

Paris, January 20, 2015

Stocks Look Strongest in 2015, Institutional Investors Say in Worldwide Study by Natixis Global Asset Management

- ✓ **Looking toward income-generating assets and alternatives for returns**
- ✓ **Meeting long-term obligations despite higher interest rates, stalled growth and geopolitical events**
- ✓ **Encouraging individual investors to set personal goals and avoid emotional decision making**

Institutional investors from around the world expect stocks to be the best-performing assets in 2015, according to a survey by Natixis Global Asset Management. These investors, who oversee pensions, endowments and sovereign wealth funds, plan to be careful in their allocations next year, however, favoring income-producing investments over riskier assets.

Forty-six percent of institutional investors surveyed say stocks will be the strongest asset category next year, with U.S. equities standing above those from other regions. Another 28 percent identify alternative assets as top performers, with private equity leading the way in that category. Only 13% predict bonds will be best, followed by real estate (7%), energy (3%) and cash (2%).

Natixis solicited the market outlook opinions of 642 investors at institutions that manage a collective \$31 trillion. The survey found:

- **Realistic expectations of returns:** On average, institutions believe they can realistically earn yearly returns of 6.9 percent after inflation. In separate surveys by Natixis earlier this year, financial advisors globally said their clients could anticipate earning 5.6 percent after inflation¹ and individuals said they had to earn returns of 9 percent after inflation to meet their needs ².
- **Geopolitics leads potential threats:** The top four potential threats to investment performance in the next year are geopolitical events (named by 17% of institutional investors), European economic problems (13%), slower growth in China (12%) and rising interest rates (11%).

¹ Natixis Global Asset Management released its Global Survey of Individual Investors in May of 2014. Natixis' 2014 Individual Investor Research study is based on fieldwork conducted in 14 countries throughout the Americas, Europe, Asia and the Middle East with 5,950 investors having assets of 200K+ (USD).

² Natixis Global Asset Management, released its Global Survey of Financial Advisors in September of 2014 based the responses of 1,800 financial advisors internationally.

- **Focus on non-correlated assets:** Just under three-quarters of respondents (73%) say they will maintain or increase allocations to illiquid investments, and 87% say they will maintain or increase allocations to real estate. Nearly half (49%) believe it is essential for institutions to invest in alternatives in order to outperform the broad markets.

- **Words of advice for retail investors:** Among the top investment guidance institutions have for individuals in the next 12 months: avoid emotional decisions.

“Institutional investors have an enormous fiduciary responsibility to fund current goals and meet future obligations,” said John Hailer, president and chief executive officer for Natixis Global Asset Management in the Americas and Asia. “The current market environment makes it difficult for institutions to earn the returns that are necessary to fulfill both short-term and future responsibilities. Building a durable portfolio with the proper risk management strategies can help investors strike a balance between pursuing long-term growth and minimizing losses from volatility.”

Rising rates, a manageable challenge

Institutional investors are confident in their own prospects in the face of markets that will feature higher interest rates and lower growth. Eighty-seven percent think they’ll ultimately be able to meet their long-term liabilities.

In addition, the survey found that:

- 67 percent of institutional investors foresee difficulties in the next three years because of climbing interest rates.
- In order to counteract higher rates, 61 percent of institutional investors plan to position their portfolio to move from long to shorter duration bonds. Less than half (46%) say they’d reduce exposure to bonds. And while most institutional investors use alternatives as an important part of their portfolio construction, more than a third (36%) would increase their allocation to alternative strategies to combat rising rates.

Investment advice from the pros

“Institutional investors have an unusually good perspective about markets and long-term prospects,” Hailer said. “Like ordinary investors, institutions have short-term worries. They also feel the pressure to take care of current needs, no matter what the markets are doing. Because of their longer-term time horizon, they offer valuable perspective.”

Asked what advice they could provide to average individual investors, institutional managers say they should:

- Avoid making emotional decisions about finances: 84%
- Use alternative investing strategies – including hedge funds, long-short funds and other options: 76%
- Set a return target based on personal goals rather than market benchmarks: 62%
- Think about risk first, rather than return, when putting together a portfolio: 61%

Methodology

The Natixis Global Institutional Investor 2014 study is based on fieldwork carried out in 27 countries. Interviews were conducted in October and November with 642 senior decision makers working in institutional investment. Respondents were corporate, public and government pension funds; sovereign wealth funds; insurance companies; endowments and foundations; and other institutions.

The findings are published in a new whitepaper, *Under Pressure: Facing up to the Challenge of Balancing Short-Term Performance Needs with Long-Term Liabilities* by the Natixis Durable Portfolio Construction Research Center.

About the Natixis Durable Portfolio Construction Research Center

Now in its fifth year, the Durable Portfolio Construction Research Center conducts global surveys annually with institutional investors, individual investors and financial advisors. Nearly 7,500 respondents from across the Americas, Europe, Asia and the Middle East offer their views on timely investment issues, allowing Natixis to provide valuable insights to assist all investors over the long term. For more information, visit <http://durableportfolios.com>.

About Natixis Global Asset Management

Natixis Global Asset Management is a multi-affiliate organization that offers a single point of access to more than 20 specialized investment firms in the U.S., Europe and Asia. The firm ranks among the world's largest asset managers.¹ Through its Durable Portfolio Construction® philosophy, the company is dedicated to providing innovative ideas on asset allocation and risk management that can help institutions, advisors and individuals address a range of modern market challenges. Recognized as the #1 U.S. mutual fund family for 2013 performance in the annual Barron's/Lipper Fund Family Ranking,² Natixis Global Asset Management brings together the expertise of multiple specialized investment managers based in Europe, the United States and Asia to offer a wide spectrum of equity, fixed-income and alternative investment strategies.

Headquartered in Paris and Boston, Natixis Global Asset Management, S.A.'s assets under management totaled \$894.3 billion (€708.0 billion) as of September 30, 2014.³ Natixis Global Asset Management, S.A. is part of Natixis. Listed on the Paris Stock Exchange, Natixis is a subsidiary of BPCE, the second-largest banking group in France. Natixis Global Asset Management, S.A.'s affiliated investment management firms and distribution and service groups include Absolute Asia Asset Management; Active Investment Advisors;⁴ AEW Capital Management; AEW Europe; AlphaSimplex Group; Aurora Investment Management; Axeltis; Capital Growth Management; Darius Capital Partners; Dorval Finance;⁵ Gateway Investment Advisers; H2O Asset Management;⁵ Harris Associates; IDFC Asset Management Company; Loomis, Sayles & Company; Managed Portfolio Advisors;⁴ McDonnell Investment Management; Mirova;⁶ Natixis Asset Management; Natixis Environment & Infrastructure Luxembourg; Ossiam; Reich & Tang Asset Management; Seeyond;⁷ Snyder Capital Management; Vaughan Nelson Investment Management; Vega Investment Managers; and Natixis Global Asset Management Private Equity, which includes Seventure Partners, Naxicap Partners, Alliance Entreprendre, Euro Private Equity, Caspian Private Equity and Eagle Asia Partners. Visit ngam.natixis.com for more information.

Natixis Global Asset Management also includes business development units located across the globe, including NGAM UK Limited, which is authorised and regulated by the UK Financial Conduct Authority and NGAM S.A., a Luxembourg management company authorized and regulated by the CSSF.

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¹ Cerulli Quantitative Update: Global Markets 2014 ranked Natixis Global Asset Management, S.A. as the 16th largest asset manager in the world based on assets under management as of December 31, 2013.

² Barron's/Lipper 2013 one-year fund family ranking based on 64 qualifying U.S. fund companies. Each fund family must have at least three funds in Lipper's general U.S.-stock category, one world (global and international), one mixed-asset/balanced (stocks and bonds), two taxable bond and one tax-exempt bond fund. Natixis was not ranked for the 5- and 10-year periods. Past performance is no guarantee of future results. The Fund Family represents U.S. domiciled funds that are not available for investment to non-U.S. persons. When this communication is provided outside of the U.S., it is done only to provide supplemental information about the expertise of Natixis Global Asset Management and its affiliates.

³ Assets under management (AUM) may include assets for which non-regulatory AUM services are provided. Non-regulatory AUM includes assets which do not fall within the SEC's definition of 'regulatory AUM' in Form ADV, Part 1.

⁴ Division of NGAM Advisors, L.P.

⁵ An affiliate of Natixis Asset Management.

⁶ A subsidiary of Natixis Asset Management.

⁷ A global investment unit of the Natixis Asset Management organization, operated in the U.S. through Natixis Asset Management U.S., LLC

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