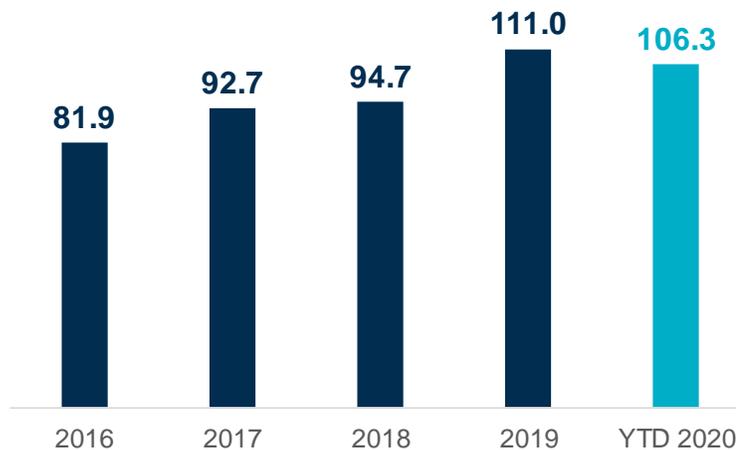
## OPERATING REVENUE



## OPERATING EARNINGS



## AUM



Figures as of March 2020 in millions of USD.  
AUM in billion of USD



Natural Source  
of Revenue  
Stability



Economic and  
Demographics  
Growth



Undisputable  
leadership in the  
Region



Outstanding funds  
performance and  
Efficiency in  
operative model

**SAVINGS AND  
INVESTMENT  
BUSINESS**

# Savings and Investment business

## Investments Highlights



Underpenetrated  
Industry with a  
relevant potential  
market



Building an  
advisory  
ecosystem



Growth Stage,  
with need of a  
larger scale and  
greater  
investment



Attraction and  
penetration of  
clients

# Savings and Investment business

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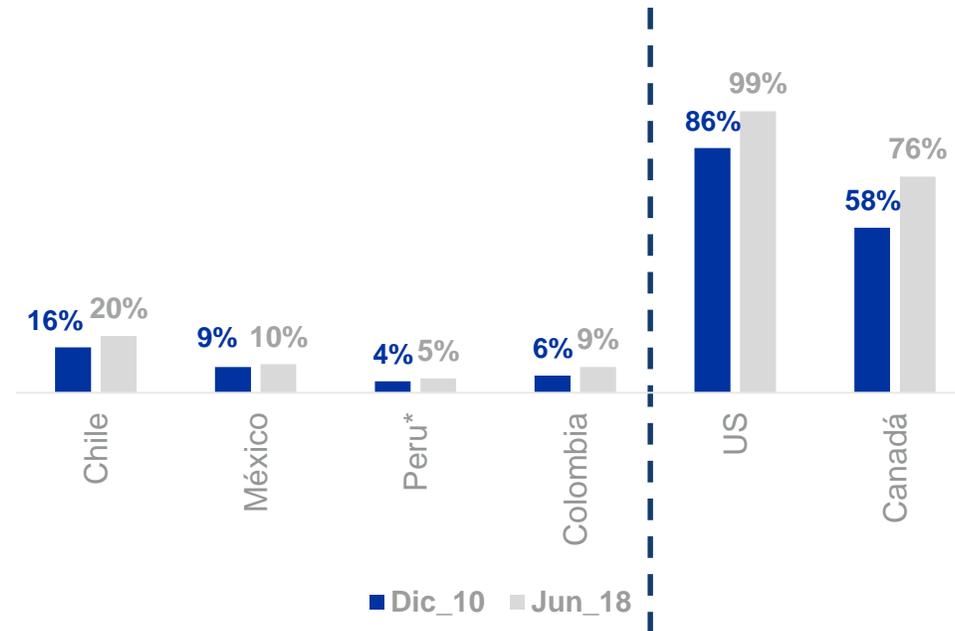


Attraction and  
penetration of  
clients

# ... In Underpenetrated Savings Industry

Low Penetration of Financial Services in LatAm Result in a Growing Opportunity in the Savings Industries

### Jun 2018 % GDP – MUTUAL FUNDS



# Savings and Investment business

## Investments Highlights



Underpenetrated  
Industry with a  
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Attraction and  
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# Transforming our Savings and Investment business

WE ARE TRANSFORMING OUR ADVISORY ECOSYSTEM

## BRAND AND CUSTOMER EXPERIENCE

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CUSTOMER KNOWLEDGE



SOLUTIONS AND  
STRATEGIES



CHANNELS

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TECHNOLOGICAL ARCHITECTURE

# Savings and Investment business

## Investments Highlights



Underpenetrated  
Industry with a  
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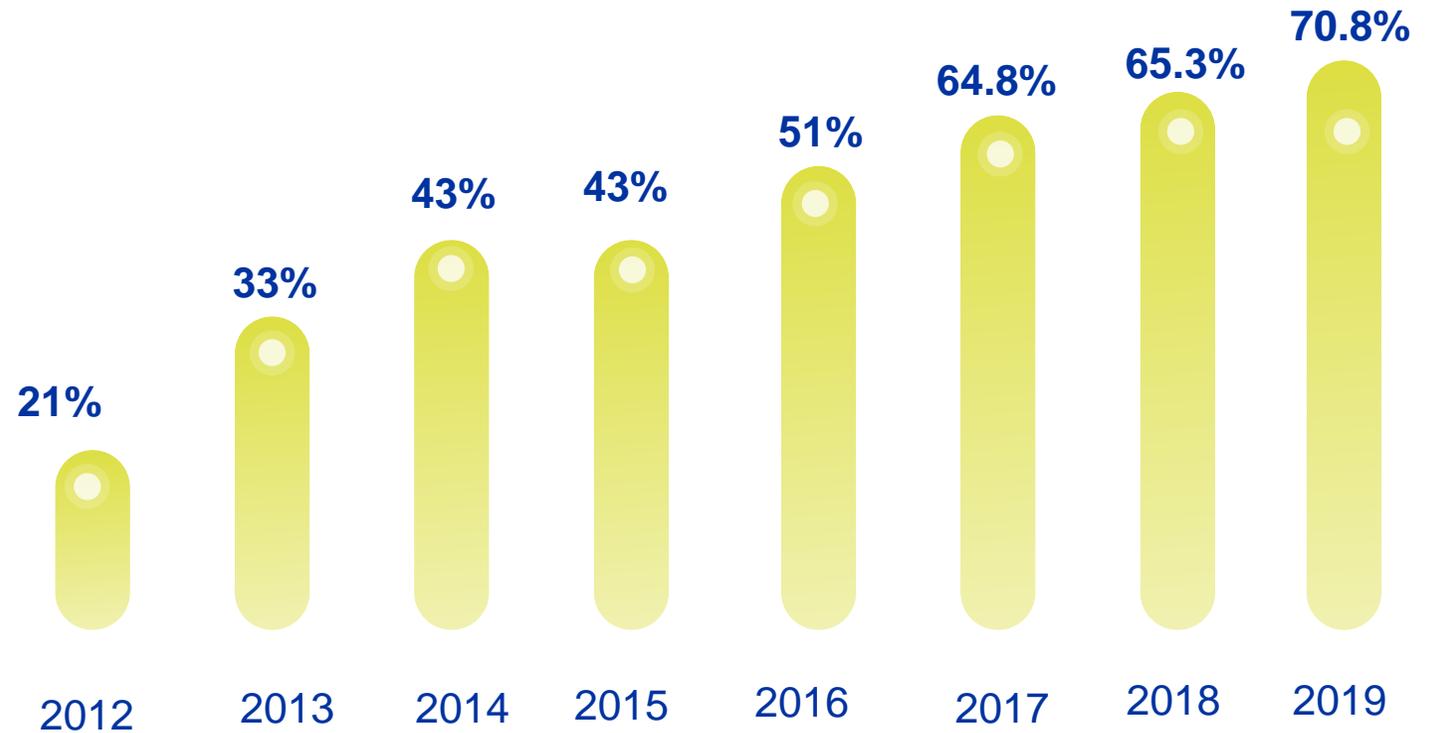
Growth Stage,  
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Attraction and  
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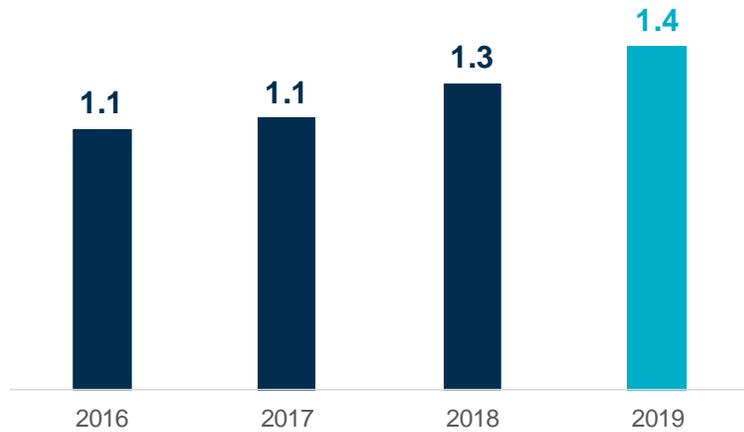
# Sura Inversiones Brand Awareness

Position a brand that leverages the business strategy and transmits confidence

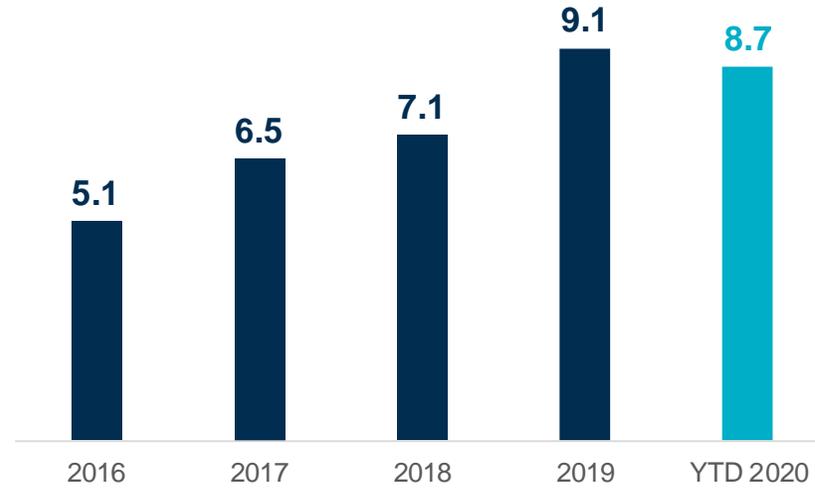


# Savings and Investment business

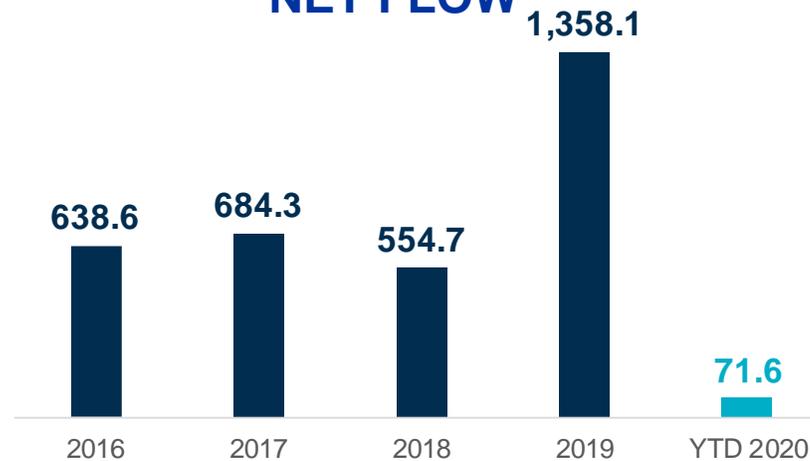
## CLIENTS (VOLUNTARY BUSINESS)



## AUM



## NET FLOW



Figures as of March 2020 in millions of USD, from financial reporting, Protección 100%  
AUMs in billions of USD



Underpenetrated Industry with a relevant potential market



Growth Stage, with need of a larger scale and greater investment



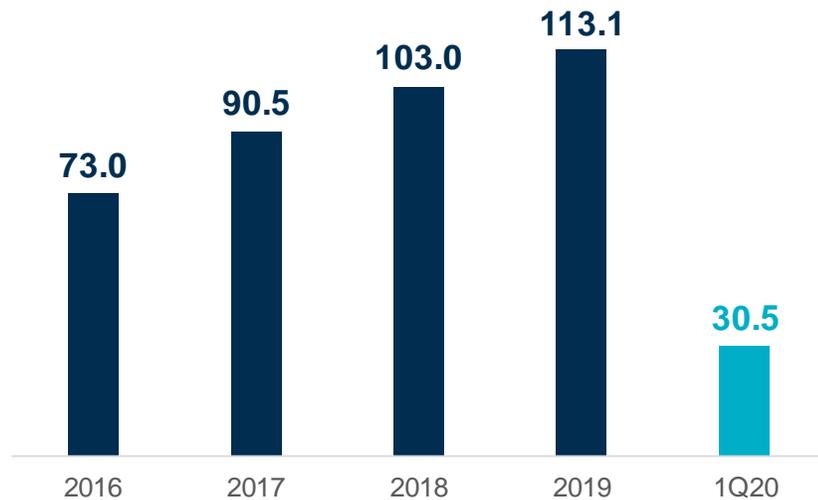
Building an advisory ecosystem



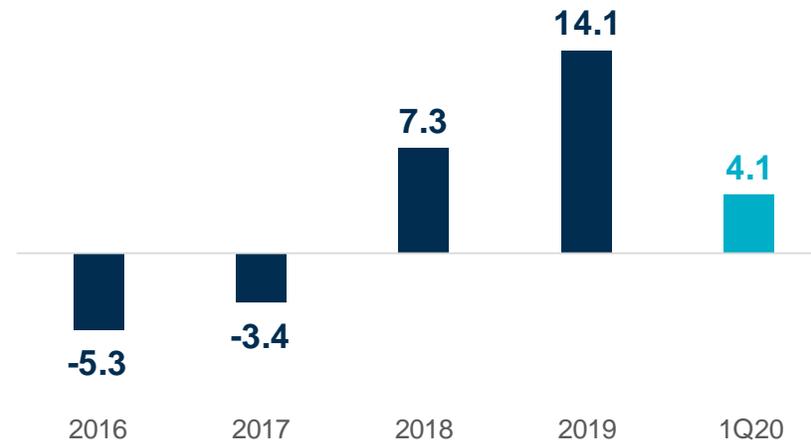
Attraction and penetration of clients

# Savings and Investment business

## OPERATING REVENUE



## OPERATING EARNINGS



Underpenetrated Industry with a relevant potential market



Growth Stage, with need of a larger scale and greater investment



Building an advisory ecosystem



Attraction and penetration of clients

**INVESTMENT  
MANAGEMENT  
BUSINESS**

# Investment Management business

## Investments Highlights



Regional platform  
connecting Latam  
to the world



Pure LATAM  
player with  
“local reach”



Strength of  
being a  
regional multi-  
asset actor



Outstanding  
track record

# Investment Management business

## Investments Highlights



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Outstanding  
track record

# Position ourselves as the most relevant non-banking Investment Manager in Latin America.

## IM Platform

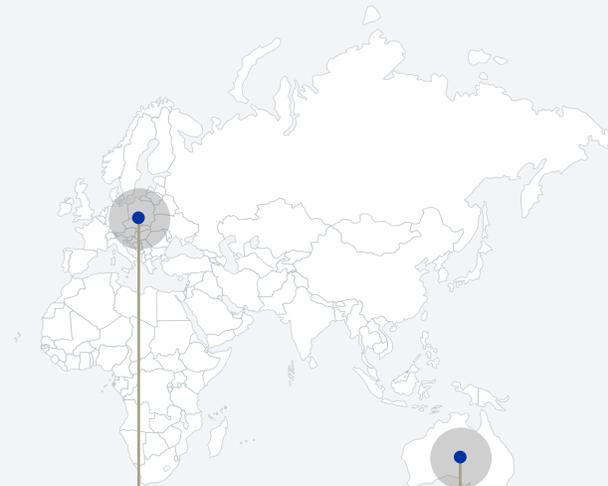
SURA Investment Management (SURA IM) is the investment management arm of SURA Asset Management

Experts in

# LATAM



## Off shore



**LUXEMBOURG**



**AUSTRALIA**

AUM  
25 M



# Investment Management business

## Investments Highlights



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# Regional platform connecting Latam to the world

## FUNDS AND MANDATES

### TRADITIONAL ASSETS

Fix Income 73%	Equity 2.6%	Multi-asset 13.1%
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### ALTERNATIVE ASSETS

Real Estate 5.5%	Infraestructure 5.1%	Private Debt 0,3%	FOF
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## CLIENTS

Wealth Manager SURA and others Wealth Managers

### Institutionals

- Insurance Companies
- Pension funds plans

- Sovereign funds
- Family Offices

- Corporates

# Investment Management business

## Investments Highlights



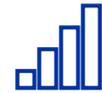
Regional platform  
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Outstanding  
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# Awards and recognitions

The rigorous investment process has allowed SURA Investment Management to outperform the market in the countries where it is located.



- Best Global Manager
- Best Equity Manager
- Best Fixed Income Manager
- Best International Equity Fund



- Best Asset Management Company in Mexico



## Turnaround stars: the three most improved PMs in LatAm equity

By Atholl Simpson / 16 Nov, 2017



- Funds: [Sura Acciones FMIV/Sura Mercados Integrados FMIV](#)
- Places gained: +56
- 1-year ranking (Oct. 17): 4/69
- 1-year returns: 18.65%

Coming top of our most improved ranking in Latin America is José Block of Sura Asset Management in Peru. He runs two Peru-domiciled funds, the largest of which, Sura Acciones, invests in the Peruvian equity market.

His other fund, Mercados Emergentes, invests in the Peruvian, Chilean and Colombian market. Little information on their portfolios' composition was available but Block has been running both funds since September 2015.



- Best Debt Fund with maturity of less than 90 days
- Best Debt Fund with maturity of more than 365 days
- Second Equity Fund
- Second Debt Fund category with maturities of less than 365 days

## PERÚ GOLDEN AWARDS 2018

- Best mutual fund in Peruvian Soles
- Best equity mutual fund denominated in Peruvian soles.

## ¡Adelante! The three best Mexican equity managers revealed

By Atholl Simpson / 01 Sep, 2017



- Funds: SURA Patrimonial SA de CV SIRV A/SURA Indizado SA de CV SIRV BOE2
- 1-year return: 17.86%

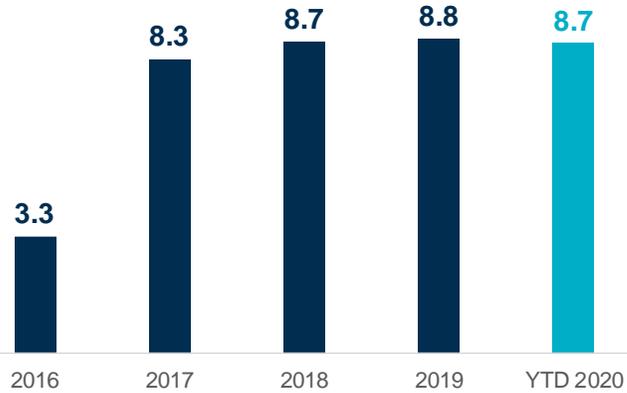
At the top of our ranking is Sura Asset Management's Arturo Hernandez who has been running both his funds since August 2014.

His Patrimonial fund was initially launched at the end of 2013 while the Indizado fund was launched in 2010. Both funds have very similar portfolios, with only 1 or 2 percentage point differences in the amount they allocate to each of their top sector, namely consumer defensive, industrials, financials and cyclical consumer.

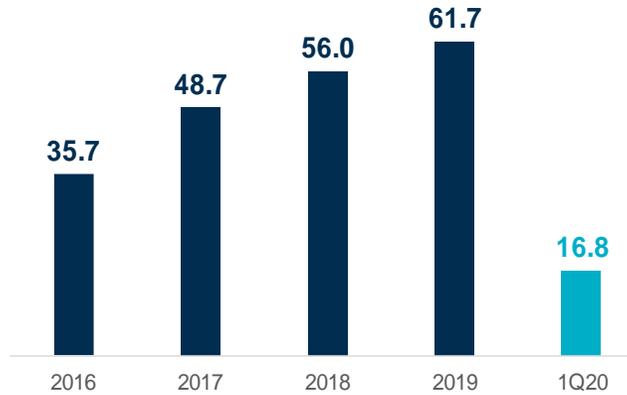
The largest of the two is Sura Patrimonial with 2.7 billion pesos (\$151 million) in assets. In it Hernandez allocated over a quarter (27.6%) toward consumer defensive stocks, with industrials coming next with 23%.

# Investment Management business

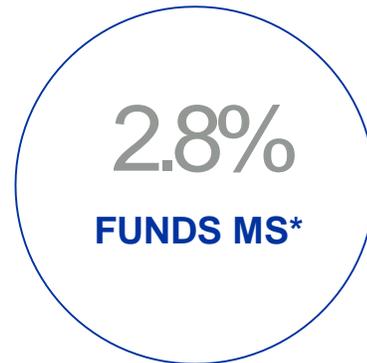
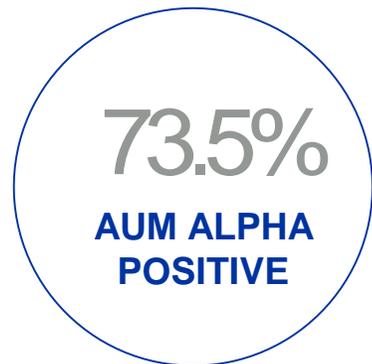
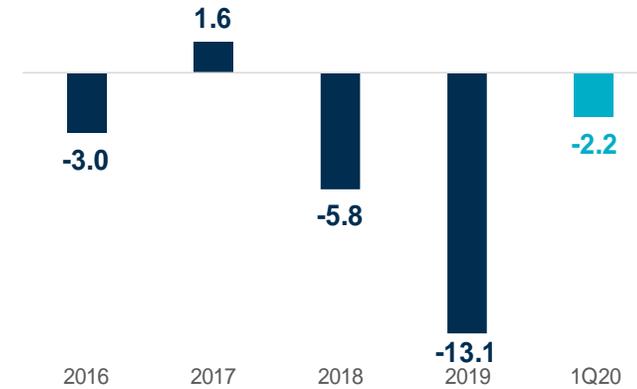
## AUM



## OPERATING REVENUE



## OPERATING EARNINGS



Regional platform connecting Latam to the world



Pure LATAM player with "local reach"



Strength of being a regional multi-asset actor



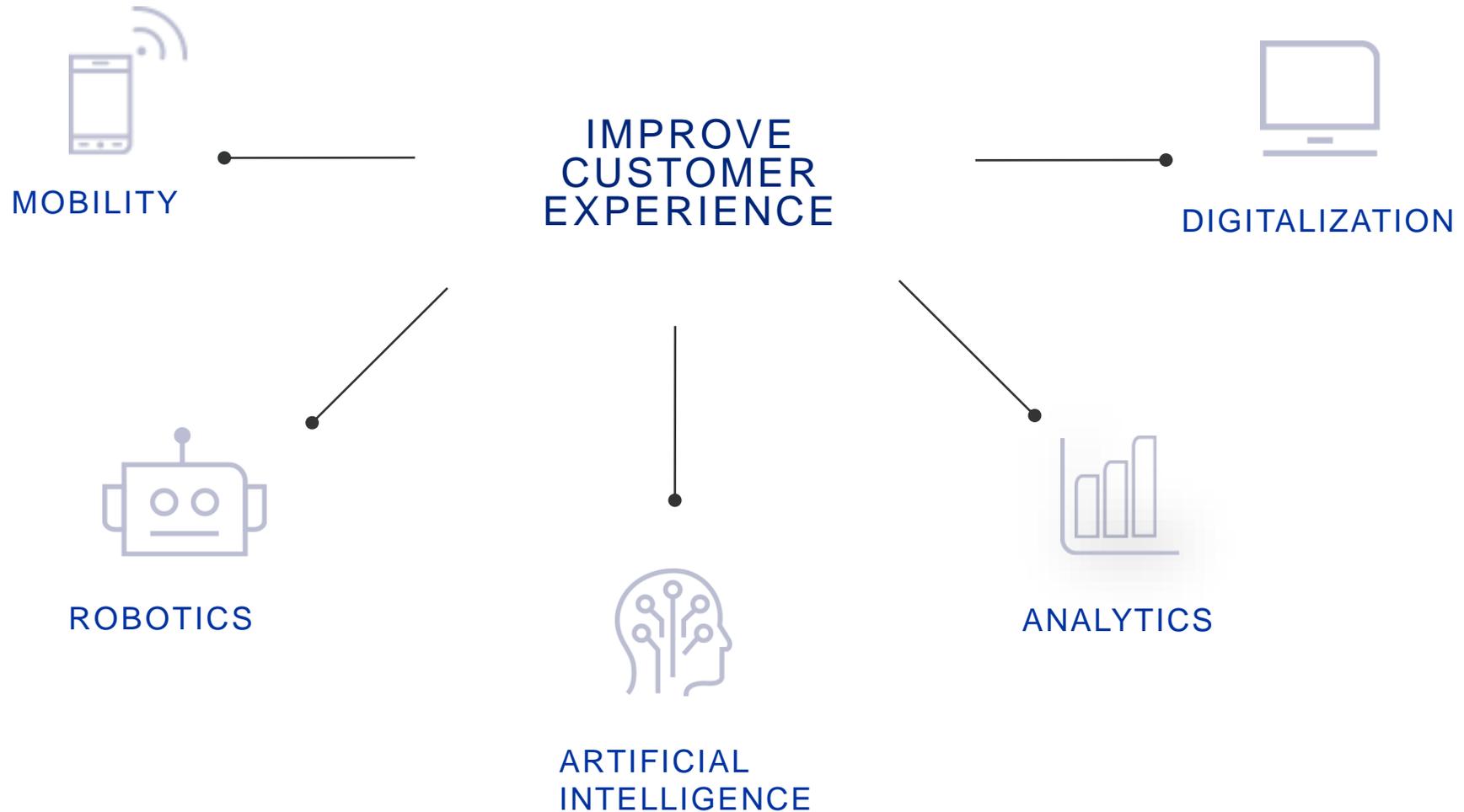
Outstanding track record

Figures as of March 2020, from financial reporting in millions of USD.  
AUM in Bn USD  
AUM Alpha Positive and Funds MS as of December 2019

**TRANSVERSAL  
ENABLING STRATEGY  
GUIDELINES**

# INNOVATION AND DIGITAL TRANSFORMATION

## EXPONENTIAL TECHNOLOGIES



# INVESTMENT MANAGEMENT



Investment  
platform/  
Aladdin



Portfolio  
decarbonization



Investment  
Excellence  
Center

**Q1-2020 RESULTS**

# SURA AM: RESILIENT GROWTH IN COMMISSION INCOME

## Mitigated by encaje returns and its effect on the equity method

◆ **TOTAL CLIENTS**

**20.5** million  
▲ 3.7%

◆ **INSTITUTIONAL CLIENTS**

**304**

◆ **NET INCOME BEFORE DISC OP.**

**USD**  
**-36.7** million  
▲ NA

◆ **EMPLOYEES**

**9,189**

◆ **PRODUCTS**

**+482**  
Solutions and products for our clients  
**187 funds**  
**295 mandates**

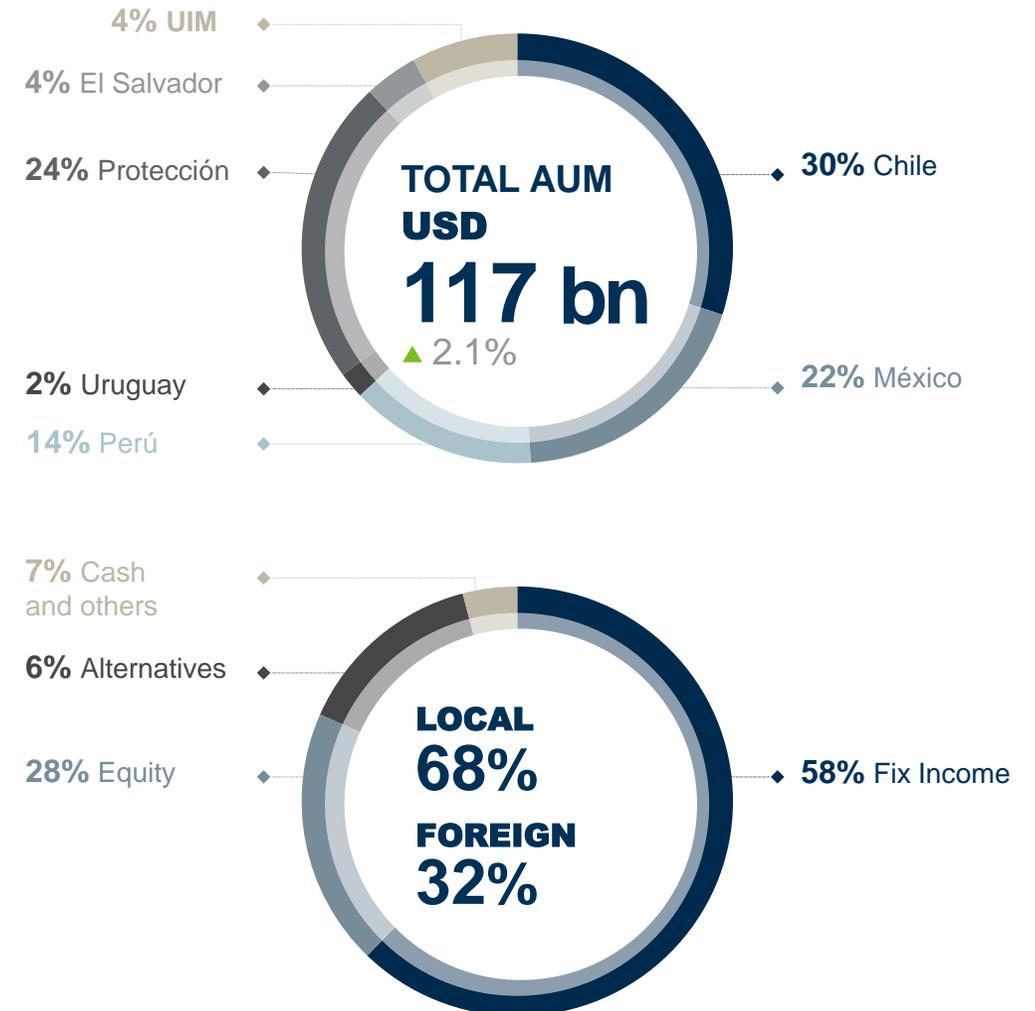
◆ **MANDATORY**

AUM	Revenues
▲ 2.4%	▼ -71.7%
Op. Income	
▲ NA	

◆ **VOLUNTARY**

AUM	Revenues
▲ 0.3%	▲ 4.0%
Op. Income	
▲ 90.0%	

% Evolutions in constant Exchange rates



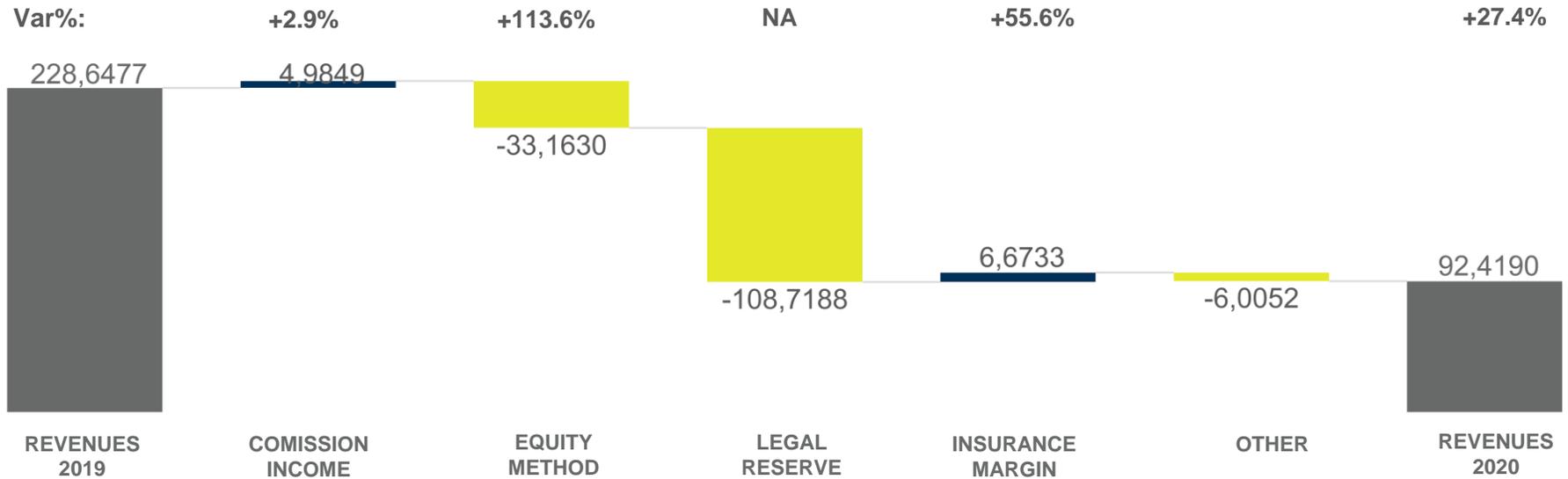
# RESILIENT GROWTH IN COMMISSION INCOME

## Mitigated by encaje returns and its effect on the equity method

### OPERATING REVENUES + INSURANCE MARGIN

92.4  
Million USD

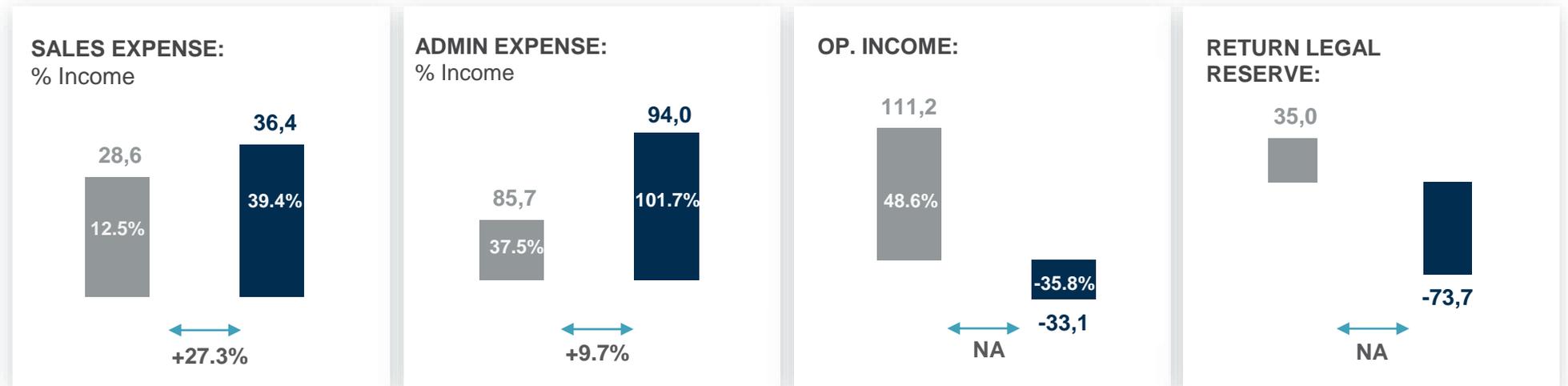
**-136.2 M**  
▼ -59.6%



### OPERATING EXPENSES

125.5  
Million USD

**-8.1 M**  
▲ 6.9%



# MANDATORY PENSION: RETURN ON LEGAL RESERVE AND PRESSURE ON LOWER FEES IMPACT REVENUES

## OPERATING REVENUES

**USD 54.8 MM**

▼ -71.7%

## OPERATING INCOME

WITH LEGAL RESERVE

**USD -22.8 MM**

▲ NA

WITHOUT LEGAL RESERVE

**USD 49.5 MM**

▼ -43.8%

## AUM

**USD 102.9 bn**

▲ 2.4%

◆ MÉXICO

▲ 6.9%

◆ CHILE

▲ 2.6%

## SALARY BASE

◆ COLOMBIA

6.7%

◆ CHILE

▲ 5.6%

◆ URUGUAY

▲ 6.3%

### COMMISSION INCOME

140,7

142,4

↔  
+1.3%

### INCOME LEGAL RESERVE

34,5

-72,3

↔  
NA

### SALES EXPENSE

18,8

26,5

↔  
+41.2%

### ADMIN. EXPENSE

49,2

55,8

↔  
+13.3%

# VOLUNTARY SEGMENT WITH REVENUES GROWTH DUE TO THE EXPANSION OF CLIENTS AND AUM

## OPERATING REVENUES

**USD 26.1 bn**

▲ 4.0%

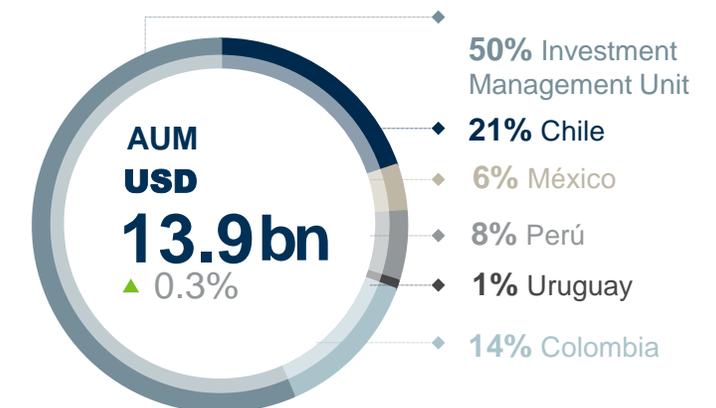
## AUM SAVINGS AND INVESTMENT

**USD 8.7 bn**

## AUM INVESTMENT MANAGEMENT

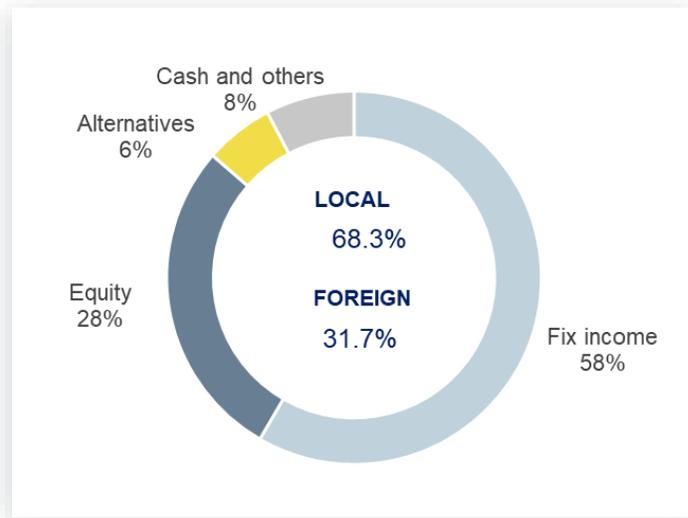
**USD 8.7 bn**

- Operating revenues increasing 19,1% in the quarter, due to an increase of 12.2% in the number of clients and an expansion in the AUM.
- The AUM performance is explained by an increase in the AUM of the Saving and Investment business, which reflects a positive commercial Management.

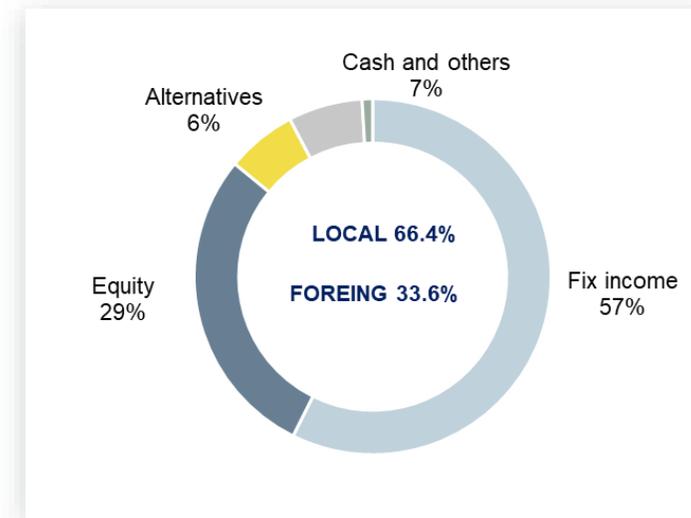


# PORTFOLIO SUITED TO REGULATORY AND MARKET PERFORMANCE

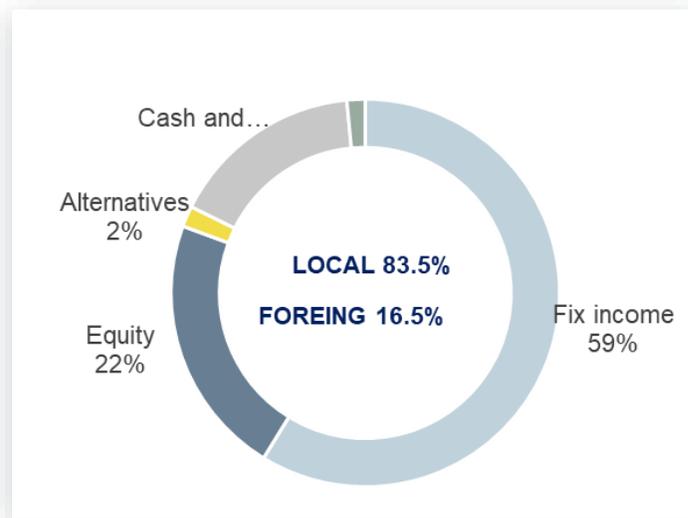
Total



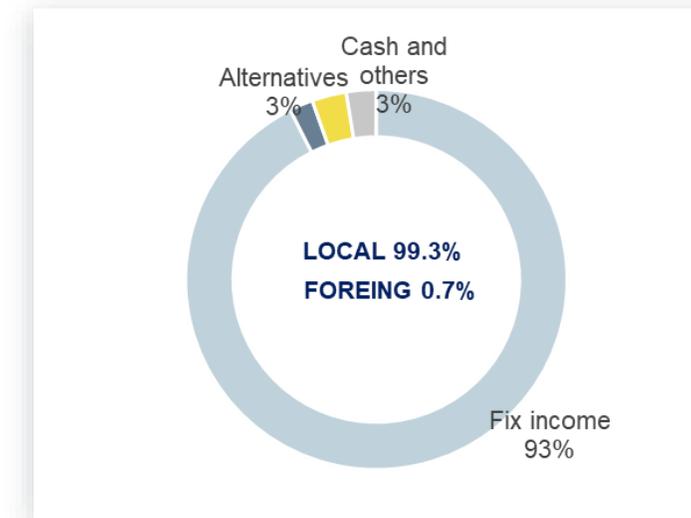
Mandatory



Voluntary



Insurance and annuities

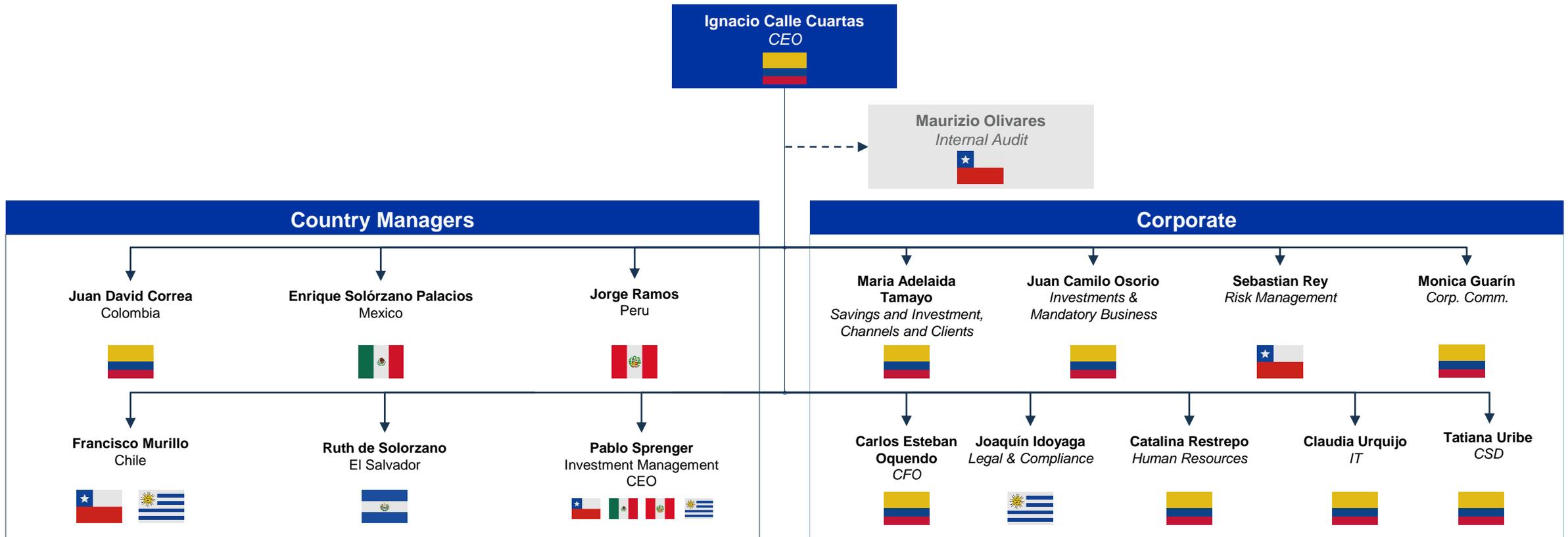


**MANAGEMENT TEAM  
AND CORPORATE  
GOVERNANCE  
STANDARDS**

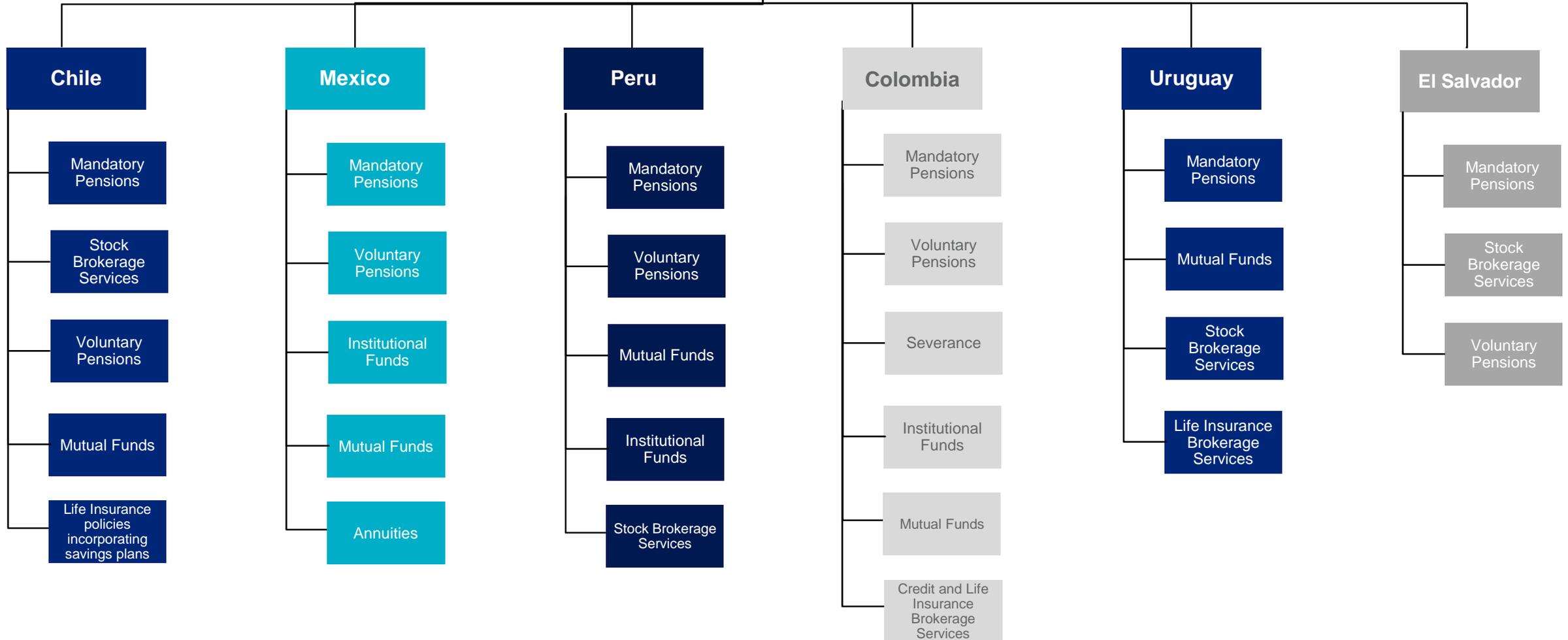
# Experienced management team

## Diverse, Experienced and Highly Coordinated Management Team

- » Senior Management has held their positions for an average of 20 years
- » Unique strategy, with management working towards one corporate vision instead of different countries' perspectives
- » Local industry expertise



## SURA Asset Management



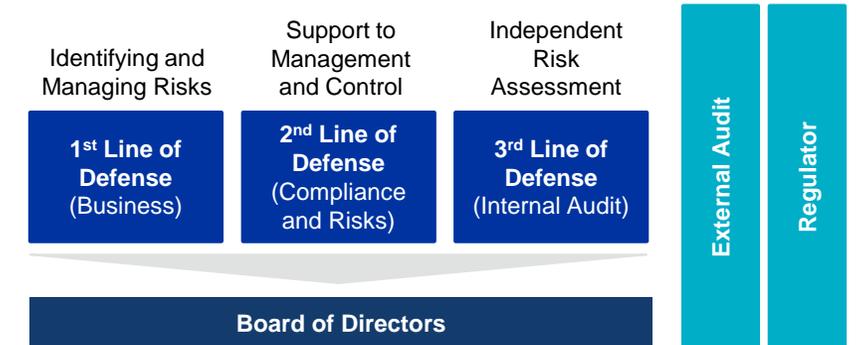
# Strong financial performance enhanced by prudent risk management (cont'd)

## Prudent and World Class Risk Management Framework

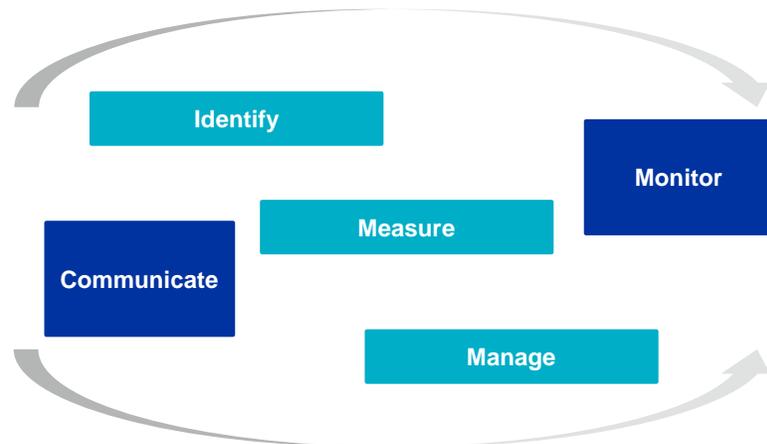
### SUAM's Risk Classification



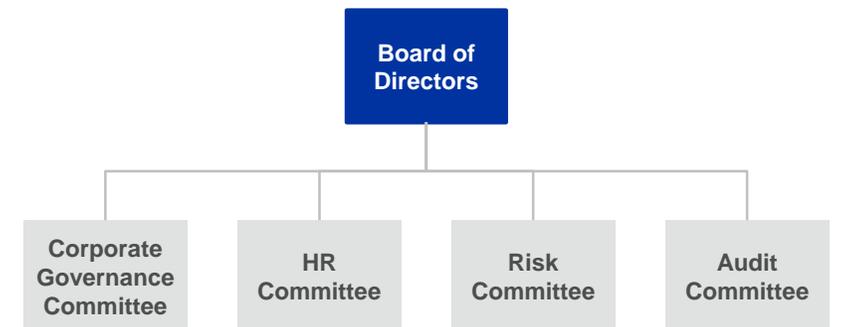
### The Risk Management Framework is Based on Three Lines of Defense:



### Risk Management Process Based on a Continued Management of Risks



### SUAM Corporate Governance Structure



1. Developing risk category