2024 NATIXIS INSTITUTIONAL OUTLOOK SURVEY

Brave new world

Geopolitical and economic uncertainty clouds 2024 outlook for institutional investors

NATIXIS INVESTMENT MANAGERS

Institutional investors have plenty to worry about at the start of any new year:

Will returns meet expectations? Is growth sustainable? Will central banks cut rates? Or raise them? There are always known risks and surprises, but delivering results usually feels within their control.

But in considering prospects for 2024, the number-one economic risk isn't growth or interest rates. It isn't even inflation. Looking at the next 12 months, the 500 institutional investors included in the Natixis 2024 Outlook Survey say the biggest macroeconomic risk for 2024 is geopolitical bad actors who with one action can upset economic and market assumptions globally.

It's no coincidence that this risk rose to the top of the list during the October/November survey period: The survey went in field just as Hamas unleashed a terror attack on Israel. Russia's unprovoked war with Ukraine was deep in the second year. And Iran and North Korea tightened alliances with the Kremlin to provide military assistance back to Russia.

Beyond uncertain geopolitics, institutional teams already had a lot on their plates as they look to deliver on average long-term return assumptions of 8% in the year ahead. In considering what will help them get there, institutions are bullish in just three areas: bonds, private equity, and private debt. Views on the stock market are split between bulls and bears; institutional investors mostly agree that the promise of artificial intelligence will continue to drive outperformance by the technology sector.

On the macro front: Institutions worry about slowing consumer spending; 51% think recession is inevitable in 2024 and 74% of that group think recession will be painful or very painful. Proving how uncertain the signals are, 60% of institutions overall are forecasting a soft landing, while the number who say they don't anticipate a recession has more than doubled from 15% in 2023[1] to 37% in 2024.

In markets: Uncertainty prevails as 59% project an uptick in volatility for stocks, 39% see the same for bonds, and 47% see it for currency. Institutions are split on whether to be bearish (54%) or bullish (46%) on stocks. Meanwhile, 62% say interest rates pose the greatest portfolio risk.

For investment strategy: Despite the number of institutions calling for recession, few (8%) think their portfolios are recession-proof. Overall, equity allocation emphasizes a home market bias for most. Fixed income strategy embraces a higher for longer view and 62% are extending duration. In alternatives, private assets continue to get the most attention as 45% of those who invest say they'll add to private debt holdings, while another 39% will add to private equity.

All of this comes at the end of a year marked by technological disruption as artificial intelligence went from the stuff of science fiction to chatbot apps running on mobile phones. In expressing their views on the implications of AI, institutions define it more in terms of the film *Moneyball* (50%) than *Terminator* (6%), saying it's just a new tool for analyzing data rather than a key opening the door to a dystopian future. But fitting for this year of uncertainty, 35% define AI in terms of the film *War Games*, worrying a hacker could set off geopolitical, economic, or social turmoil. Precisely the kind of economic risk they're worried about in 2024.

When it comes down to it, there may be more concern than the screen test lets on as more than one in three (38%) worry that AI poses an existential threat to civilization as we know it. Yet another reason to feel less certain about the year ahead.

Macro Outlook ’24: Geopolitics tops risk of slower consumer spending. Recession in the cards for many.

In an environment marked by geopolitical uncertainty, institutions put bad actors (49%) as their top economic threat. After seeing how the early stages of the Russian invasion of Ukraine drove big price spikes for energy and food in 2022, institutions have good reason for concern as the geopolitical landscape is looking less stable going into 2024.

China looms large in the picture, as 64% believe its geopolitical ambitions will split the global economy into two spheres of influence. Those same ambitions diminish China’s investment appeal for 73% of institutions.

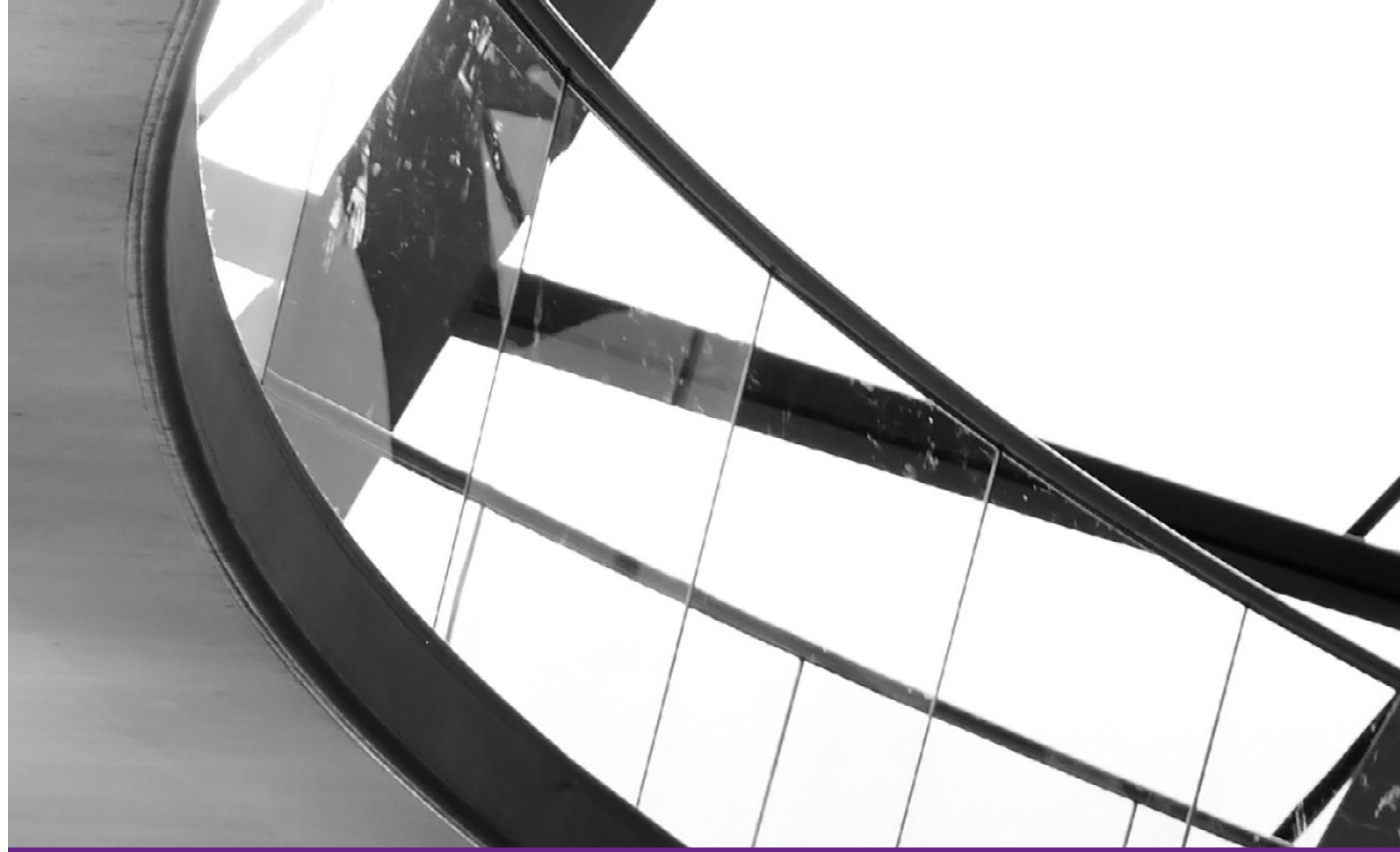
More than seven in ten (73%) think the fragmentation between the BRICs and West will continue and they worry about the growing alliance between Russia, North Korea, and Iran, which 70% believe will lead to greater economic instability. Few expect tensions to decline in 2024, particularly when 76% say the outcome of Russian elections won’t change the status quo.

After two years of war in Ukraine, few institutions see the end in sight as 80% believe the war will grind on during 2024.

Despite the geopolitical uncertainties, institutional investors are equally concerned about slowing consumer spending (48%), which had been essential to the post-pandemic recovery.

Interest rate policy is another worry, as rate hikes have been an effective tool for policymakers in efforts to lower inflation. However, the question of when the cycle of increases should stop and when cuts should begin still lingers. As a result, a central bank policy error (42%) ranks number-three on their list of concerns.

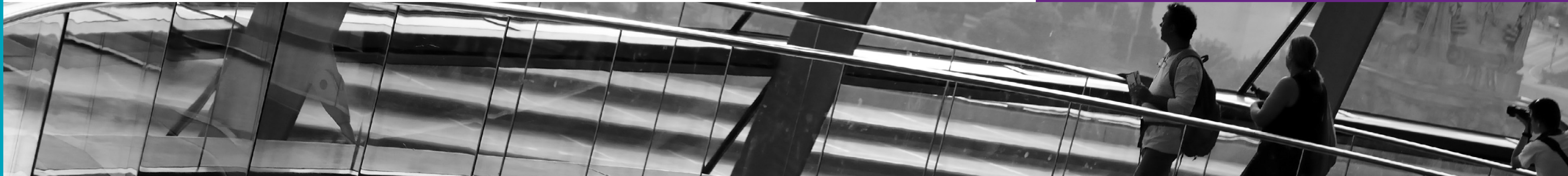
China also looms large on the economic front as institutions worry about both the Chinese economy (30%) and China relations (28%).



TOP ECONOMIC THREATS FOR 2024

49%	Geopolitical bad actors
48%	Declining consumer spending
42%	Central bank policy error
30%	Chinese economy
28%	China relations

Source: Natixis Institutional Outlook 2024



US election poses market challenges

The political picture is further clouded by prospects of another controversial US election season as 72% of institutions worldwide, and 79% in North America, think a messy US campaign will lead to increased market volatility. Another 59% believe any skepticism over election results will also have a negative impact on the markets.

The stakes are high as 54% of institutions globally and 64% in North America believe the 2024 US election is more relevant to global markets than in previous years. Considering the potential outcomes, less than half (45%) of institutions globally believe a split US Congress will be good for markets. Closer to home, 64% of those in North America see it as a win for markets.

When it comes down to it, 52% of institutional investors believe election results are just noise for the markets. But the bitter partisanship coming out of Washington is concerning for many.

In fact, 71% report that the US partisan divide will have a negative effect on global markets. In one prime example, 54% of institutional investors say that political dysfunction in the US and elsewhere has them increasingly worried about a default on public debt.

Half see threat of recession looming in ’24

As a result of these mounting concerns, 51% of institutions say recession is inevitable, a sentiment that runs strongest in North America (62%) and the UK (67%). Those who anticipate a recession are split as to when it will happen: 39% project a downturn in the first half of 2024, while 42% project recession in the second half. Another one in five share a forecast that doesn’t call for recession until 2025 or beyond.

When asked how bad it may be, nearly three-quarters of those expecting recession warn the downturn will be painful or very painful. One-quarter are more optimistic, saying that the effects of recession will be barely noticeable.

Even though more than half expect recession, institutional sentiment is sending off mixed signals. Not only do 60% project a soft landing as a most likely outcome, but the number of institutions who say they don’t anticipate a recession has increased from 15% in 2023 to 37% in 2024.

Even as a growing number of institutional investors are backing off recession worries, slowing growth could present another problem as 64% of institutions anticipate that the number of corporate defaults will increase in 2024.

Despite all the talk of recession in the past two years, few (8%) think their portfolios are 100% recession-proof right now, but close to nine out of ten have some protection built in (44%) or say that their portfolio is balanced for a range of outcomes (45%).

Inflation pain continues to moderate

Inflation and interest rates will continue to hold outsized influence over institutional views on the economy. But while 40% see inflation remaining at elevated levels, 40% see further reductions in the cards for 2024.

It’s likely two key factors contribute to this perspective: Housing has been a key inflation driver, but with mortgage rates climbing higher, 46% of those surveyed believe real estate prices will decline in the year ahead. Similarly, the post-Covid employment boom has given workers higher wages and more cash to spend, which helped push prices higher. Now as many contemplate the likelihood of recession in 2024, 62% of institutions globally and 70% in the UK project that unemployment will climb in 2024.

Sector calls favoring tech and preparing for recession

Consensus calls for technology to outperform; recession and interest rate concerns are seen on additional sector calls for 2024.

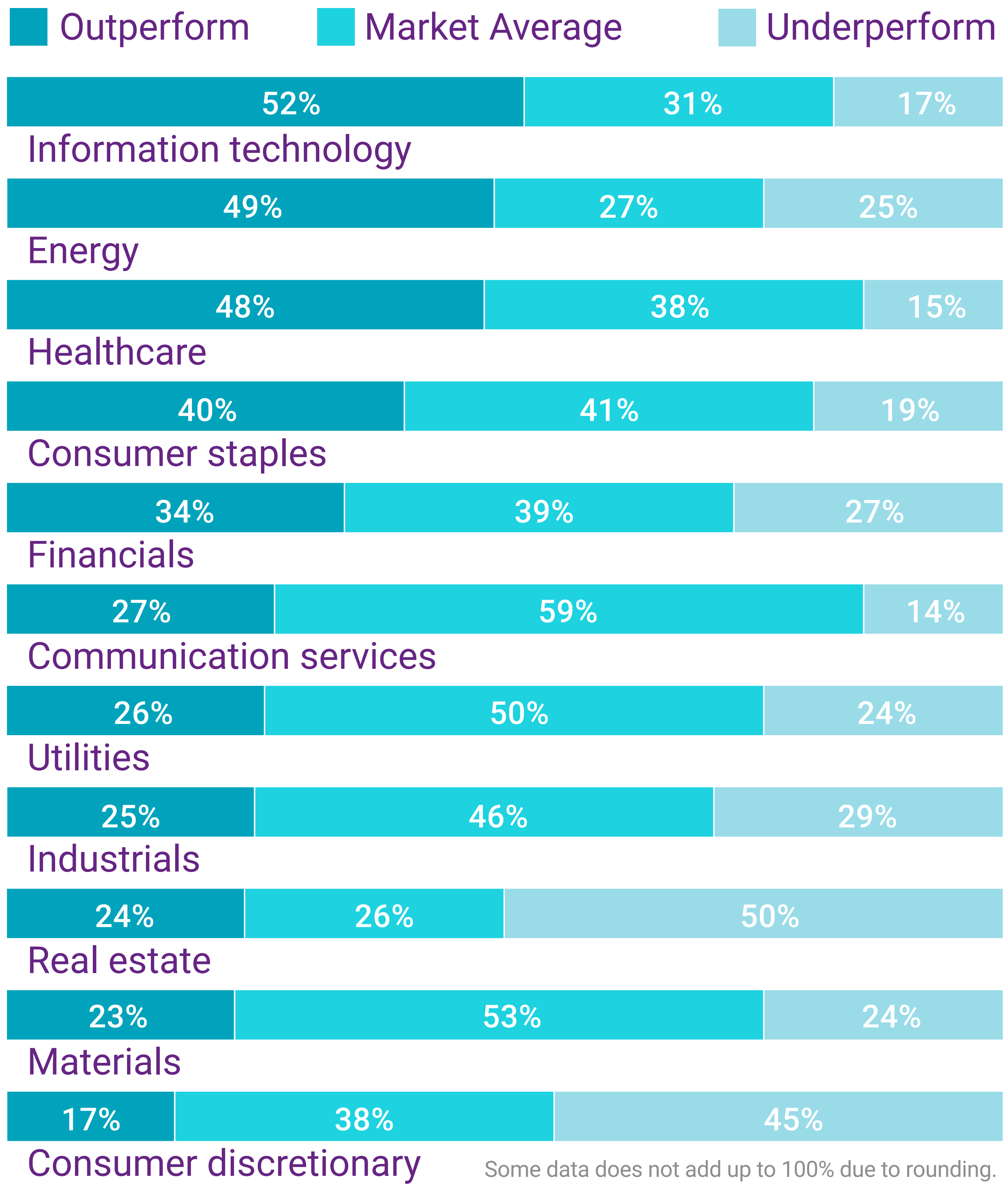
Technology drove stock market performance in 2023 as an improving economy encouraged investors to pile into the sector: to tap into the growth potential provided by an artificial intelligence boom, and reap profits from the budget cuts firms made during a disappointing 2022. With 52% calling for the sector to outperform in 2023, it's clear many expect the tech winning streak to continue.

With tensions mounting in the Middle East and the Russian invasion of Ukraine about to enter a third year, institutions are anticipating energy prices will increase again, leading the sector to outperform. But what's good for this sector isn't usually good for consumers, and almost two-thirds (66%) of those surveyed believe energy prices will be painful in 2024.

Another 48% call for healthcare to outperform. The thinking may be that consumers may be willing to hold off on a new car purchase if things get bad, but they can't wait on doctor's visits and prescription refills.

Other sector calls demonstrate just how deep recession concerns may be running with 40% looking for consumer staples to outperform the market. Even in harder economic times, consumers still need to put food on the table and buy essentials like toothpaste, toilet paper and alcohol should things get really tough. Conversely, consumer discretionary comes in last with only 17% calling on the sector to outperform the market.

SECTOR CALLS FOR 2024



Some data does not add up to 100% due to rounding.
Source: Natixis Institutional Outlook 2024

In focus:

Is AI a boon to productivity or an existential threat?

After a tough run in 2022, technology returned to form in 2023, to emerge as the best performing sector. In the same timeframe artificial intelligence emerged as the hot new theme as many found themselves engaging in conversations with OpenAI's ChatGPT.

Institutional investors are finding both good and bad in the rapid progression of AI. On one hand, 75% believe AI will unlock investment opportunity that was otherwise undetectable. On the other, almost four in ten (38%) worry that AI poses an existential threat to civilization as we know it.

It's a divergence of thinking that's worthy of a sci-fi film. Not that there aren't enough movies grappling with AI already. In fact, half of those surveyed say their view on AI is best captured by the film *Moneyball*, telling us AI is nothing more than a tool analyzing data to find hidden opportunity.

While a substantial number of institutional investors see it as an existential threat, just 6% worry about the machines taking over as the dystopian future of *The Terminator*. Few (10%) see it as being a boon to humanity either, anticipating that AI will become empathetic and save humanity, like the title character in Disney's *Wall-E*.

Most telling of institutional concerns about AI are the 35% who likened it to the 1983 film *War Games*, in which a teenage hacker unwittingly sets off a nuclear war protocol thinking it was nothing more than a video game.

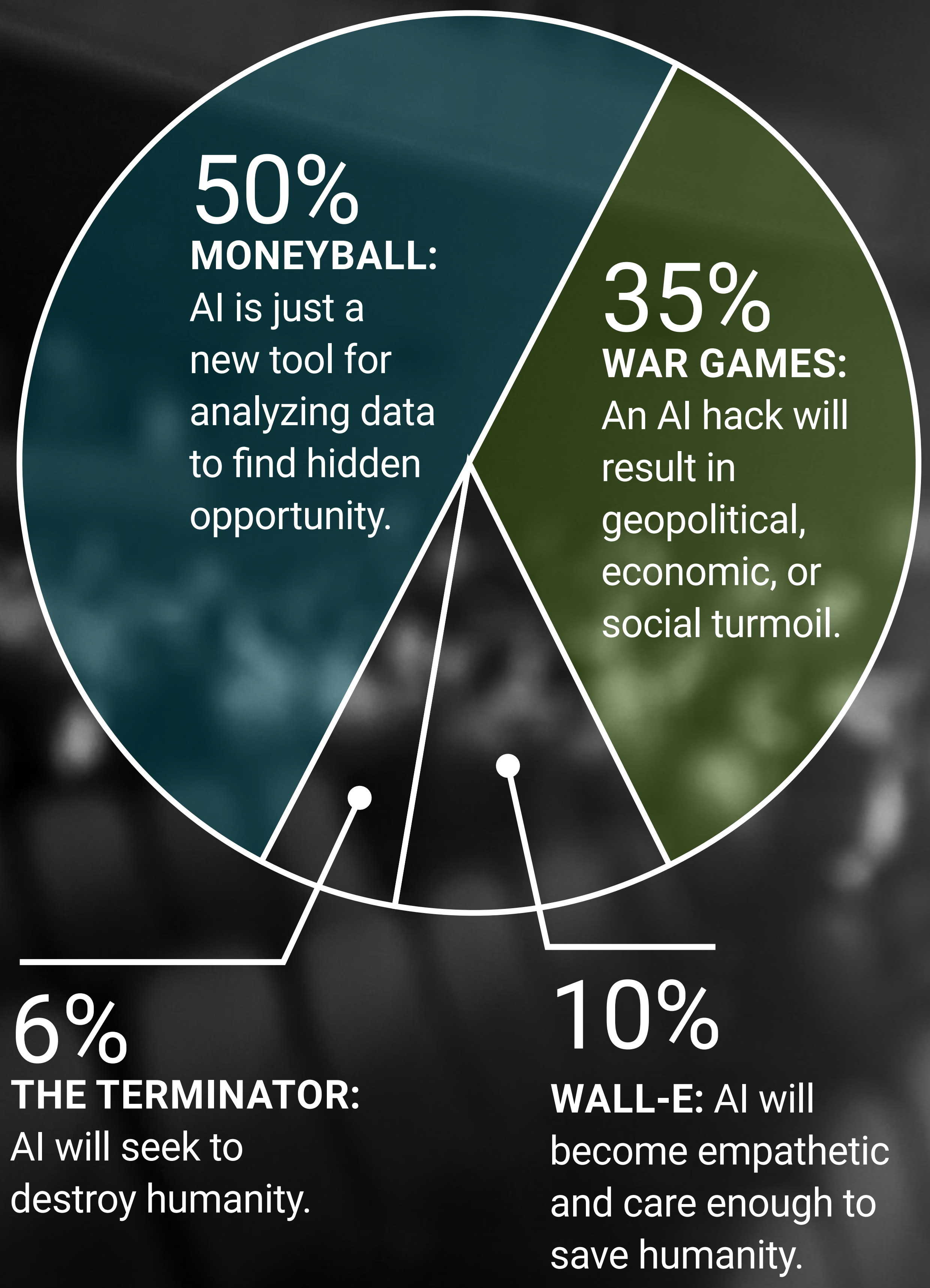
Overall, 81% worry that it will be difficult for any country to regulate AI effectively, and about four in ten (39%) struggle with the downside saying that the risk of AI outweighs the opportunity it presents.

However, 61% think the opportunities are greater than the risks. Along with unlocking undetectable opportunities, 63% believe it will be instrumental in detecting hidden portfolio risks as well.

Recognizing the analytic capabilities offered by AI, 54% of those surveyed say they are increasing the use of AI. They are split as to whether it is the killer app for institutional teams. Less than half (47%) think institutional teams who fail to embed AI in their investment process will become obsolete.

Most importantly, institutions see the AI boom as an investment opportunity, which half of those surveyed say will be bigger than the internet was. Another 66% say the race for AI supremacy is the new space. The same number predict that AI will supercharge tech growth in 2024. Most think the upside is sustainable as only 34% are worried about an AI bubble.

WHICH MOVIE BEST DESCRIBES YOUR VIEW OF AI?



Source: Natixis Institutional Outlook 2024

Market Outlook: Bulls may be hiding in plain sight.

The uncertainty of the economic picture factors heavily in institutional investors' market outlook for 2024. Almost six in ten (59%) are projecting higher levels of volatility for equity markets, while 39% see a similar uptick for bonds.

Overall, market projections for 2024 show institutional investors are bullish on just three asset classes:

- With interest rate hikes appearing to have leveled off, almost seven in ten (69%) and 74% of those in EMEA are bullish on prospects for the bond market in 2024.
- Private assets continue to hold their luster for institutions as 64% are bullish on private equity.
- The luster also shines on private debt, where 60% are bullish.

The view on equities is less clear. Just over half (54%) are bearish on the prospects for stocks in 2024, but that still leaves 46% who are bullish. As it stands now, 72% are concerned that valuations do not reflect company fundamentals. But 80% of those surveyed and 91% in North America believe that 2024 is a year in which markets will recognize that valuations matter.

Rising interest rates and continued work-from-home policies factor into institutional views on real estate in 2024 with 67% saying they are bearish on residential; 69% hold the same view on non-traditional real estate, as do 80% when it comes to commercial real estate.

Overall, institutions are most bearish on bitcoin (83%). And even as many were surprised that bitcoin bested gold with a 93% return in 2023, most call for gold (78%) to outperform bitcoin (22%) in 2024.

Rates and inflation trade places atop portfolio risks

After two years of record inflation, many countries are seeing rising prices moderate, thanks in large part to the efforts of central banks to cool markets through interest rate hikes. Now they see a downside to hikes. Worried that a mistimed central bank tightening could be a catalyst for recession, institutions rank interest rates (63%) as their number-one portfolio risk for 2024.

While lower, inflation is still above pre-pandemic norms, leaving many to wonder how long it will take to reach central bank targets. With no clear answer on this, 61% rank it as a key portfolio risk.

Volatility also factors in as a key risk for 45% of institutions. It's likely this is a reflection of the uncertainty many feel about 2024. Even after they've been given a break from last year's volatility, institutional teams see uncertainty around growth, uncertainty in geopolitics, and uncertainty in how (and when) rates could impact markets. The upshot of uncertainty can often be volatility.

Further down the list, institutions are worried about valuations (34%) which are nearing all-time highs, and after seeing the impact of rising rates on certain private banks in the US and Europe in Q1 of 2023, 25% cite liquidity as a key portfolio risk.

Given all these factors, 56% say they are actively de-risking their portfolios, although planned allocation shifts indicate that they will do most of the work with tactical shifts within asset classes, rather than any wholesale change in strategy.

PORTFOLIO RISKS FOR 2024

62%	Interest rates
61%	Inflation
45%	Market volatility
34%	Valuations
25%	Liquidity

Source: Natixis Institutional Outlook 2024

In focus:
Emerging markets and China

Concern over slowing growth, potential recession, and a longer wait to hit central bank inflation targets has institutional investors rethinking how emerging markets fit into their investment strategy in 2024. Of all those issues, inflation had dogged emerging economies since the pandemic.

Despite improvements in some regions, 64% of institutional investors believe inflation will hinder EM growth in 2024. With oil prices on the rise, nearly eight in ten (79%) say food and energy prices are an underappreciated risk.

As a whole, Asia appears to have made the most progress in taming rising prices as core inflation has dipped below 1% in China and below 3% in Malaysia, Taiwan, and Thailand.[2] While not in the same range as Asia, Eastern European and Latin American countries have made strides as well. The inflation problem now appears to be greatest across Africa and the Middle East.

On top of inflation, many have been worried about the muting effect a strong dollar has on emerging market performance. Even though the dollar appears to have plateaued, local currencies have yet to reach equilibrium against the greenback; as a result 65% of institutions believe emerging markets are at the mercy of US monetary policy.

The outcome for 2024 is unclear as institutions surveyed are split as to whether the US dollar weakens (54%) or strengthens even more (46%).

Where the opportunities lie (and don't)

Despite the potential headwinds, 44% of institutional investors believe emerging markets are poised to take off in 2024, including 53% of those in Asia and 53% in the UK.

Overall, institutional sentiment favors Asia ex-China (61%) as the best emerging market opportunity in 2024. Calls for Latin America (39%) and Eastern Europe (33%) to deliver lag well behind, and Africa (22%) holds less appeal for respondents. China comes in at the bottom of the list with just 17% of institutions calling for it to be the leading market in 2024.

Even though few see opportunity in China, 62% of institutions believe emerging markets are overly dependent on China. Many institutions anticipate that shifting US/China policy could change that. Whether it's called de-risking or friend shoring, seven in ten institutions believe the conscious decoupling with China will provide an opportunity for other emerging markets to climb the ladder – a sentiment echoed by 79% among those in Asia.

WHERE IS THE BEST EMERGING MARKET OPPORTUNITY IN 2024?

61%	Asia ex-China
39%	Latin America
33%	Eastern Europe
22%	Africa
17%	China

Source: Natixis Institutional Outlook 2024

In focus:
China's malaise continues

While inflation is low in China and growth has improved from 2022's disappointing 2.99%, institutions are tempering their expectations as many do not anticipate the China growth engine to return to pre-pandemic performance. Overall, 63% project that the country's economic malaise will continue.

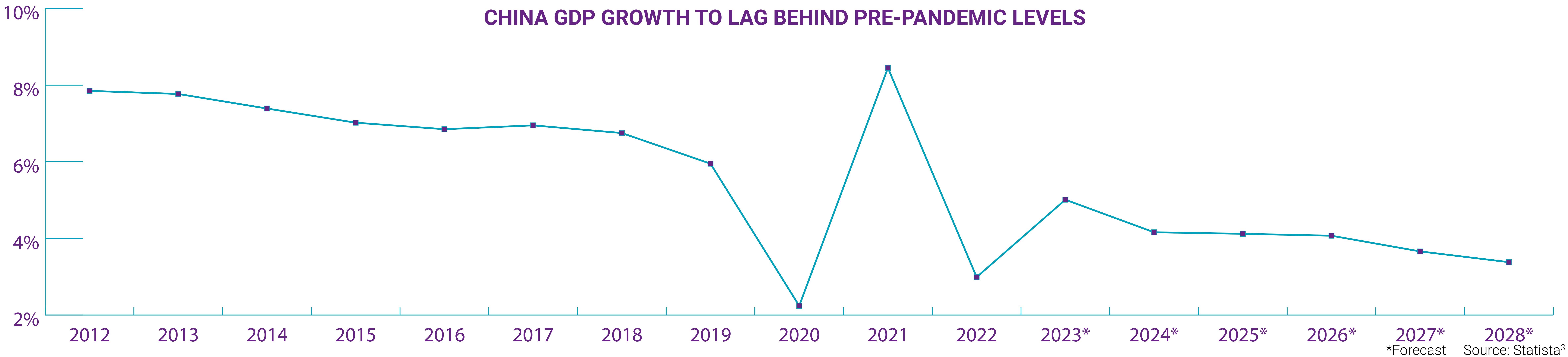
In fact, while China growth looks to come in at 4.6% for 2023, it looks less likely to return to form over the mid-term. Structural issues such as an aging population and shrinking workforce, coupled with cyclical issues such as a slowdown in the property sector and declining external demand, have dampened prospects for growth. The IMF forecasts that growth will remain in the 4% range through 2025 and trail off below 4% by the end of the decade.[3]

Given those projections, it's no wonder that three-quarters of institutional investors think China faces a painful path to restoring its economy. More than three-quarters (77%) worry that a China slowdown will have a ripple effect across the world economy. More telling of the severity of the problem facing China are the 59% of institutions, including 65% in the UK and 62% in North America,who believe that India could surpass China as the top emerging market.

Many also believe the onshoring of competitive technology will further reduce the appeal of China investment, as 64% say the practice has them rethinking strategy. Further complicating the picture are the 63% of those surveyed and 61% in Asia who believe China will stymie efforts to move towards a consumption-based economy.

The concern over China runs deep enough for 40% of those surveyed to report that they are actively divesting from China, including 52% of those based in Asia and 49% of those in North America.

CHINA GDP GROWTH TO LAG BEHIND PRE-PANDEMIC LEVELS



*Forecast Source: Statista[3]

Investment strategy: Institutions look to active management to generate performance.

Macro and market concerns present a challenging picture for investors in 2024, but the portfolio is where it all comes into focus. Allocation calls for 2024 show little in the way of wholesale strategic shifts. Instead, institutional teams will rely on tactical shifts within asset classes to shore up portfolios in the face of what they think could be a challenging year.

Equities: Looking for opportunity closer to home

With 54% bearish on stocks and 46% bullish, institutions may be split on how stocks will fare in 2024, but that doesn't mean they don't have a clear view on which equities will and won't perform.

Overall, institutional investors are likely to be looking for opportunities outside the US, as 57% project international markets to outperform while 43% believe the US will come out on top. The only outliers are investors in North America, who are more likely to say the US will outperform (59%).

Allocation calls suggest that many are going to look for investments in their own backyards, with 41% in North America looking to up allocations to US equities and 57% in Asia looking to add to APAC stocks. Almost four in ten in Europe (39%) will add to European stocks, and half of those in Latin America will add to stocks from their region.

After seeing large-caps outperform in 2023, 61% see more of the same for 2024 and project that large-cap stocks will outperform small-caps (39%).

The uncertainty may create opportunities, as 59% project an uptick in market volatility for equities in 2024 and 41% call for higher levels of dispersion. As a result, institutions are calling for active management (64%) to outperform passive investments (36%) in the year ahead – a call that has served them well in 2023.

PORTFOLIO ALLOCATIONS	Current Average	2024 Projection Average
Equities	35%	37%
Fixed Income	38%	36%
Alternatives	16%	17%
Cash	6%	6%
Liability-Driven Investments	4%	3%
Other	1%	1%

Source: Natixis Institutional Outlook 2024

EQUITY ALLOCATIONS	Increase	Maintain	Decrease
US Equities	32%	40%	28%
European Equities	30%	47%	23%
APAC Equities	31%	49%	20%
Latin America	20%	57%	21%
EM Equities	36%	44%	20%

Source: Natixis Institutional Outlook 2024

Active allocations locked in

Institutional allocations to actively managed investments appear to be locked in for the long term. Currently two-thirds of institutional assets are allocated to active strategies, which is the same as 2022. Looking out three years, there is little variance to the plan as institutions project they will have about 66% invested in active, which looks more like a rounding error than any dramatic change.

The strategy worked well in 2023 when 67% of institutional investors report that their active investments in their portfolios outperformed their passive investments.

Beyond underperformance, many see passive investments as having a negative impact on markets:

- Almost six in ten (59%) believe that the popularity of passive investments increases systematic risk.
- Almost two-thirds (66%) worry that large flows in and out of passive investments exacerbate market volatility.
- Half of those surveyed believe that passive investments distort stock prices and relative risk/return trade-offs.

Overall, 64% of institutional investors invest in lower-fee ETFs, but many are looking to newly developed active ETFs that implement active strategies in the lower-fee packaging. Despite the relatively recent arrival of these investments on the market, 47% of institutions say that active ETFs will revolutionize the way they build portfolios.

Fixed income

Fixed income strategy in 2024 is inextricably linked to institutional investors' two biggest portfolio risks – inflation and interest rates. While central banks have made strides in curbing inflation, prices remain elevated.

FIXED INCOME ALLOCATIONS	Increase	Maintain	Decrease
Sovereign Debt / Govt	47%	36%	18%
Investment Grade Bonds	49%	40%	16%
High Yield Bonds	37%	41%	23%
Securitized Debt	26%	53%	21%
Emerging Market Debt	24%	54%	22%
Green Bonds	43%	44%	13%

Source: Natixis Institutional Outlook 2024

Four in ten project that inflation will moderate in 2024. The same number anticipates that inflation will hit central bank targets in 2024. However, there are still 60% who say that higher inflation remains as the new normal.

Similarly, 61% anticipate that rates will remain elevated throughout 2024. Looking at this scenario, almost the same number (62%) of institutional investors are calling for long duration bonds to outperform short duration in 2024. As a result, 61% globally, and 72% in Asia, say they are lengthening durations in their bond portfolios.

Overall, they believe rate cuts will be on the horizon in 2024, but not until well into the year. On average, 66% of institutions forecast no more than two cuts in 2024. Few (8%) anticipate any cuts will come in Q1. They are split as to how far into the year it will take for central banks to make cuts: 32% say Q2, 38% say Q3 and 21% don't see it happening until Q4.

The biggest concern for fixed income is that slowing growth, coupled with higher rates, could lead to an increase in corporate defaults (76%).

Faced with the uncertainty, their plans stress quality. Overall, 83% say they will either add to (47%) or maintain (36%) allocations to sovereign debt and government bonds; this includes 56% in the UK and 50% in EMEA.

Investment grade corporates will be increased, too, as 89% who invest will either increase (49%) or maintain (40%) their allocations, including 59% of those in Asia and in the UK.

Even as they stress quality, institutions are willing to take on some risk and 77% will either maintain or add to high-yield positions. Another 78% will maintain or add to emerging market debt, with the big exception being those in North America where only 19% will add to their positions.

Institutional demand for green bonds remains high in 2024 as 43% will look to add to their positions, including 55% of those in the UK and 54% in Asia.

Alternative investments

Perhaps no other asset class illustrates the position institutional investors find themselves in 2024 better than alternatives. The number of institutions who plan to add to positions in alternative investments exceeds those who plan to trim in virtually every flavor except one (cryptocurrencies) and, more often than not, those adding outnumber those trimming by a two-to-one margin.

ALTERNATIVES ALLOCATIONS	Increase	Maintain	Decrease
Real Estate	↑ 29%	– 50%	↓ 21%
Absolute Return	↑ 26%	– 62%	↓ 12%
Private Equity	↑ 39%	– 44%	↓ 17%
Private Debt	↑ 45%	– 43%	↓ 12%
Commodities	↑ 32%	– 51%	↓ 17%
Gold	↑ 30%	– 51%	↓ 20%
Infrastructure	↑ 40%	– 50%	↓ 11%
Hedge Funds	↑ 23%	– 59%	↓ 19%
Cryptocurrencies	↑ 14%	– 57%	↓ 30%
Options-Based Strategies	↑ 20%	– 69%	↓ 11%
Trend Following	↑ 21%	– 68%	↓ 12%

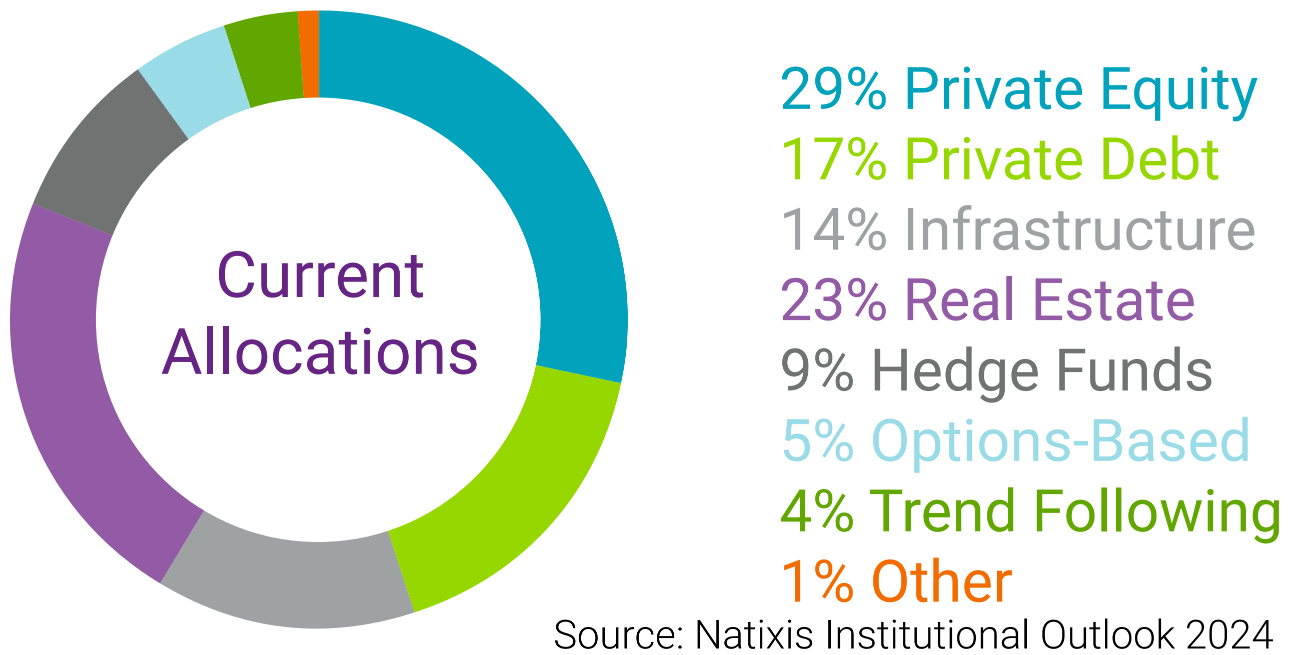
Source: Natixis Institutional Outlook 2024

On one side of the equation, institutions see a wide range of risks. Worried about recession, 81% will maintain (51%) or add (30%) to their gold holdings. They are also more likely to add to absolute return strategies as well as options-based strategies, suggesting the need to offset potentially volatile stock and bond markets.

On the other side, they are still looking to the added return potential and predictable returns of private debt (43% to maintain, 45% to add), private equity (44% to maintain, 39% to add), and infrastructure (50% to maintain, 40% to add). Private asset investments may be playing both offense and defense in portfolios as 46% believe private assets will provide a safe haven in the event of a downturn.

Despite concerns about the impact of rising rates on real estate investment, institutions are more likely to add to their holdings (29%) than to dial back exposures (21%).

INSTITUTIONS WORKING FROM A BROAD PALETTE OF ALTERNATIVES



Source: Natixis Institutional Outlook 2024

In focus:
Private assets remain in high demand for institutions

Private assets continue to be a top alternative allocation choice for institutions as almost two-thirds of institutions (66%) say there is still a significant delta between private and public assets. Demand is so great that 66% also think more private debt will be issued in 2024 to satiate investor appetites.

But after a long run of private investments, 59% of institutional investors say that the popularity of private assets is making it hard to find deals. With this in mind, teams are building more safeguards into their strategy and 72% say they have stepped up their due diligence because they are concerned about deal quality.

With interest rates climbing off historic lows, institutions are rethinking the role of private assets in their portfolio, particularly as 57% say risk-free returns such as those on Treasury bills are leading them to pull back on private allocations.

But regulation may be another factor influencing their view on private assets. More than half (53%) of those surveyed globally and 60% of those in Asia say over-regulation of private markets is making them less attractive. Based on their plans for 2024, it appears this is about easing up future allocations rather than dialing back on what they already own.

Best private market opportunities

Institutional calls on the best opportunities for private assets in 2024 echo their economic outlook. With many expecting that tech will continue to outperform, 52% say data centers represent the best opportunity, while another 29% see life sciences presenting an opportunity.

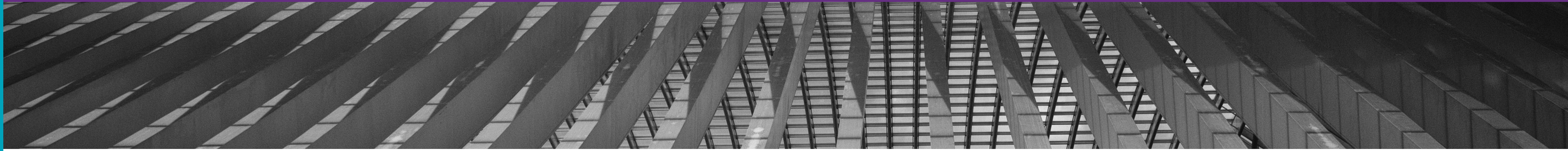
While their prospects for real estate are muted in 2024, they are finding specific slices of the real estate market to be attractive for private investments, including the senior housing and assisted living facilities that will serve a rapidly aging population (40%). Another 26% are looking to essential/affordable housing projects, while 24% see opportunity in student housing.

Institutions are considering a range of deal structures for their private assets in 2024. Overall, 35% see the biggest opportunity in sustainable investments. Another 32% are looking at secondaries for opportunities, while 28% are looking at M&As, 27% like the opportunities in co-investment, and 26% will look to the middle market opportunity.

BEST PRIVATE ASSET OPPORTUNITIES

52%	Data centers
40%	Senior/assisted living
29%	Life sciences
26%	Essential/affordable housing
24%	Student housing

Source: Natixis Institutional Outlook 2024



Crypto poses a whole separate range of risks

Despite big gains for bitcoin in 2023, institutions are not embracing cryptocurrency as an asset class. Even though 69% think crypto is not a legitimate investment option for institutions, 36% of those surveyed say they are currently invested in the asset class. Among that group 30% plan to trim their position in the year ahead, while just 14% say they will add to their holdings.

A lack of regulation may be keeping institutions out of crypto, as 56% say greater regulatory clarity will be a major boost to crypto prices and open the door to new investment. Similarly, more than half (52%) think central bank-issued digital currencies will benefit the global economy.

As it stands now, almost eight in ten (79%) institutions say that crypto is not an appropriate investment for most retail investors.

When comes to crypto, 82% of institutions believe that blockchain technology is the real revolution, not the currency. And at this point, two-thirds say that block-chain is past proof of concept.

Brave in the face of a new world

Institutional sentiment shows 2024 to be a year filled with many uncertainties. Will inflation stay in check? When will central banks cut interest rates? Can consumers continue to carry the weight of the global economy on their backs? When and if the world will enter a recession? Can China get back on track? There are plenty of macro questions to consider, but they are questions that can be anticipated and accounted for in investment plans.

What speaks volumes about the mindset in 2024 is that the risk of a random event spurred by political bad actors is what rises to the top of the list of risk concerns. That's likely because it's the kind of risk that can't be anticipated and factored into plans for the year ahead. And that's the real challenge for institutional investors.

About the survey

Natixis Investment Managers, Global Survey of Institutional Investors conducted by CoreData Research in October and November 2023. Survey included 500 institutional investors in 27 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.

Meet the team:

Dave Goodsell
Executive Director

Stephanie Giardina
Program Manager

Erin Curtis
Assistant Program Manager

Jessie Cross
AVP, Content

1.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.

2.Bloomberg (as of 10/31/2023)

3.IMF, & National Bureau of Statistics of China. (October 10, 2023). Growth rate of real gross domestic product (GDP) in China from 2012 to 2022 with forecasts until 2028 [Graph]. In Statista. Retrieved November 27, 2023, from https://www.statista.com/statistics/263616/gross-domestic-product-gdp-growth-rate-in-china/

Unless otherwise stated, data is derived from Natixis Investment Managers, Global Survey of Institutional Investors conducted by CoreData Research in October and November 2023.

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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.

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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