Goldman Sachs | Asset Management

Insurance Survey 2023: Executive Summary

BALANCING WITH YIELD ON THE INFLATIONARY TIGHTROPE

Regime Change:
Inflation is Here to Stay

Risk-On:
Staying the Course

Fixed Income Renaissance:
Yield Makes a Comeback

Thinking Forward:
The Pursuit of ESG and Impact Investing

Methodology and Respondents

METHODOLOGY

The 12th annual Goldman Sachs Asset Management Global Insurance Survey provides valuable insights from 343 Chief Investment Officers (CIOs) and Chief Financial Officers (CFOs) about the economic environment, asset allocation decisions, return expectations, portfolio construction and industry capitalization. We received responses from 286 CIOs and senior investment professionals, 45 CFOs and senior finance managers and 12 individuals who serve as both CIO and CFO. This year, the survey included insurance companies that invest over $13 trillion in balance sheet assets, which represents around half of the balance sheet assets for the global insurance sector. The participating companies represent a broad cross section of the industry in terms of size, lines of business and geography. The table below summarizes the profile of this year's respondents.

RESPONDENTS

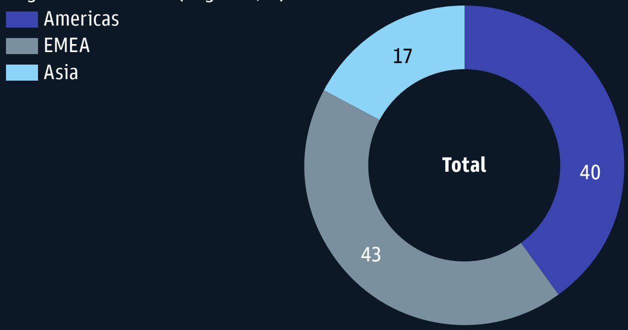
Responses were collected from February 1 - 17, 2023.

343

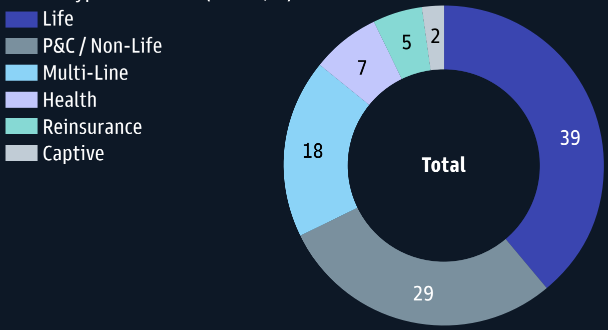
CIOs	CFOs	BOTH
286	45	12

Type	CIO	CFO	Both	Total
Life	118	7	7	**132**
P&C / Non-Life	75	23	3	**101**
Multi-Line	56	6	1	**63**
Health	18	4	1	**23**
Reinsurance	16	2	0	**18**
Captive	3	3	0	**6**

Regional Breakdown (Regional, %)



Insurer Type Breakdown (Global, %)



Introduction

Rising interest rates and recession fears set the backdrop for the 12th edition of the Goldman Sachs Asset Management Insurance Survey. Pandemic fears began to ease in 2022, but rising inflation and geopolitical tensions kept markets volatile and hurt performance. The investor outlook remains cautious as an uncertain monetary policy outlook and political tensions remain center stage. However, appetite for risk has held steady amid improving investment opportunities and the desire to increase private asset allocations remains strong.

The survey identifies market insights and trends, including a shift in the way investors view inflation and the likely impact on future asset allocation decisions. Insurers expect credit quality to deteriorate and are bracing for a US recession. They're also leaning into fixed income and expect to increase duration and allocations to investment grade corporate bonds. Insurers have retained a healthy appetite for private assets, with opportunities in private equity and private credit being top-of-mind.

This year's title, Balancing with Yield on the Inflationary Tightrope, depicts the relationship between the current inflationary environment and rising yields.

The 12th annual survey by Goldman Sachs Insurance Asset Management incorporates the views of 343 CIOs and CFOs representing over $13 trillion in global balance sheet assets, which accounts for approximately half of the global insurance industry*.

"This year's survey marks the highest number of respondents since the survey was launched back in 2012. Insurers continue to provide fascinating insights into their expectations for the year ahead, covering a wide array of themes, from the increasing attractiveness of Fixed Income opportunities, the move up in quality, coupled with a pivot towards private assets along with the sustained focus on ESG. We are delighted to share these findings with you and look forward to another year of close partnership with our valued Insurance clients."

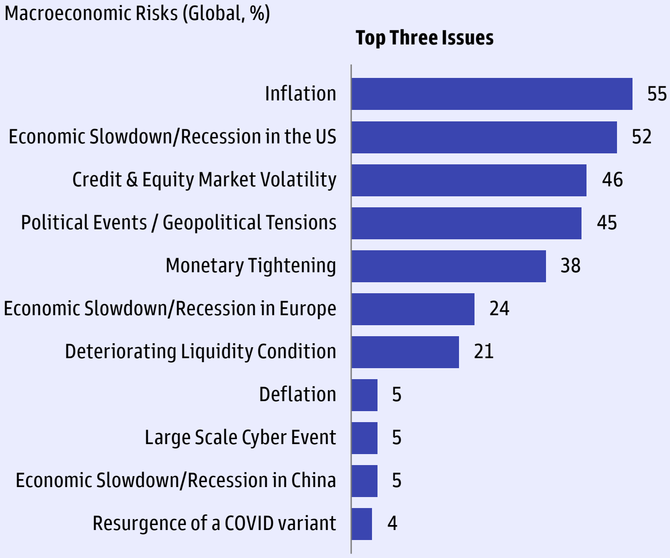
— Mike Siegel, Global Head of Insurance Asset Management and Liquidity Solutions

* Source: Insurance Asset Outsourcing Exchange.

THEMES FOR 2023

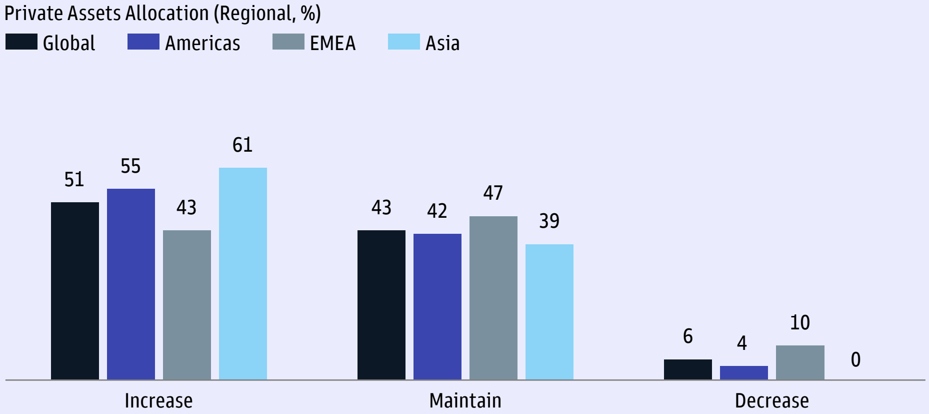
Regime Change: Which of the following issues pose the greatest macroeconomic risk to your investment portfolio?

Insurance investors view inflation as structurally embedded in the investment landscape and see it as the top threat to their investment portfolio.



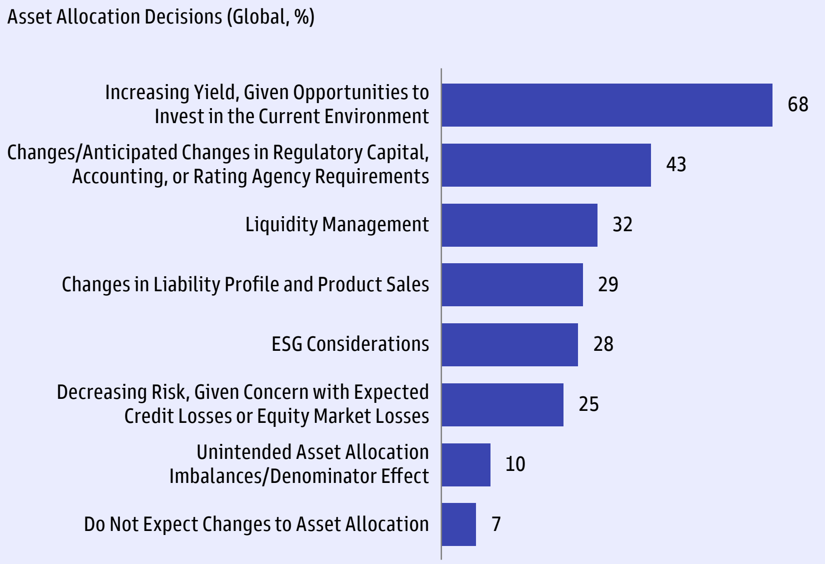
Risk-On: Over the next 12 months, are you planning to increase, maintain, or decrease your allocation to private assets?

Despite growing worries about a US recession and rising geopolitical tensions, investor risk appetite remains healthy in 2023, with continued interest in the private asset landscape.



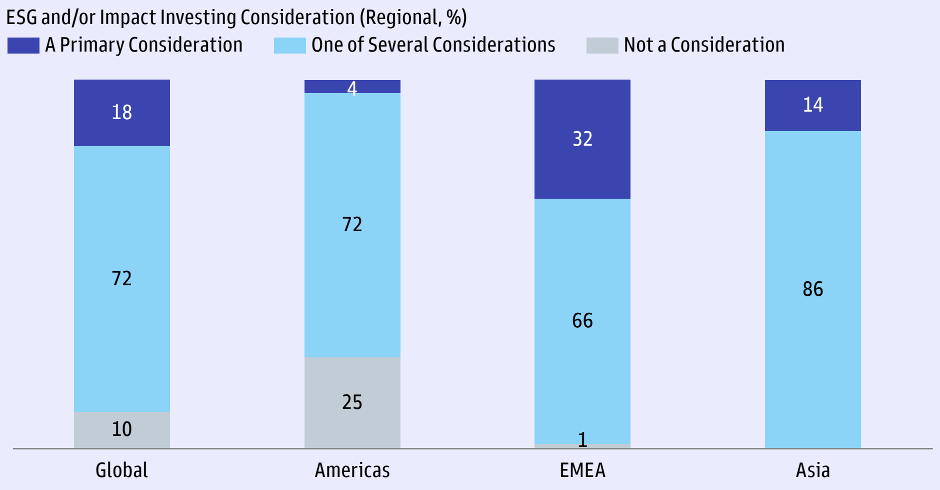
Fixed Income Renaissance: Which of the following, if any, do you expect to have a large impact on your asset allocation decisions over the next few years?

Increasingly attractive yields has restored the attractiveness of fixed income, with 68% of respondents agreeing that increasing yields will have a large impact on their asset allocation decisions over the coming years.



Environmental, Social and Governance (ESG): To what extent is ESG and/or Impact Investing an investment consideration?

Environmental, Social, and Governance (ESG) factors and impact investing continue to be at the forefront of portfolio considerations, with 90% of respondents considering these factors throughout their investment decisions.



Disclosures

Glossary:

Duration risk is the risk that changes in interest rates will either increase or decrease the market value of a fixed-income investment.

Net Zero refers to cutting greenhouse gas emissions to as close to zero as possible with any remaining emissions re-absorbed from the atmosphere. (United Nations).

Risk-on (risk-off) environment refers to a positive (negative) investment sentiment toward market conditions, leading investors to have a greater (smaller) appetite for investing in risky assets.

Risk Disclosures:

An investment in private equities is not suitable for all investors. Investors should carefully review and consider the potential investments, risks, chargers, and expenses of private equity before investing. Private equity investments are speculative, highly illiquid, involve a high degree of risk, have high fees and expenses that could reduce returns, and subject to the possibility of partial or total loss of capital. They are, therefore, intended for experienced and sophisticated long-term investors who can accept such risks.

Equity investments are subject to market risk, which means that the value of the securities in which it invests may go up or down in response to the prospects of individual companies, particular sectors and/or general economic conditions. Different investment styles (e.g., "growth" and "value") tend to shift in and out of favor, and, at times, the strategy may underperform other strategies that invest in similar asset classes. The market capitalization of a company may also involve greater risks (e.g. "small" or "mid" cap companies) than those associated with larger, more established companies and may be subject to more abrupt or erratic price movements, in addition to lower liquidity.

Environmental, Social and Governance ("ESG") strategies may take risks or eliminate exposures found in other strategies or broad market benchmarks that may cause performance to diverge from the performance of these other strategies or market benchmarks. ESG strategies will be subject to the risks associated with their underlying investments' asset classes. Further, the demand within certain markets or sectors that an ESG strategy targets may not develop as forecasted or may develop more slowly than anticipated.

Investments in fixed income securities are subject to the risks associated with debt securities generally, including credit, liquidity, interest rate, prepayment and extension risk. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline in the bond's price. he value of securities with variable and floating interest rates are generally less sensitive to interest rate changes than securities with fixed interest rates. Variable and floating rate securities may decline in value if interest rates do not move as expected. Conversely, variable and floating rate securities will not generally rise in value if market interest rates decline. Credit risk is the risk that an issuer will default on payments of interest and principal. Credit risk is higher when investing in high yield bonds, also known as junk bonds. Prepayment risk is the risk that the issuer of a security may pay off principal more quickly than originally anticipated. Extension risk is the risk that the issuer of a security may pay off principal more slowly than originally anticipated. All fixed income investments may be worth less than their original cost upon redemption or maturity.

Investing in high-yield securities can be complex and involves a variety of risks and benefits. Non-investment grade fixed income securities and unrated securities of comparable credit quality (commonly known as "junk bonds") are considered speculative and are subject to the increased risk of an issuer's inability to meet principal and interest payment obligations. These securities may be subject to greater price volatility due to such factors as specific issuer developments, interest rate sensitivity, negative perceptions of the junk bond markets generally and less liquidity.

Disclosures:

Figures may not sum to 100 due to rounding.

Views expressed discussed are those of survey respondents, compiled by Goldman Sachs Asset Management as of February 17, 2023.

Responses were collected from February 1, 2023 to February 17, 2023.

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