NATIXIS INVESTMENT MANAGERS

PRESS RELEASE

Individual investors still expect double digit investment returns despite new market environment, finds Natixis Investment Managers

- Over two thirds of individual investors feel positive about their finances, despite the stubborn inflation
- Investors have high expectations, hoping for returns of 8.6% above inflation this year
- Investors list rising interest rates among their top investment concerns but only 2% of 8,550 the individual investors surveyed correctly identified what a rising rate environment means for their investments*

LONDON, 21st June 2023 – Investors around the world remain positive about their finances, despite stubborn inflation, looming recession, and last year's stock market losses, according to a global survey of 8,550 individual investors by Natixis Investment Managers (Natixis IM). The survey of investors with more than $100,000 in investable assets, conducted in March 2023 found that over two thirds (69%) of investors have a positive outlook on the state of their finances, while just 22% feel stressed.

The economy and markets have undergone significant shifts moving from a world of low inflation, low rates, and low dispersion to one of higher inflation, higher rates, and higher levels of dispersion. These changes may highlight critical gaps in investment knowledge and investment portfolios, as individual investors are still expecting to make returns of 8.6% above inflation this year.

Investors globally are very aware of the changing economic environment and, while largely confident in the long-term, are fearful of the associated risks – two thirds (62%) of investors say higher everyday costs are their biggest financial fear.

In addition, 44% said that a large, unexpected expense is a big concern, while 36% say that one of their biggest financial fears is a tax increase. Despite recession concerns, only 24% are afraid they will lose their job (24%).

Over the longer term, individuals expect 13% returns above inflation. While expectations are still high, the gap between what investors want and the 9% above inflation advisors say is realistic, has narrowed from 61% in 2021 to 42% today.

Darren Pilbeam, Head of UK Sales, Natixis IM, said, "After decades of relative calm for investors between 2012 and 2021 with the S&P delivering an average return of 13.7% annually[1], things have changed significantly but it appears that investors have been conditioned to expect high returns.

Investors need to look at their individual asset allocation and appetite for risk particularly as inflation and volatility are back on the table. The findings indicate that investors are still confident about the role that financial advisers play and this together with a well-diversified portfolio can potentially help investors navigate all market conditions."

More help needed to strengthen investment portfolios

More than half of investors (58%) said that inflation was their top investment concern, and two thirds (66%) say it is significantly impacting the ability to save for retirement. 60% believe they need to

[1] https://www.officialdata.org/us/stocks/s-p-500/2010?amount=100&endYear=2021

invest more to make up for inflation and 76% say rising costs have made them realise they must save more money, yet only 32% are doing so.

After inflation, 38% see a recession as the biggest risk to their portfolio. This is followed by 37% who said market volatility and 28% who see rising rates as the biggest threats to their investments.

In response to the new environment, 47% say they have more confidence in bonds to outperform in 2023 than equities and 46% have increased their bond investments in response to rising rates. However, while nearly six in ten (59%) say they understand the role of bonds in portfolios and the impact of rising rates on bonds (57%), when quizzed** about what happens to bonds in a rising rates environment, only 2% (171 out of 8,550) of investors could provide the correct answers, 27% selected one correct answer, and 30% stated that they did not know.

From 'set it and forget it' to seek advice

Over the past decade, investors generally saw a constant upward trajectory of investment markets due to low rates and high correlations, which made lower costing index funds attractive. Passive investments and DIY portfolios that were set and left performed well but investors are now facing a more complicated world, in which investment portfolios need to be adapted to suit the new market environment.

Only around six in ten (63%) investors recognise that index funds provide returns that are comparable to the market, while 66% assume index funds will help them minimize losses, and 61% assume that index funds are less risky than other investments.

In terms of risk, 26% define risk as exposing their assets to volatility, and 23% say risk is losing wealth. While valid, it seems investors have lost sight of the bigger picture as only 11% define risk in terms of failing to meet their long-term financial goals.

Financial advisors are twice as likely to define risk in terms of missing out on financial goals (24%) demonstrating the benefits of speaking to a financial professional, who are more likely to focus on the long-term. Recent inflation has highlighted the importance of financial advice for 68% of respondents, yet only 51% think they need professional advice for investments. When asked what advice services interest them the most, financial planning and retirement income planning come out on top, at 46% and 43% respectively. When asked about investments specifically, 43% of investors want their adviser to offer them sustainable investments, private investment opportunities (34%) and tax-efficient investment strategies (32%).

Great expectations

Despite last year's downturn as most major indexes posted double digit losses***, respondents say they generated positive returns of 1.9% on average. Investors in the UK came closest to a loss, reporting they generated an average positive return of just 0.6% even as the FTSE delivered a nearly 20% loss.

Most seem to anticipate a return to the bull market that delivered average annual total returns of 14.6% from the S&P between 2012 and 2021, including gains of 30% in 2019, 18% in 2020, and 28% in 2021[2]. Long-term returns expectations of 13% annually reflect this high level of optimism. For 2023, individual investors have average return expectations of 8.6% above inflation. That adds up to expectations for real returns of 13.6% or more in many countries this year, assuming inflation at 5%.

Ends

[2] https://www.officialdata.org/us/stocks/s-p-500/2010?amount=100&endYear=2021

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Notes to editors

*** Link to Individual Investor report: https://www.im.natixis.com/intl/research/2023-individual-investor-survey**

**Investors were given four options to explain how increasing rates impact bonds: 1) The current value of the bonds goes up; 2) the current value of the bond goes down; 3) the future income potential from a bond goes up; or 4) the future income potential of a bond goes down. They were asked to choose all that apply.

***https://www.reuters.com/markets/global-markets-wrapup-1-pix-2022-12-22/

Methodology

Natixis Investment Managers' 2023 Global Individual Investor Survey was conducted by CoreData Research in February and March 2023. The survey included 8,550 individual investors in 23 countries and regions including Asia, Europe, Latin America, and North America.

About Natixis Investment Managers

Natixis Investment Managers' multi-affiliate approach connects clients to the independent thinking and focused expertise of more than 15 active managers. Ranked among the world's largest asset managers[1] with more than $1.2 trillion assets under management[2] (€1.1 trillion), Natixis Investment Managers delivers a diverse range of solutions across asset classes, styles, and vehicles, including innovative environmental, social, and governance (ESG) strategies and products dedicated to advancing sustainable finance. The firm partners with clients in order to understand their unique needs and provide insights and investment solutions tailored to their long-term goals.

Headquartered in Paris and Boston, Natixis Investment Managers is part of the Global Financial Services division of Groupe BPCE, the second-largest banking group in France through the Banque Populaire and Caisse d'Epargne retail networks. Natixis Investment Managers' affiliated investment management firms include AEW; DNCA Investments;[3] Dorval Asset Management; Flexstone Partners; Gateway Investment Advisers; Harris Associates; Investors Mutual Limited; Loomis, Sayles & Company; Mirova; MV Credit; Naxicap Partners; Ossiam; Ostrum Asset Management; Seventure Partners; Thematics Asset Management; Vauban Infrastructure Partners; Vaughan Nelson Investment Management; and WCM Investment Management. Additionally, investment solutions are offered through Natixis Investment Managers Solutions and Natixis Advisors, LLC. **Not all offerings are available in all jurisdictions.** For additional information, please visit Natixis Investment Managers' website at im.natixis.com | LinkedIn: linkedin.com/company/natixis-investment-managers.

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(Luxembourg), Natixis Investment Managers International (France), and their affiliated distribution and service entities in Europe and Asia.

[1] Cerulli Quantitative Update: Global Markets 2022 ranked Natixis Investment Managers as the 18th largest asset manager in the world based on assets under management as of December 31, 2021.

[2] Assets under management ("AUM") of current affiliated entities measured as of March 31, 2023 are $1,208.2 billion (€1,111.9 billion). AUM, as reported, may include notional assets, assets serviced, gross assets, assets of minority-owned affiliated entities and other types of non-regulatory AUM managed or serviced by firms affiliated with Natixis Investment Managers.

[3] A brand of DNCA Finance.