2023 NATIXIS INSTITUTIONAL OUTLOOK SURVEY

After the Gold Rush

Institutional investors forced to dig deep for opportunity as they brace for inflation or stagflation in post-pandemic markets

After seeming to recover from the pandemic in 2021, the global economy relapsed into what may be classified as a case of long Covid in 2022. Symptoms include the highest inflation rate in 40 years, the highest interest rates in 15 years, and the most prolonged bear market since the global financial crisis. The prognosis for the patient is more of the same in 2023.

In results from the 2023 Natixis Outlook Survey, institutional investors, who manage a combined $20.1 trillion in AUM, see a challenging year ahead. Six out of ten look at the economic picture and say recession is inevitable. But even as they contemplate prospects for negative GDP growth, three-quarters (73%) wonder if central banks alone can tame inflation on their own and half think it will be impossible to engineer a soft landing. But when it comes down to it, inflation may be the lesser of two evils, as nearly two-thirds of institutional investors (65%) believe that stagflation is a bigger risk in 2023.

Bonds shine brighter

But not all inflation-related news is negative: Given prospects for central bankers continuing to fight inflation with rate hikes in the new year, seven out of ten institutional investors (72%) believe rising rates will usher in a resurgence in traditional fixed income investments while 56% are bullish on bond markets in 2023.

Overall, institutional teams are considering a market environment in which inflation remains stubbornly elevated (56%). Stocks (57%) and currency (50%) are likely to experience elevated volatility. And 83% believe valuations will matter more in 2023.

Return expectations remain high

Despite the challenges, few will lower return expectations as eight in ten (77%) will either maintain or increase an average return assumption of 7.9%. Most notable are the views of fixed-income-reliant insurers, where rising rates have almost half (46%) planning to increase their return assumption from an average of 6.7%.

Investment strategies for 2023 will look to capitalize on a number of emerging trends to better position institutional portfolios for an unfamiliar market environment:

- Rising rates make bonds attractive again
- Volatility makes valuations matter once again
- China casts a shadow over emerging markets
- Alternatives answer the call for yield (and more)
- Private markets offer bear market relief
- Blockchain looks more valuable than crypto

When it comes down to it, the environment won't call for wholesale changes to allocation strategy, but instead institutions will make tactical calls to better align with the risk and opportunities ahead.

65%
believe stagflation is a bigger risk than recession

72%
believe rising rates will usher in a resurgence in traditional fixed income investments

War tops list of economic threats

Institutional investors are considering an economy that has changed dramatically over the past twelve months: Where institutions ranked supply chain disruptions as their top economic threat going into 2022, they see war (57%) as the biggest threat – a sentiment that's strongest in Europe where nearly seven in ten (68%) have witnessed Russia's war with Ukraine in their own back yard.

A year ago, institutions worried that less supportive central bank policy would have an adverse effect on the economy. Now, after central banks have implemented dramatic interest rate hikes to curb inflation, 53% of institutions are worried that a policy error could impede recovery.

Trade issues also factor into the risks, as four in ten (40%) see a further deterioration of US/China relations as a drag on the economy. The concern is greatest across Asia, where almost half (47%) of institutions express concerns. Another 27% worldwide and 40% in Latin America see global trade as a risk.

Stagflation a greater risk than recession

After seeing a 40-year high for inflation, less than three in ten believe it will go higher in the next 12 months. Even as half believe inflation will decrease (46%), the big question may be "How much?" More than half (56%) think inflation will remain stubbornly elevated in 2023 – a sentiment expressed by two-thirds of those in North America.

Institutional investors recognize that central banks have been ready to respond to inflation with interest rate hikes. But three-quarters (73%) recognize that bankers cannot curb inflation on their own. In the end, six in ten (59%) think recession is inevitable. Asked directly, 54% of institutions believe recession is necessary.

While inflation is still seen as the top portfolio risk (69%) for the year ahead, and recession is seen as a likely outcome, there is something that worries institutional investors even more. Looking at slow growth and persistently high inflation, almost two-thirds of institutions (65%) believe that stagflation is a bigger threat than a recession.

Institutions are split on what the outcome of policy will be on economic performance, with 53% projecting a safe landing and 47% projecting a crash landing. The numbers bear out as 49% think that a soft landing is an unrealistic expectation.

TOP ECONOMIC THREATS FOR 2023

57%	War
53%	Policy Error
40%	US/China
27%	Global Trade
27%	Consumer Spending
20%	Food/Resource Crisis
15%	Climate Risk

Consumers hold keys to global growth

World events have put economic growth on a roller-coaster ride over the past three years. In 2020, as the world grappled with the early stages of the pandemic, growth plummeted to -3.06%. In 2021, the world adapted and vaccines helped spur an economic reopening; growth rebounded and soared to 6.11% in 2021.

That came to an end in 2022 as bankers countered inflation by hiking rates to a decade high. As a result, the IMF revised its growth projection from 3.59% in April to 2.5% in October. Similarly, the IMF forecast for 2023 dropped from 3.55% to 2.7%.[1]

Institutional investors will watch a number of indicators to determine when growth is back on track, but it all starts with the consumer. Consumer spending (53%) tops the list of growth indicators (and also ranks among the top 5 economic threats). Consumers alone can't drive growth this time, and institutions will also monitor business spending (49%), employment (47%) and productivity (43%).

Currency remains volatile

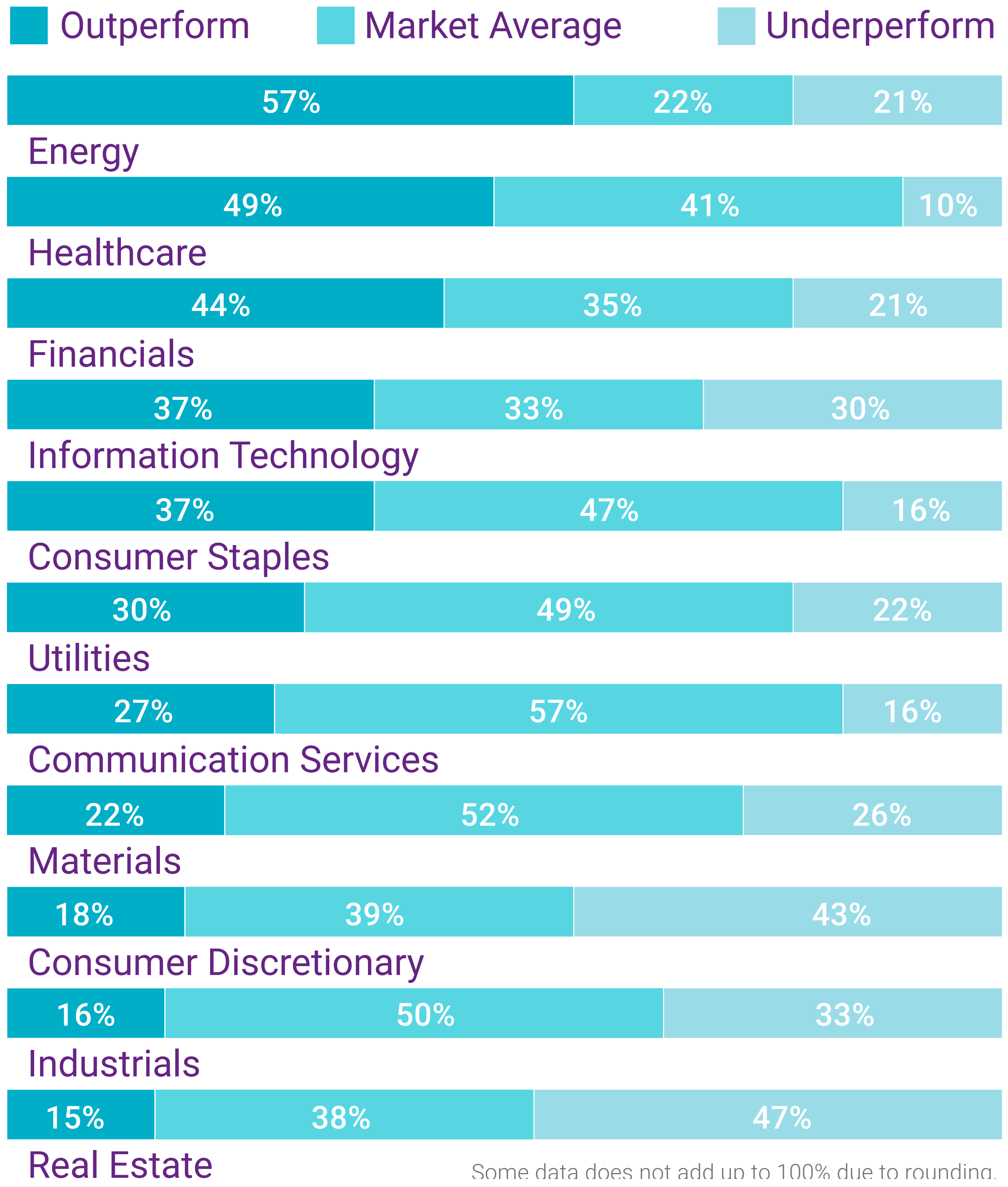
Another side effect of inflation is a more hawkish monetary policy that pushed the US dollar to its strongest point in 20 years. At the end of 2022, the British pound reached its lowest value to the dollar since 1985, the euro was worth less than the dollar for the first time since 2002 and the yen attained its lowest point since 1990.[2]

With the dollar at its strongest in decades, nearly six in ten (57%) think the pound will remain at historic lows. Though fewer in the UK (47%) agree, the number is still close to half.

Now, even as some wonder if the global economy will eventually bifurcate into two spheres of influence, the US and China, the vast majority (83%) believe the US dollar will maintain its dominance.

When it comes down to it, institutions believe the same issues driving volatility for stocks and bonds – inflation, rising rates, and Russia's war – are likely to affect currency markets. Half (50%) believe currency volatility will increase in the year ahead, while 34% think it will remain at today's elevated levels. Just 16% believe it will subside in 2023.

SECTOR CALLS FOR 2023



Some data does not add up to 100% due to rounding.

Oil: Uncertainty fuels alternative energy investment

While six in ten institutions (57%) project outperformance for the energy sector in 2023, many are taking note of the supply issues created by Russia's war with Ukraine, which will impact their long-term energy strategy.

Overall, nearly half (46%) say energy supply issues have led them to increase their investments in renewable energy including solar and wind power, a number that's twice as great as those increasing investments in fossil fuel. Another 26% are investing in energy storage, while 13% have upped investments in nuclear power.

Despite the potential for outperformance, 20% are reducing their investment in fossil fuel and/or alternative energy. Some may want to bank profits off 2022's higher energy prices; others may see the geopolitical risk and potential for price volatility.

With little change in the landscape, few are letting their energy strategy stay put, as less than one-third (29%) plan no changes.

Outlook remarkably optimistic despite recession threat

Considering prospects for elevated volatility, high inflation, rising rates, slow growth, and a likely recession, institutional investors are remarkably optimistic for most asset classes.

Overall, institutions (63%) are most bullish on private equity. But where private markets featured prominently in yield replacement strategies while rates were at all-time lows, institutions may also be counting on private equity to make up for lackluster equity returns. The second part of the equation may carry more weight in a rising interest rate environment, as institutions are equally split in their views on private debt.

Bonds: Many also see the potential for bonds to outperform in 2023. Rates have been low since central banks stepped in to stave off the Global Financial Crisis in 2008 and dropped even lower as bankers stepped in again to address the pandemic. But with central bankers taking rates higher to quell inflation, 56% are bullish on bond market performance in 2023.

Stocks: Despite a year of double-digit losses for the S&P in 2022, and expectations for continued volatility, a surprising number of institutions (51%) say they are bullish on stocks in 2023. With so much downside having been priced in over the course of 2022, it's likely investors are looking ahead to recovery since the bulk of the damage has already been done.

Real estate: Even though investors have traditionally turned to real estate for inflation protection, real estate in all its varieties delivers the strongest bear consensus in the institutional outlook for 2023.

The knock-on effects of the pandemic loom large over commercial real estate as work-from-home policies and hybrid work models remain in effect and 82% share a bearish outlook. And after witnessing a run-up on residential real estate values during the pandemic, institutional investors see rising rates and declining home prices and 74% are bearish. However, some institutions remain positive on the asset class and are finding targeted ways to invest (see sidebar: Looking Beyond Residential and Commercial).

Crypto: With the S&P Bitcoin Index down more than 62% year to date,[3] 82% believe crypto will continue to underperform in 2023. An already tough year for cryptocurrencies got a lot worse in November when FTX, the world's second largest crypto exchange, filed for bankruptcy, followed soon after by BlockFi.

BULL / BEAR OUTLOOK	Bullish	Bearish
Private Equity	63%	37%
Bond Market	56%	44%
Stock Market	51%	49%
Private Debt	51%	49%
Non-traditional Real Estate	33%	67%
Residential Real Estate	26%	74%
Commercial Real Estate	18%	82%
Cryptocurrency	18%	82%

Portfolios to get tactical tweaks instead of strategic shifts

The market scenario projected for 2023 may look vastly different from what institutions have experienced in the past decade, but few anticipate it leading to significant changes in allocation strategy. In fact, survey results show that on average, institutional allocations will shift no more than 1% in any given asset class. But while there is little planned in the way of large allocation shifts, many anticipate significant adjustments within asset classes to position portfolios for the year ahead. All of which are tied to six key trends.

PORTFOLIO ALLOCATIONS

	Current Average	2023 Projection Average
Equities	35%	34%
Fixed Income	36%	37%
Alternatives	18%	18%
Cash	6%	5%
Liability-Driven Investments	4%	4%
Other	1%	1%

PORTFOLIO RISKS FOR 2023

69%	Inflation
59%	Interest Rates
48%	Volatility
36%	Liquidity
27%	Valuations
24%	Currency Fluctuation
14%	ESG Risk

ESG = Environmental, Social and Governance

Fixed Income: Rising rates make bonds attractive again

With the Fed taking rates from 0% in January 2022 to a targeted 3.75% to 4% in November and other central banks following suit, institutional investors are taking a new look at bonds. Seven in ten (72%) think rising rates will lead to a resurgence in traditional fixed income.

More hikes likely

One reason many anticipate brighter prospects for bonds is that few believe bankers are done raising rates. In fact, 54% of those surveyed project rates will continue in 2023 – a number that is significantly higher than the 20% who see no hikes and the 26% who think rates will be cut.

With bonds well above the ten-year average, 60% of institutions believe long-duration bonds will outperform in 2023 while 40% are more convinced that short-duration will deliver. Overall, 63% say they'll will counter duration risk with a combination of short-term bonds and ETFs.

After a volatile year for fixed income, institutional investors are also split on how bond markets will perform in the new year: 36% see decreased volatility ahead, while 36% anticipate increased volatility, and 27% see no change.

Allocation shifts reflect rates and recession

More than half (53%) say recent yield shifts have led them to actively de-risk their portfolios, an outlook which carries through to their fixed income strategy. This flight to quality has the largest numbers of institutions looking to increase allocations to investment grade bonds (49%) and government bonds (48%). Fewer plan to add credit-sensitive high yield (37%), and emerging market bonds (29%), while another 8% will trim securitized debt holdings.

Policy shifts raise questions about liquidity

Despite the renewed interest in bonds, institutional investors see one potential drawback: liquidity. With the Fed and other central banks ending the asset purchase programs, 36% of institutional investors cite liquidity as a key portfolio risk in 2023. It's likely the worry here is twofold: First, there is concern that in the event asset owners need to sell off securities, there may not be a ready market of buyers. Second, it could also make price discovery harder for those looking to buy.

Green bond buyers sign up for more in 2023

As institutional investors search for returns in 2023, 62% believe there is alpha to be found in ESG (environmental, social and governance). It appears they are ready to act on instinct, as close to the same number (59%) are planning to increase ESG investments. Many will turn to green bonds.

Half of those institutions that own green bonds globally plan to increase their investments, while almost the same number say they will maintain their current allocation. Only 4% plan to reduce their holdings.

But the global numbers do not tell the whole story. In fact, about seven in ten (68%) in Asia currently invested in green bonds say they will increase their allocations. The same holds true for 54% in EMEA.

FIXED INCOME ALLOCATIONS	Increase	Maintain	Decrease
Investment Grade Bonds	↑ 49%	— 38%	↓ 13%
Government Bonds	↑ 48%	— 38%	↓ 15%
High Yield Bonds	↑ 37%	— 44%	↓ 19%
Emerging Market Debt	↑ 29%	— 48%	↓ 23%
Securitized Debt	↑ 19%	— 55%	↓ 26%
Green Bonds	↑ 50%	— 47%	↓ 4%

Volatility makes valuations matter once again

Even though the outlook on equities is split between the bulls and bears, institutions are in clear agreement about where they will invest within the asset class. Overall US equities (40%) rank above any other region. Institutions are not as confident about Europe, where they are more likely to maintain their current allocation (43%) or decrease their holdings (30%).

Despite the call for developed markets to outperform, one-third of institutions plan to increase allocations to both emerging markets (32%) and Asia Pacific (31%) stocks. Regardless of where they invest, it's likely that institutions will be focused on fundamental research.

After a decade in which low interest rates propelled market growth, 83% of institutions believe markets will recognize that valuations matter in 2023 – a sentiment that's felt strongest in Asia and the UK (91%).

Now that the relative calm of markets over the past ten years has been upset and the VIX average stands at 25.94% in 2022,[4] a majority of institutional investors see more of the same next year. In fact, six in ten (57%) project volatility will reach even higher levels in 2023.

Given prospects for recession and higher levels of volatility, institutional investors are finding that bigger is better and 60% project that large caps will outperform small caps in the year ahead.

There may be an upside to the volatility, as almost half (47%) believe that dispersion (difference in the levels of return) will also increase. As a result, almost two-thirds believe that active investments will outperform passive strategies in 2023.

EQUITY ALLOCATIONS	Increase	Maintain	Decrease
US Equities	↑40%	–39%	↓21%
European Equities	↑27%	–43%	↓30%
APAC Equities	↑31%	–45%	↓24%
Latin America	↑20%	–57%	↓23%
Emerging Market Equities	↑32%	–49%	↓19%

Active management shines

Coming off a volatile and disappointing year for markets, institutional investors recognize key limitations for passive investments. Overall, 60% report that their active investments have outperformed their benchmark over the past 12 months. Given the outlook on 2023, 74% believe markets will favor active managers in 2023.

With the potential for continued disruption, institutions offer words of caution about what the increasing use of passive means for markets: 69% believe that large flows in and out of passive products exacerbate market volatility, while another 60% believe the popularity of passive has increased systemic risk and 53% believe passive distorts relative risk-return trade-offs in the market.

China looms large over emerging markets

Why do institutions favor developed markets in 2023? First, emerging economies are more vulnerable to the negative effects of inflation shocks. Add to this the impact of a strong dollar, China's continued zero-Covid policy and an uptick in the onshoring of key operations by businesses, and institutions are finding strong headwinds.

Nearly two-thirds (65%) believe inflation will hinder emerging market investment. One reason may be that almost the same number (64%) believe emerging markets are at the mercy of US monetary policy. Emerging markets rely on foreign investment and capital, which is harder to come by when the dollar is strong relative to other currencies. Rising rates also make it harder for emerging market companies to make good on dollar-denominated debt, increasing default risk.

A two-world order

China is chief among emerging market concerns. Two-thirds of institutions globally think emerging market investments are overly dependent on China. In an era in which China is flexing its political influence, institutions worry about how it will impact investments.

Ultimately, 65% of institutions believe China's geopolitical ambitions will lead to the bifurcation of the global economy, with China and the US representing the biggest spheres of influence. Three-quarters (74%) believe China's geopolitical ambition reduces its investment appeal. Another 80% believe the country's regulatory uncertainties further diminish its appeal.

Emerging markets may be further challenged by two other issues, one immediate, one longer-term. With inflation running high today, eight in ten institutions (79%) say that food inflation is an underappreciated risk. Further out, about half (48%) believe that increased focus on ESG will reduce emerging market opportunities.

EMERGING MARKETS OPPORTUNITIES IN 2023

45%	Asia ex-China
30%	Latin America
27%	Eastern Europe
18%	Africa

Alternatives answer the call for yield (and more)

With an outlook that calls for elevated levels of volatility, more rate hikes and recession, it's no wonder that two-thirds of institutions say a portfolio composed of 60% equities, 20% fixed income and 20% alternatives is likely to outperform traditional 60/40 portfolios. As a result, many will deploy a wide range of alternative investments in 2023.

Yield replacement

Even with rates on the rise, a decade-long quest for yield may still be hounding investment teams, as six in ten (61%) say their organization is turning to alternative investments as a yield replacement. The strategy is not without risk. In fact, 61% worry that institutions may be taking on too much risk in pursuit of yield.

Overall, the largest number (44%) plan to increase allocations to infrastructure in 2023. Two timely factors are likely to be driving their plans: First, infrastructure tends to present predictable risks and has historically generated strong returns even when markets are volatile. Second, innovations in energy, electric vehicles (and charging stations), digitalization and other areas are opening up more opportunity to investors.

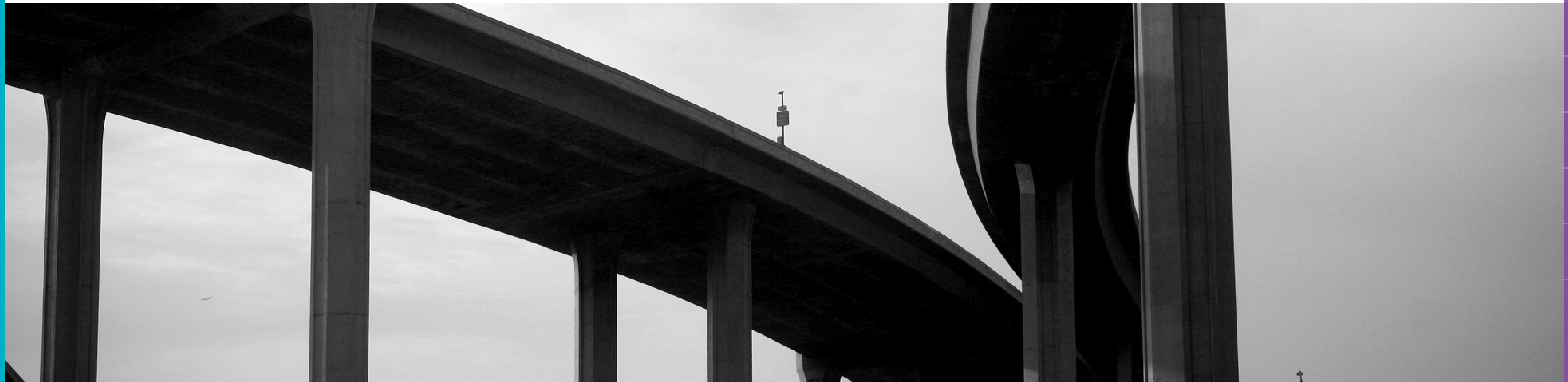
Institutions will also increase private equity (43%) and private debt (36%) investments. Given that both offer attractive return potential and a reliable payment schedule, it's small wonder that institutions will still rely on those strategies that have delivered on yield replacement in recent years.

Even though institutions are bearish on both commercial and residential real estate, 29% plan to increase allocations to the asset class. It seems that despite the economic challenges, institutions will continue to count on real estate to fulfill its traditional roles of income generator and inflation hedge.

Beyond the yield play

The argument for increased alternative allocations in 2023 goes well beyond the quest for yield as institutional teams look to mitigate risk. Almost three in ten (29%) say they will increase allocations to absolute return strategies. Similarly, another 27% will up allocations to gold, an asset class that serves to hedge concerns over recession and a potential market downturn in the year ahead.

ALTERNATIVES ALLOCATIONS	Increase	Maintain	Decrease
Real Estate/REITs	↑ 29%	– 55%	↓ 16%
Absolute Return	↑ 29%	– 57%	↓ 15%
Private Equity/VC	↑ 43%	– 48%	↓ 9%
Private Debt	↑ 36%	– 48%	↓ 16%
Commodities	↑ 29%	– 53%	↓ 19%
Gold	↑ 27%	– 57%	↓ 16%
Infrastructure	↑ 44%	– 48%	↓ 8%
Hedge Funds	↑ 23%	– 61%	↓ 17%
Cryptocurrency	↑ 17%	– 63%	↓ 19%
Options-Based Strategies	↑ 13%	– 73%	↓ 14%
Managed Futures	↑ 18%	– 70%	↓ 12%



Real Estate: Looking beyond residential and commercial

With both the residential and commercial real estate sectors facing challenges, institutions are turning to non-traditional real estate for opportunity. Closely tied to both technology and demographics, these investments offer a new avenue to fulfill the income and inflation protection role the asset class has long played in institutional portfolios.

Technology and innovation are spurring some of the opportunities, with 54% of institutions investing in data centers. Another 25% invest in the life sciences labs and other facilities essential to the bio-med sector.

Opportunities with the young and old alike

Demographics is another factor as institutions find opportunities at both ends of the population. A rapidly aging Baby Boomer population is leading many to invest in senior housing such as assisted living facilities (37%). As an aging population generally needs more medical care, 20% also invest in medical offices. At the other end of the spectrum, 32% are investing in student housing, an investment with a leasing dynamic that leads to practicable cash flow tied to the academic calendar.

Retail housing is a third trend evident in institutional real estate strategy as 27% invest in essential/affordable housing, 18% see opportunity in manufactured housing, and 16% are investing in single-family rental property.

Private markets offer bear market relief

Over the past decade, institutional investors have increasingly turned to private markets to make up for low-yielding bonds. But in 2023, they will likely look for private assets to provide relief on the equity side of the portfolios as well.

About half (48%) believe private markets will provide a safe haven in a recession. Confidence in the asset class's ability to fulfill this role has been rising steadily since our 2021 outlook, when only 35% believed there was a safe haven in private assets, and 2022, when 45% thought the same.

Regardless of whether equity volatility or low yields drive institutions to private markets, institutional teams are finding that a bigger market with more players means they will have to enhance their scrutiny of investment opportunities.

A majority (72%) have stepped up due diligence efforts on private opportunities because they are concerned about deal quality. Many also find that navigating complex private markets and evaluating deals requires specialized expertise. Overall, almost four in ten institutions (36%) plan to use a specialty consultant or an outsourced chief investment officer (OCIO) to provide guidance on private markets.

Beyond offering bear market relief, it's clear that institutions still turn to private assets for yield. Few anticipate that rising rates will ease that demand, as 65% anticipate that more private debt will be issued in 2023 to meet growing demand.

PRIVATE EQUITY: BEST SECTORS FOR 2023

1	Energy	40%	6	Communication Services	13%
2	Information Technology	38%	7	Consumer Discretionary	13%
3	Infrastructure	37%	8	Utilities	12%
4	Real Estate	21%	9	Consumer Staples	10%
5	Financials	19%	10	Materials	9%

PRIVATE MARKETS: BEST DEAL OPPORTUNITIES 2023

1	Secondaries	31%	6	Middle Market	23%
2	Mergers & Acquisitions	30%	7	Impact	22%
3	ESG	29%	8	Large Market	19%
4	Direct Deals	28%	9	Lower Market	13%
5	Co-investment	25%			

WHERE ARE THEY INVESTED NOW?

PRIVATE EQUITY		PRIVATE DEBT	
Infrastructure	48%	Direct Lending	45%
Venture Capital	44%	Fund of Funds	37%
Growth Capital	43%	Mezzanine	26%
Fund of Funds	43%	Co-investment	26%
Direct Co-investment	35%	Distressed Debt	25%
Co-investment Fund	33%	Venture Debt	24%
Leveraged Buyout	24%	Special Situations	23%
Secondaries	24%	Secondaries	23%
Mezzanine	19%		

Blockchain looks more valuable than crypto

After projecting a correction in cryptocurrencies in their 2022 outlook and seeing the crypto market take a beating over the past 12 months, it's little surprise that institutional investors think gold (76%) will outperform crypto in 2023.

Institutional investors continue to express doubts about cryptocurrencies, though they are finding promise in the technology behind these digital currencies.

Only 15% of the institutions surveyed are currently investing in cryptocurrencies. In fact, 63% say crypto is not a legitimate investment for institutions. Volatility is one key reason. As evidenced by 2022's performance, the asset class can suffer from wild swings in value. That kind of uncertainty is concerning when investment teams are looking to deliver on 7.9% annual return assumptions over the long term.

Another factor keeping institutional investors on the sidelines is the regulatory ambiguity surrounding crypto. In fact, 61% believe that greater clarity in regulation would be a boost to cryptocurrencies. It's a view that is likely to be reinforced as regulators untangle the bankruptcies of crypto trading platforms FTX and BlockFi in the year ahead.

While one-quarter (27%) say they invest personally, almost three-quarters (73%) say crypto currencies are not appropriate for most individuals.

Given the focus on the performance of the class, institutional sentiment suggests there is greater value to be unlocked from crypto. In considering the asset class, 83% believe the real revolution is the blockchain technology that underlies crypto.

WHAT KEEPS INSTITUTIONS OUT OF CRYPTO?

1	Too much volatility	57%
2	Regulatory ambiguity	49%
3	Not permitted by IPS	33%
4	Association with criminal activities	21%
5	ESG concerns	16%
6	Lack of suitable products	15%

An optimistic outlook on an uncertain new year

Like the market at large, institutional investors have been through the wringer in 2022. And while projections call for inflation, interest rates, and volatility to continue in the new year, and recession to be a likely reality, institutional investors remain optimistic. As a whole, they are resourceful and are carefully considering the tools at their disposal to ensure a positive investment outcome.

About the survey

Natixis Investment Managers, Global Survey of Institutional Investors conducted by CoreData Research in October and November 2022. Survey included 500 institutional investors in 30 countries throughout North America, Latin America, the United Kingdom, Continental Europe, Asia and the Middle East.

About the Natixis Center for Investor Insight

The Natixis Center for Investor Insight is a global research initiative focused on the critical issues shaping today's investment landscape. The Center examines sentiment and behavior, market outlooks and trends, and risk perceptions of institutional investors, financial professionals and individuals around the world. Our goal is to fuel a more substantive discussion of issues with a 360° view of markets and insightful analysis of investment trends.

Learn more

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2. Bloomberg (as of 11/30/22)
3. Bloomberg (as of 11/30/22)
4. Bloomberg (as of 11/30/22)

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All investing involves risk, including the risk of loss. No investment strategy or risk management technique can guarantee return or eliminate risk in all market environments.

The data shown represents the opinion of those surveyed, and may change based on market and other conditions. It should not be construed as investment advice.

Unlike passive investments, there are no indexes that an active investment attempts to track or replicate. Thus, the ability of an active investment to achieve its objectives will depend on the effectiveness of the investment manager.

Alpha is a measure of the difference between a portfolio's actual returns and its expected performance, given its level of systematic market risk. A positive alpha indicates outperformance and negative alpha indicates underperformance relative to the portfolio's level of systematic risk.

Equity securities are volatile and can decline significantly in response to broad market and economic conditions.

Fixed income securities may carry one or more of the following risks: credit, interest rate (as interest rates rise bond prices usually fall), inflation and liquidity.

Alternative investments involve unique risks that may be different from those associated with traditional investments, including illiquidity and the potential for amplified losses or gains. Investors should fully understand the risks associated with any investment prior to investing.

An index fund is a type of mutual fund with a portfolio constructed to match or track the components of a financial market index.

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