• Asset Management

• Risk Analytics

Industry experts discuss investment strategies in an inflationary environment; the role of real estate in insurers' portfolios; and how advanced analytics are helping insurers with risk management.

Interviewed Inside:

John Ockerbloom
Barings

Investing in Real Estate

John Ockerbloom, Managing Director and Co-Head of U.S. Real Estate at Barings, said ESG within the commercial real estate industry is very much a focus, particularly on the equity side, also on debt. "Sound ESG practices are a critical piece of effective real estate investing. It's not an either/or," he said. Following are excerpts from an interview.

BARINGS

- A $371 billion global investment management firm
- A subsidiary of MassMutual
- Committed to creating a more sustainable future

John Ockerbloom
Managing Director and Co-Head of U.S. Real Estate
Barings

"We're seeing more investor interest from the insurance channel in closed-end funds with higher return of thresholds."

Visit the Issues & Answers section at *www.bestreview.com* to watch an interview with John Ockerbloom.

What is the role of real estate in insurance portfolios?
Real estate is an income-oriented asset class. It has inflation-protection characteristics. So far as you're able to reset your rent periodically—for apartments every year, for hotels every day, for office buildings maybe every three to five years—there is an inflation-protected income stream that matches up well with many of the liabilities of insurance companies. It also has growth characteristics, particularly on the equity side. You can match current liabilities as well as longer-dated liabilities within the portfolio. It's a multipurpose tool for insurance companies, and we're finding that to be more the case every day.

How are insurance investors accessing this asset class?
It really depends upon size. Many insurance companies are participants in funds, which can be focused on real estate debt or real estate equity and span the risk-return spectrum. Open-ended funds have periodic liquidity and are generally more income-focused, whereas closed-in funds—which have more closed-end periods, as the name implies—tend to be more focused on growth. So, there are many different options available for insurance companies to access the asset class, both in debt and equity. For larger investors, separate accounts are a frequent point of access.

What are some real estate allocation trends among insurance investors?
On the equity side, we are seeing greater interest in value add from an investment standpoint. We've had a lot of activity from insurance investors seeking to be more oriented toward total return as opposed to income focused. From a debt standpoint, insurance investors have historically been substantial investors in mortgages on very high-quality commercial real estate assets, so very secure, very stable, very safe. More recently, we are seeing insurance investors expand their purview, both on the fund side and the separate account side, as they seek additional return within the debt space. That may take the form of construction lending, as an example.

What do you see as next for insurance investors in their ESG journey?
ESG within the commercial real estate industry is very much a focus, particularly on the equity side, but also on the debt side. By nature, real estate is a long-dated asset class, and we need to think about where assets will fit in the marketplace over a long period of time. To the extent that you are not focused on the ESG elements of an asset, you almost by definition cannot be doing effective and modern design. In that capacity, ESG has really become woven into the fabric of real estate investing.