



## Best in Benelux

### Fortis Investments



Frederik Stoop, Fortis Investments

> The Belgian retail structured products market is dominated by two domestic distribution networks, those of KBC Asset Management and Fortis Investments. The former has been a big hitter in terms of innovation for many years, and has traditionally left Fortis in its wake. In recent times, however, Fortis Investments has made great efforts to become not just a distributor but also an innovator. Its move up the innovation ladder is starting to have positive results, giving the company a more commanding role in the region in terms of both sales and thought leadership.

"We have evolved from being a market follower to a trendsetter," says Frederik Stoop, head of structured products and origination at Fortis Investments in Brussels. "In 2001 we were still launching classic call- or cliquet-type structures, and that was about it. But we started to look at new concepts and payoff formulas. Then we started to think about how we could commercially place these new products, and we are now at the stage where the products that we are doing are being copied in the market."

Fortis Investment's assets under management at the end of the second quarter this year stood at around €95.6 billion, up from €91.7 billion at the end of the first quarter. Its net inflows for the first half of the year were €6.4 billion. And it is not just fund-based investments that are drawing in capital. Increasingly, structured products are proving their worth. Take, for example, the capital-protected Fortis B Fix Equity 178 and Fortis B Fix Equity 183 products. These identical structures – the 178 was sold in Belgium and the 183 to Dutch investors – link performance to a basket of 20 underlying shares, capped at 20% of the initial value. The rate of return falls by 2%, subtracted off the 20%, for every share in the basket that rises or falls by more than 20% compared to the start value, so the investor

is effectively betting on a continuation of the recent trend of flat equity market volatility for the lifetime of the structure (the start date is august 2005, with maturity set for January 2007).

In the first month that these products were on sale, Fortis managed to shift around €100 million of the Belgian version and around €80 million of the Dutch product, without the use of an extensive promotional campaign. Indeed, it seems the products sold on the basis of word-of-mouth recommendations.

"We launched this during the summer campaign of another product, called Summer Heat, which we promoted heavily," Stoop says. "That product sold very well because there was a campaign and a lot of promotion. You could see the product at the bus stop, and on the subways. There were advertisements everywhere. It was even television. But these products sold very well when we didn't promote them."

Two versions of the Summer Heat product were developed. One pays regular coupons based on the performance of an underlying basket of shares, while the other saves the coupons and pays the sum of them at maturity.

In the first two years the first product pays a fixed coupon of 5%. In each of the remaining six years the coupon is between 0% and 10%, calculated as the average performance of the 20 stocks, with every stock that shows a positive performance compared to the start automatically replaced by a 10% mark-up, and every stock that ends the year in negative territory taken at its market value. It means the investor cashes in if equity markets are just slightly positive in the future, with a small amount of volatility.

The other product has a similar payoff function but the coupons are all paid at maturity. Summer Heat was launched in July and sold around €300 million that month. It was relaunched in August and sold another €300 million. In September the product sold €125 million, and it continues to be one of Fortis' biggest-selling structures. "I think the market is quite convinced that Fortis Investments has done a good job in recent years," Stoop says. "For the moment, we are putting our own stamp on the market."

#### Why Fortis Investments won

Word-of-mouth recommendations in Belgium and The Netherlands have produced some healthy sales for Fortis Investments, which has evolved from being a market follower to a trendsetter.