

Paris, September 29, 2016

## **84 % of French advisers warn that investors may not be fully aware of the risks associated with passive investments**

**85% say they need a more accurate picture of their clients' risk tolerance**

**It's not volatility that worries advisors the most, it's how their clients react to it**

**Ensuring investors set tangible goals and have realistic expectations remains a major challenge**

According to a study of 2550 financial advisers around the globe published today by Natixis Global Asset Management, 76% of French advisers (68% globally) say investors have a false sense of security regarding their investments. 84% of them believe investors may not be fully aware of the risks associated with over-reliance on passive investments.

On almost every measure, advisers agree that active investment management outperforms passive investment, including generating alpha, providing risk-adjusted returns, taking opportunistic advantage of short-term market movements and contributing to better diversification (access to alternatives and exposure to non-correlated asset classes). While advisers see a role for passive investments in portfolio construction, they express concern that much of the shift from active to passive investments may be motivated not because they add more value but because they lower costs.

The survey found that two-thirds of French advisers' portfolio assets are still actively managed and 57% of advisers are utilizing liquid alternative, primarily to add diversification and to reduce risk rather than to enhance returns. Many are using a diverse mix of non-correlated investments to help protect their portfolios and stabilize returns.

### **A more accurate picture of investors' risk tolerance is needed**

According to 85% of French advisers (93% globally), it's important to have a more accurate picture of their clients' risk tolerance. More than nine out of 10 advisers (97% in France) have already incorporated goals-based planning into their practice and client conversations. This approach places greater emphasis on understanding clients' risk tolerance, financial goals and personal values as the basis for investment decisions, investor behavior and return expectations.

*"Low cost does not always equate to low risk, nor does it always make a product more appropriate for an investor's portfolio," said John Hailer, CEO of Natixis Global Asset Management for the Americas & Asia and Head of Global Distribution. "Investing starts with understanding risk, so it is particularly troubling that so many investors seem to be ignoring the inherent risks in their portfolios. Add to that the volatility and complexity of today's markets and there is great cause for concern."*

## **The real challenge is to manage investors' reactions to markets and volatility**

Financial advisers say clients are asking for a broader range of services to achieve their goals. For example, 63% of French advisers (55% globally) say that over the past year, clients have asked for help managing volatility.

Protecting client portfolios from the effects of market swings and the risk of further volatility is daunting given market dynamics. According to 91% of French advisers, volatility is the biggest challenge to the growth of their business, followed by the low yield environment that has loomed over the markets since 2008.

Underneath it all is a sense that it's not the markets and volatility that worry advisers the most; it's how clients will react to volatility that gives them the greatest concern. When asked about the effects of the U.K.'s Brexit vote, advisers predicted it would have a greater effect on investors themselves than the markets.

Managing clients and their emotions is a whole other level of concern for advisers. According to 76% of French advisers, a key factor for their success is the ability to demonstrate value beyond asset allocation and investment performance.

*"French advisers are aware that their clients' ability to achieve their financial goals may be undermined by three recurrent pitfalls: letting emotions drive investment decisions, setting unrealistic return expectations and focusing too much on short-term market movements", explain Mehdi Rachedi, Head of external distribution France and Monaco at Natixis Global Asset Management. "That's why the role of financial advisers is so crucial. To avoid these pitfalls, investors need the guidance and advice from a professional, who can help them to focus on the long term and build more robust portfolios, better suited to today's complex markets."*

## **Growing pains and business model challenges**

Many advisers worldwide are planning to change their business models and fee structures given regulatory pressures. Whether it's the U.K.'s Retail Distribution Review (RDR), Canada's CRM2, The European Union's MiFID I and II, or similar acts in Australia, Germany, and Singapore, the goals are clear – to make advisor compensation more transparent and ensure the industry is acting in the best interest investors. 62% of French advisers say that meeting heightened regulatory and disclosure requirements are significant challenges to the growth of their business.

The survey found that as a result of new regulations:

- 58% of French advisers will have to make at least some change to their business model;
- 43% expect their ability to provide the desired level of service clients need will be restricted;
- 35% expect their ability to acquire new clients will be limited; and
- 29% will likely disengage with certain clients who have lower assets.

### ***The Robo-advisors, an opportunity***

Financial advisors believe that the advice gap, particularly among younger and low- or middle-income investors, can be addressed in part by new technology-enabled business models or automated advice platforms, also known as *robo-advisors*.

The vast majority of advisers (82%) aren't concerned that automated advice will make the traditional, high-touch advisory model obsolete. Indeed, 84% of French advisers think that *robo-advisors* can't deliver the tactical asset allocation needed, particularly in down or volatile markets.

The survey found that 52% of French advisers believe a front-end automated advice platform could be a way to improve the efficiency of their own business, and 56% expect firms that have a front-end automated advice platform will have a competitive advantage over those that don't.

*"Robo-advisors could be an opportunity for financial advisors to develop further. For them, this is also a possibility to demonstrate their added value to their clients: beyond asset allocation, advisors can provide investors with personal support, help them to define tangible goals and elaborate a financial plan that truly meets their expectations in terms of risk and return,"* concludes Mehdi Rachedi.

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### **Methodology**

The Global Financial Advisors Survey from Natixis Global Asset Management was conducted with the aim of better understanding the contemporary attitudes and needs of this key collective of individuals to the financial services industry. Financial advisors are the bridge between product manufacturers and retail investors and many small, medium and in some cases, large corporations and it is therefore imperative to assess the opportunities and challenges facing this group of professionals. Specifically, this study assesses advisor attitudes to a range of topics such as business growth, portfolio construction (including volatility, risk and income), client service, advice proposition and investment challenges. Data was gathered over a five-week period spanning July and August 2016. Globally, the study involved 2,550 financial advisors in 15 countries and across four continents. This report specifically looks at advisers in France, which had 150 respondents.

### **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'Épargne.

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.

Listed on the Paris stock exchange, it has a solid financial base with a CET1 capital under Basel 3(1) of €12.4 billion, a Basel 3 CET1 Ratio (1) of 11.0 % and quality long-term ratings (Standard & Poor's: A / Moody's: A2 / Fitch Ratings: A).

<sup>(1)</sup> Based on CRR-CRD4 rules as reported on June 26, 2013, including the Danish compromise - without phase-in except for DTAs on tax-loss carryforwards and pro forma of additional phase-in of DTAs following ECB regulation 2016/. Figures as at June 30, 2016

## 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 Global Asset Management is ranked among the world's largest asset management firms.<sup>1</sup> Uniting over 20 specialized investment managers globally (\$874.5 billion AUM<sup>2</sup>), we bring a diverse range of solutions to every strategic opportunity. From insight to action, Natixis Global Asset Management helps our clients better serve their own with more durable portfolios.

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Headquartered in Paris and Boston, 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;<sup>3</sup> AEW Capital Management; AEW Europe; AlphaSimplex Group; Axeltis; Darius Capital Partners; DNCA Investments;<sup>4</sup> Dorval Finance;<sup>5</sup> Emerise;<sup>6</sup> Gateway Investment Advisers; H2O Asset Management;<sup>5</sup> Harris Associates; IDFC Asset Management Company; Loomis, Sayles & Company; Managed Portfolio Advisors;<sup>3</sup> McDonnell Investment Management; Mirova;<sup>5</sup> Natixis Asset Management; Ossiam; Seeyond;<sup>7</sup> Vaughan Nelson Investment Management; Vega Investment Managers; and Natixis Global Asset Management Private Equity, which includes Seventure Partners, Naxicap Partners, Alliance Entreprenure, Euro Private Equity, Caspian Private Equity and Eagle Asia Partners. Visit [ngam.natixis.com](http://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 2016 ranked Natixis Global Asset Management, S.A. as the 16th largest asset manager in the world based on assets under management (\$870.3 billion) as of December 31, 2015.

2 Net asset value as of June 30, 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.

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