NATIXIS

Paris, May 24, 2016

French investors searching for diversification and better risk control may overestimate benefits of passive management

Natixis Global Asset Management today released the results of its annual global survey of 7,100 individual investors (including 400 French investors) across 21 countries in Asia, Europe, the Americas and Middle East. The survey was conducted online between January and February 2016. Among the main findings:

- *French investors seem to overestimate the benefits of passive index funds in a portfolio*
- *The great majority of investors seek new strategies to diversify their portfolios and help insulate them from market shocks*
- *Investors identify the risk of recession in France, the global growth slowdown and geopolitical tensions as the main financial threats*
- *Investors want more personalised advice*
- *Socially responsible investment is of growing interest among investors*

Individual investors around the world appear to have a tendency to overestimate the benefits of passive management within their portfolios:

- 60% of French investors think that index funds and ETFs are less risky
- 58% think that using them will help to minimise losses
- 54% think that they offer enhanced diversification
- 56% think that they provide access to the best investment opportunities

However, these figures contrast with the recent surveys carried out by Natixis Global Asset Management – among institutional investors and financial advisors – which revealed that professionals favour active management to take advantage of market movements, generate alpha and provide better risk-adjusted returns over the long term, while viewing passive investing primarily as a way to save on management fees[1]. These differences of perception point to the challenges and the contradictions that private investors face.

"It is crucial for investors to understand the risks inherent in their portfolio and identify the sources of diversification. It is surprising to see them tend to assign benefits to index funds that they do not always have, particularly in terms of risk control," explains Christophe Point, Managing Director of Natixis Global AM Distribution France, French-speaking Switzerland and Monaco.

"Index funds have a place in portfolios, but their low cost seems to be providing a halo effect that could blind-side investors during volatile markets and affect their portfolio performance over the long term," said Point

Investors seeking more diversification and better risk control

The survey also highlights investors' desire for find new investment approaches better suited to today's financial markets. To this extent, 66% of French investors believe that the traditional equities/bonds approach no longer meets their needs. Moreover, 72% of them are looking for strategies that are less tied to broad markets and 76% want more diversification in their portfolios, which would seem to pave the way for wider use of alternative investments.

Although 42% of French investors say they have not yet used alternative asset classes in their portfolios (including hedge funds, managed futures, private equity, real estate, absolute return and long-short strategies), 52% say they have discussed alternatives with their financial advisor – a marked increase from 43% last year[1]. French investors are increasingly aware of the need to diversify their investments and they are becoming more open to new strategies. In addition, 44% of French investors say that learning more about financial markets would help them reach their investment objectives.

"*This reminds us that the financial industry as a whole has an important role to play in terms of financial education in order to help investors make smart long-term decisions*," says Christophe Point. "*It is encouraging to see that investors are looking for new investment models to build more resilient portfolios, especially during periods of increased volatility. Alternative – or uncorrelated – strategies may indeed offer a powerful lever for diversification and be a driver of performance, depending on the proposed investment period*," explains Christophe Point.

Investors thinking long-term

Investors expect macroeconomic conditions and outside events to cause increased volatility over the next 12 months. While American investors obviously mention the presidential elections as a potential risk, French investors highlight the following:

- Recession in France (34%)
- Global economic slowdown (31%)
- Geopolitical events (31%)
- Interest rate levels (30%)
- Oil prices (27%)

But despite these concerns, 66% of French investors believe their portfolios are protected against potential financial shocks in the next twelve months, and 50% maintain that these market shocks will not affect their long-term investment strategy. 58% of French investors say that long-term growth is more important than short-term gains.

Investors want personalised advice

According to the survey, 74% of French investors say they benefit from financial advice. A majority (54%) say they rely on the services of a financial advisor, while 10% rely solely on the services of robo advisors and 10% use both personal and robo advisors.

More than two out of three (68%) of French investors believe financial advisors provide added value, and an even greater 78% say investors who use financial advisors are more likely to reach their financial objectives.

Beyond investment performance, the top things investors most value from a financial advisor:

- Help setting their goals and establishing long-term personal financial plans (40%)
- Help taking more informed decisions concerning their investments (30%)
- Receiving personalised advice in volatile and uncertain markets (32%)

Socially responsible investment is of growing interest to French investors, who are thinking of more than just financial return: 73% believe that it is important for investments to

have a positive social impact and reflect their personal beliefs, and 71% say that investing in ethical companies is a priority.

"Investors are fully aware of the need to enlist the help of a financial advisor and by 'help' they mean far more than just an investment recommendation," explains Christophe Point. *"At a time when investors are asking for more personal support and better information to make smart investment decisions – that are truly in line with their long-term objectives – the role of the financial advisor is crucial."*

The challenge is to help investors define a personal financial plan that is better suited to today's complex markets using uncorrelated strategies to build a more diversified and durable portfolio," concludes Christophe Point.

Methodology

Natixis Global Asset Management surveyed 400 individual investors in France with a minimum of $200,000 in investable assets. The online survey was conducted in February 2016 and is part of a larger global study of 7,100 investors in 21 countries from Asia, Europe, the Americas and the Middle East. The findings are published in a new whitepaper, "Help Wanted: How investor behavior is rewriting the job description for financial professionals." To download a copy and hear John Hailer discuss the results of the survey, visit http://durableportfolios.com.

[1] 2015 Survey of Institutional Investors carried out by Natixis Global Asset Management and 2015 Survey of Asset Management Advisors carried out by Natixis Global Asset Management

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Press Contact

Natixis Global Asset Management
Samia Hadj, Global Public Relations
Tel: +44 (0)20 3405 4206
samia.hadj@ngam.natixis.com

Natixis
Farah Boudjemia
Tél. +33 (0)1 58 19 47 41
farah.boudjemia@natixis.com

About Natixis Global Asset Management

Natixis Global Asset Management serves thoughtful investment professionals worldwide with more insightful ways to invest. Through our Durable Portfolio Construction® approach, we focus on risk to help them construct more strategic portfolios that seek to endure today's unpredictable markets. We draw from deep investor and industry insights and partner closely with our clients to put objective data behind the discussion.
Natixis is ranked among the world's largest asset management firms.[1] Uniting over 20 specialized investment managers globally ($870.3 billion AUM2), we bring a diverse range of solutions to every strategic opportunity. From insight to action, Natixis helps our clients better serve their own with more durable portfolios.

Headquartered in Paris and Boston, Natixis Global Asset Management, S.A.'s assets under management totaled $884.9 billion (€776.4 billion) as of March 31, 2016.[2] 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 Active Investment Advisors;[3] AEW Capital Management; AEW Europe; AlphaSimplex Group; Axeltis;

Darius Capital Partners; DNCA Investments;[4] Dorval Finance;[5] Emerise;[6] Gateway Investment Advisers; H2O Asset Management;[5] Harris Associates; IDFC Asset Management Company;

Loomis, Sayles & Company; Managed Portfolio Advisors;[3] McDonnell Investment Management; Mirova;[5] Natixis Asset Management; Ossiam; Seeyond;[7] 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 S.A., a Luxembourg management company authorized and regulated by the CSSF, as well as branch offices of NGAM Distribution in France.

1 Cerulli Quantitative Update: Global Markets 2015 ranked Natixis Global Asset Management, S.A. as the 17th largest asset manager in the world based on assets under management as of December 31, 2014.
2 Net asset value as of March 31, 2016. 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.
3 A division of NGAM Advisors, L.P.
4 A brand of DNCA Finance.
5 A subsidiary of Natixis Asset Management.
6 A brand of Natixis Asset Management and Natixis Asset Management Asia Limited, based in Singapore and Paris.
7 A brand of Natixis Asset Management.

About Natixis

Natixis is the international corporate, investment, insurance and financial services arm of Groupe BPCE, the 2nd-largest banking group in France with 35 million clients spread over two retail banking networks, Banque Populaire and Caisse d'Epargne.
With more than 16,000 employees, Natixis has a number of areas of expertise that are organized into three main business lines: Corporate & Investment Banking, Investment Solutions & Insurance, and Specialized Financial Services.
A global player, Natixis has its own client base of companies, financial institutions and institutional investors as well as the client base of individuals, professionals and small and medium-size businesses of Groupe BPCE's banking networks.
Figures as at March 31, 2016

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