

2026 NATIXIS INSTITUTIONAL OUTLOOK SURVEY

Dancing in the dark: Markets move to the beat of uncertainty

Inflation, fiscal strain, and shifting policies set the stage
for a late-cycle test – and a potential 2026 correction.



In a volatile year marked by tariffs, geopolitical conflict, supply chain shocks, and a Q4 tech-sector correction, markets around the globe have been remarkably resilient, with most indexes posting a third consecutive year of double-digit returns. But results from the Natixis Global 2026 Institutional Outlook Survey suggest that markets could run out of luck in the new year.

Institutions are focused on an increasingly complex investment environment. Geopolitics (49%) now tops the list of key economic threats ahead of a tech bubble (43%), recession (33%) or government debt crisis (33%). Compounding the challenge, 74% of survey respondents also say the markets are due for a correction. Just how bad could it be? The smart money gives a 46% chance of a correction of 10%–20% and a 25% chance of a 20%+ downturn.

Despite the prospects for rockier markets, 68% of institutions remain bullish on stocks. Many institutions will rely on active management to navigate the uncertain landscape, especially as 71% project that active investments will outperform passive.

Concerns about politics and policy are mounting

- Among survey respondents, 73% globally and 86% in the UK believe political dysfunction is a growing threat to market stability.
- Among survey respondents, 77% globally and 84% in North America believe the tariff environment will be a moving target into 2026.

But politics and tariffs aren't the only concern

Overall sentiment suggests that institutional teams may be bracing for big shifts in the macroeconomic landscape:

- 58% forecast an increase in unemployment.
- 46% anticipate an uptick in corporate defaults.
- 42% see higher inflation on the horizon.
- 41% see prospects for higher housing prices.

In terms of markets, institutional sentiment shows waning interest in US markets along with clear preferences for other regions:

- 76% plan to reduce (32%) or maintain (44%) allocations to US equities.
- 90% plan to increase (44%) or maintain (46%) allocations to Asia-Pacific stocks.
- 88% plan to increase (40%) or maintain (44%) allocations to European stocks.

In fixed income, institutional investors expect multiple rate cuts in 2026. But how much and when are less clear as concerns over price stability and rising unemployment leave only 7% to believe that rates will be on a smooth glidepath.

Smooth sailing is not likely for any market, as institutions forecast increased volatility for stocks (59%), bonds (38%), and currency (46%).

Alternatives are taking center stage in portfolio plans, as 65% project the 60:20:20 portfolio diversified with alternative assets to outperform the traditional 60:40 stocks and bonds mix. Private assets continue to be the primary focus for this sleeve of the portfolio:

- 39% will up allocations to private equity (39%)
- 38% will increase infrastructure investments (38%)
- 35% will add to private debt (35%)
- 27% will increase real estate (27%)

Institutions are looking further afield for diversification opportunities, and 36% plan to increase investments in cryptocurrencies. Even still, two-thirds (66%) of institutions think gold will outperform crypto in 2026.

Despite the potential headwinds, return expectations have not moderated. On average, institutions assume returns of 8.3% in 2026 – just two-tenths of a percent lower than their 8.5% average long-term assumption.

Faced with uncertainty at every turn, it's difficult to find a strong consensus on much:

- Will a geopolitical shock spark market turmoil (49%), or will markets be indifferent (51%)?
- Will the US outperform (48%), or will Europe (52%)?
- Is it a time for long duration (52%) or short (48%)?

One place where sentiment is clear comes down to active investments (62%) to outperform passive (38%).

While prospects look uncertain, it's clear that powerful economic and market forces are shaping institutional strategy for 2026:

Macroeconomics: Beyond the politics, institutional sentiment suggests the global economy may not be able to rely on consumers, as they see consumer discretionary (18%) and consumer staples (22%) as the least likely sectors to outperform in 2026.

Markets: After a long run-up in tech stocks, valuations (45%) are tied with inflation (45%) and interest rates (45%) as their top portfolio risk, with volatility (38%) and concentration risk (32%) closely following.

- **Equities:** Bullish sentiment on stocks is buoyed by hopes for artificial intelligence (AI), which 65% predict will supercharge growth, even as 46% worry about a bubble.
- **Fixed income:** Consensus is split: 50% expect a smooth path down for rates, and 50% expect disruptions to the glidepath.
- **Alternative investments:** Private assets make up 78% of alternatives allocations, as 65% say private offers higher return potential than public.
- **ESG:** Investment grows, as 58% of institutions seek alpha potential and enhanced risk control.

Ultimately, institutions have many obstacles to navigate in 2026, the hardest of which may be an unfamiliar macro-economic scenario and potential geopolitical disruption.



Macro outlook: Geopolitics, deteriorating conditions shape the outlook for 2026

Institutional investors are entering 2026 facing a landscape defined by deep uncertainty and shifting priorities. While technology and artificial intelligence (AI) have powered markets to new highs, the mood among global institutions is increasingly cautious.

Geopolitical risk now overshadows even the threat of a tech bubble or recession, with slow growth, political dysfunction, unpredictable tariff policy, and China all weighing heavily in their outlook.

A shifting landscape

Global growth has been slow for three years, yet markets climbed ever higher. But now institutional investors see challenges ahead with broad market implications.

Inflation has improved but remains elevated, and 64% overall are worried about prospects for stagflation – most notable is the 77% in Latin America and 69% in Asia who share the concern.

Even still, inflation numbers have been solid enough that interest rates are coming down. The pace of those cuts is slow and cautious. Bankers are wise to be deliberate in their approach, as 71% of institutions worry that a central bank mistake will disrupt the soft landing.

Top five economic threats in 2026

49%	Geopolitical shock
43%	Tech bubble
33%	Recession/Government debt/fiscal crisis
32%	Reflation
27%	Breakdown in global trade

Source: Natixis Institutional Outlook 2025

Slow growth signals broad concerns

Overall global GDP growth is expected to come in somewhere around 3% for this year. But growth in developed economies is expected to register only at 1.6%.² Two-thirds (66%) of institutions worry that slow growth may be a harbinger of recession, which ranks as one of their top three economic threats.

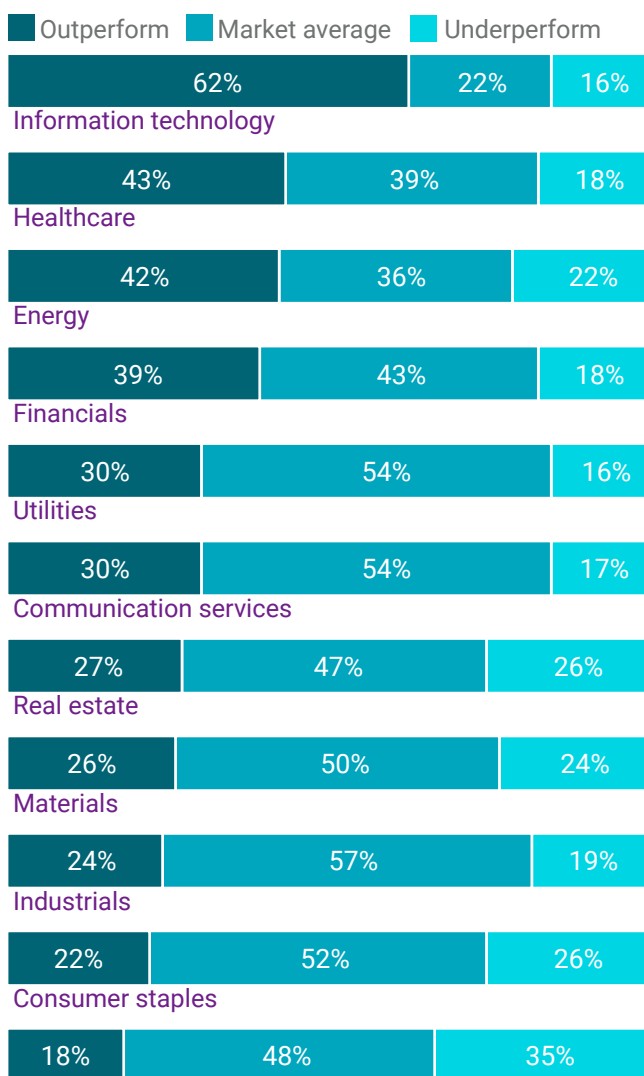
Employment, defaults, and debt signals compound recession concerns

- 58% anticipate unemployment will increase in 2026, with concern greatest in North America (66%) and the UK (64%).
- 46% overall and 54% in North America project the number of corporate defaults will increase.
- Another 33% worry that rising levels of government debt will lead to a fiscal crisis.

Outlook favors tech

Institutional investors are looking for the AI-driven tech sector to come out on top in 2026, while recessionary concerns tell them to expect less from consumer discretionary and staples. Calls for outperformance from healthcare may also signal a defensive posture.

Sector calls for 2025



Consumer discretionary

Some data does not add up to 100% due to rounding.
Source: Natixis Institutional Outlook 2025

Why geopolitics matter more than ever

Geopolitics has been a top concern for institutional investors for much of the past five years, especially in the three-and-a-half years since Russia first invaded Ukraine and the two years since the October 7 attacks spurred conflict in Gaza. Add to it uncertainty over tariffs plus the upending of global security norms, and geopolitics leaps to the top risk in 2026.

Uncertainty presents opportunities for defense stocks

Uneasy geopolitics could provide an economic upside, as 77% of institutions in Europe and 81% in North America are bullish on defense stocks. Overall, 65% project increased defense spending will buoy growth across developed markets. The same number believe it will open new opportunities in private markets as well.

And pose key questions on strategy

Given the geopolitical uncertainty, institutions need to consider how policy outcomes will affect the economy and where they should invest. For example, 62% say the onshoring of competitive technology such as semiconductors is forcing them to rethink investment strategies.

China concerns compound the risks

Even with recent progress on trade and tariffs, US-China relations are top of mind, and two-thirds now believe that the global economy is at risk from the trade war. China provides additional anxieties, as tensions in the South China Sea are seen as a more immediate threat to markets by 50% – though only 37% in Asia-Pacific (APAC) have this on their radar for 2026.

Geopolitical concerns run wide and deep:



Security realignment:

72%

say the realignment of the global security order will force them to rethink investment theses for certain countries.



New frontiers:

63%

globally worry that political tensions will escalate over new frontiers such as space and the Arctic.



Rare earth minerals:

63%

say rare earth security is now seen as the new energy security, with China's restrictions on antimony supplies – critical to armaments – to the US highlighting the strategic importance of these resources.



Implications for US assets:

63%

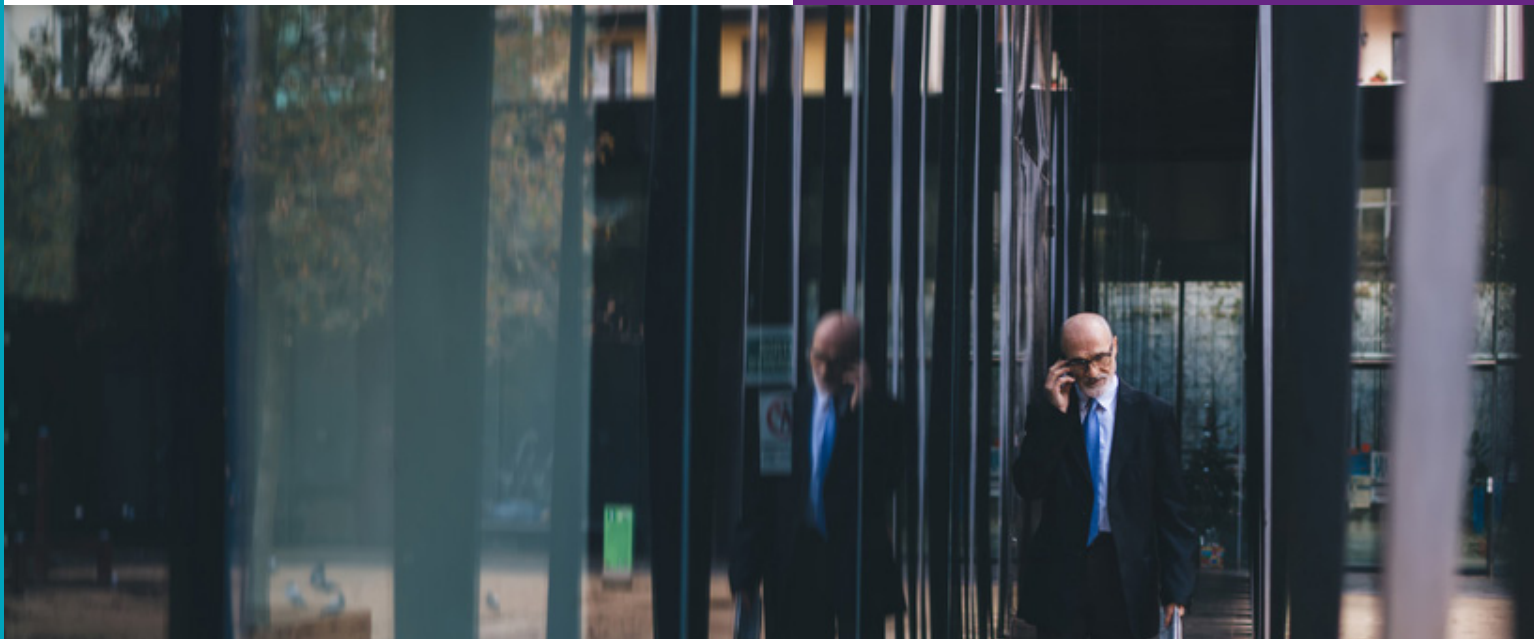
believe the politicization of US institutions will weaken the investment case for US assets.



AI outfall:

69%

On top of it all, 69% think AI's rapid growth will open investors to new geopolitical risks.



TARIFFS AND TRADE POLICY:

A persistent source of instability

Tariffs have dominated the news cycle in 2025, especially since the Trump administration's "Liberation Day" announcement in April. Few think the policy issue has been resolved.

In just the short time our survey was in field, the administration announced 25% tariffs on medium and heavy-duty trucks, 10% tariffs on softwood lumber, plus a 10% increase on tariffs for Canadian goods. The Trump administration also announced 100% tariffs on all Chinese goods only to implement reductions after in-person trade talks proved successful.

Given the speed and frequency at which tariff numbers are announced, few think much will be clearer in 2026, and they are concerned about the long-term effects:

- 77% globally and 84% in North America say the tariff environment will remain a moving target.
- 52% see tariffs as a one-time price increase rather than a force that will put sustained pressure on inflation.
- 55% think tariffs will drive reflation, those in North America (61%) and the UK (60%) are most concerned.

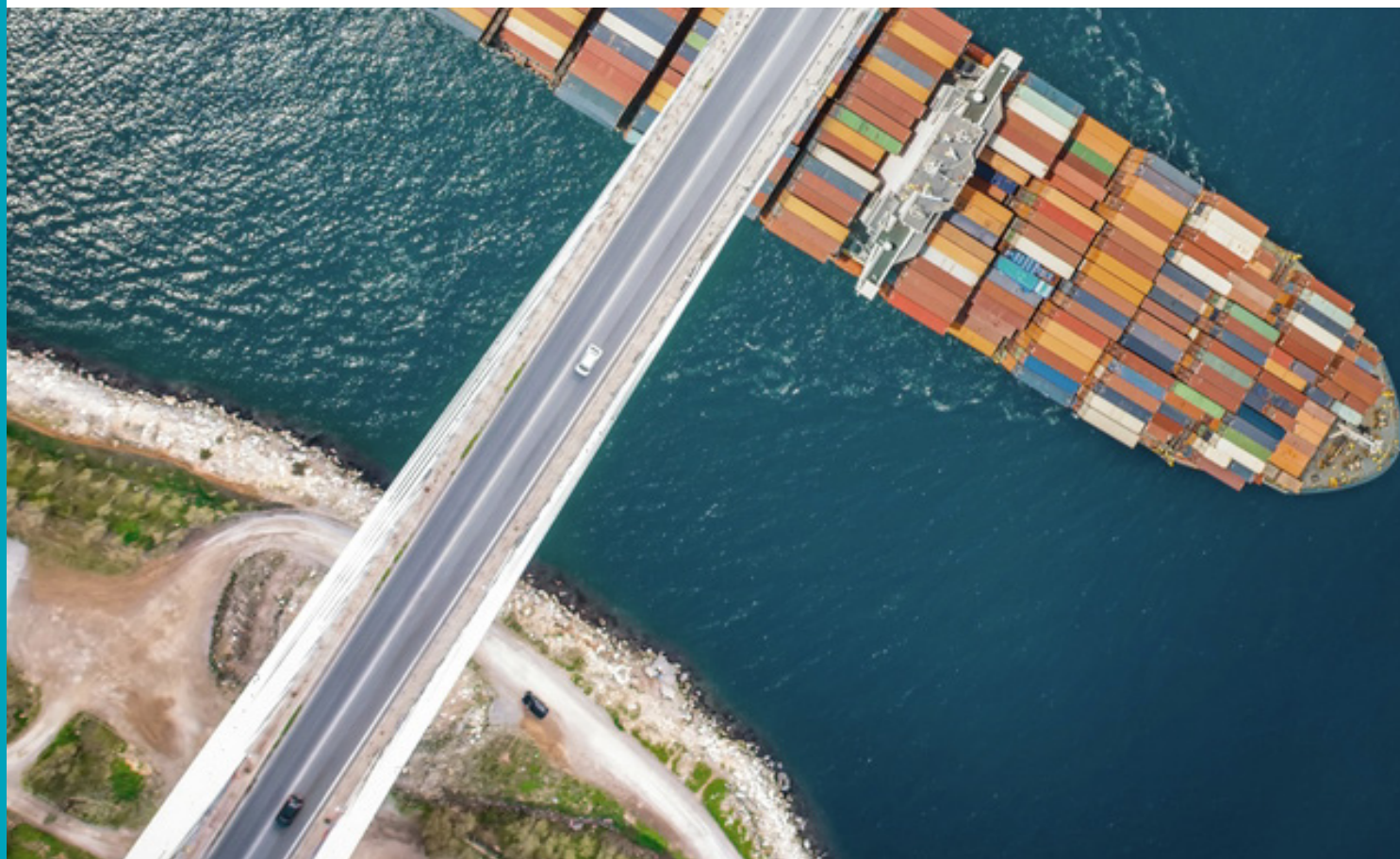
While working as a bargaining chip in some negotiations, few institutional investors see tariffs as a tool that will achieve critical policy objectives:

- 68% believe manufacturing is unlikely to return to the US in a meaningful way.
- 73% globally and 81% in North America believe tariffs will drive companies to invest in automation and productivity growth.

Will the tariffs tilt the scale in Europe's favor?

The ongoing US trade war could provide an opening for other regions to outperform. It's not clear if Europe will be the winner:

- 62% say shifts in trade policy aren't enough to move the needle on European growth prospects, something 75% in APAC agree with.
- The view is more optimistic in Europe, the Middle East and Africa (EMEA), and North America, where 43% see tariffs as a potential catalyst for Europe.



CHINA:

From growth engine to structural risk

A US-China trade war has been a major headline in 2025 as both sides felt each other out. The rhetoric ratcheted up ahead of the Trump/Xi Jinping summit in October, but the results were more subdued. When it comes down to it, 63% of institutional investors globally and 70% in APAC believe China can withstand a prolonged trade war – something only 49% in the US believe.

However, for many, the issue isn't a trade war. In fact, 68% of institutions globally and 74% in the US think tariffs are a distraction, and China's growth problem presents far greater economic risks.

China's growth trajectory has slowed dramatically:

GDP growth dropped to 3.2% in 2022, 5.4% in 2023, 5.0% in 2024, and 4.8% year to date – a stark contrast to the 9.6% average annual growth seen between 2000 and 2015.³

- 75% of institutions think slow growth is the new normal for China, and 62% believe China faces a painful restart.
- Demographics are a growing concern, with 73% saying China's rapidly aging population is hurting growth.
- Despite the setbacks, institutions are split between China's prospects, as 53% think it will recapture growth and 47% think the malaise will continue.

But what happens in China doesn't always stay in China, and its current real estate crisis has many institutions worried. Strict borrowing rules imposed on developers in 2020 have led to a growing number of defaults. Add to it falling home sales and prices as well as a massive glut of unsold homes, and 44% worry that a real estate collapse in China would reverberate globally.

Despite legitimate the concerns, only 34% of institutions report that they are actively divesting from China. One reason: China's burgeoning tech sector. Almost two-thirds (66%) think China will catch up to the US in AI.

The October talks with the US may suggest that trade tensions are easing, but 59% think the trade war will continue into 2026. On the upside, 56% think the US-China trade war will create fertile ground for emerging market growth in the year ahead.

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EMERGING MARKETS:

India poised for leadership

Emerging markets have long been tethered to China's fortunes, but institutional investors are now reassessing the landscape as new risks and opportunities come into focus.

Dependency on China questioned

Only 62% of institutions believe today's emerging market investment is overly dependent on China, and 55% believe China's economic malaise has the potential to hold back emerging market growth. This marks a significant shift in sentiment, as investors look for new sources of growth beyond China's borders.

India rising as a top contender

Half of institutions now think India will surpass China as the leading emerging market investment. But outlook for 2026 performance is open to debate: 42% see India as the top

opportunity, 40% favor China-specific strategies, and 35% point to Asia ex-China/India as presenting the best prospects. This diversity of opinion highlights the complexity and evolving nature of emerging market strategies.

Macro catalysts and challenges shaping strategy

A weakening US dollar is seen as a potential tailwind, with 64% believing it will make emerging market investments more attractive; yet, the environment remains complicated:

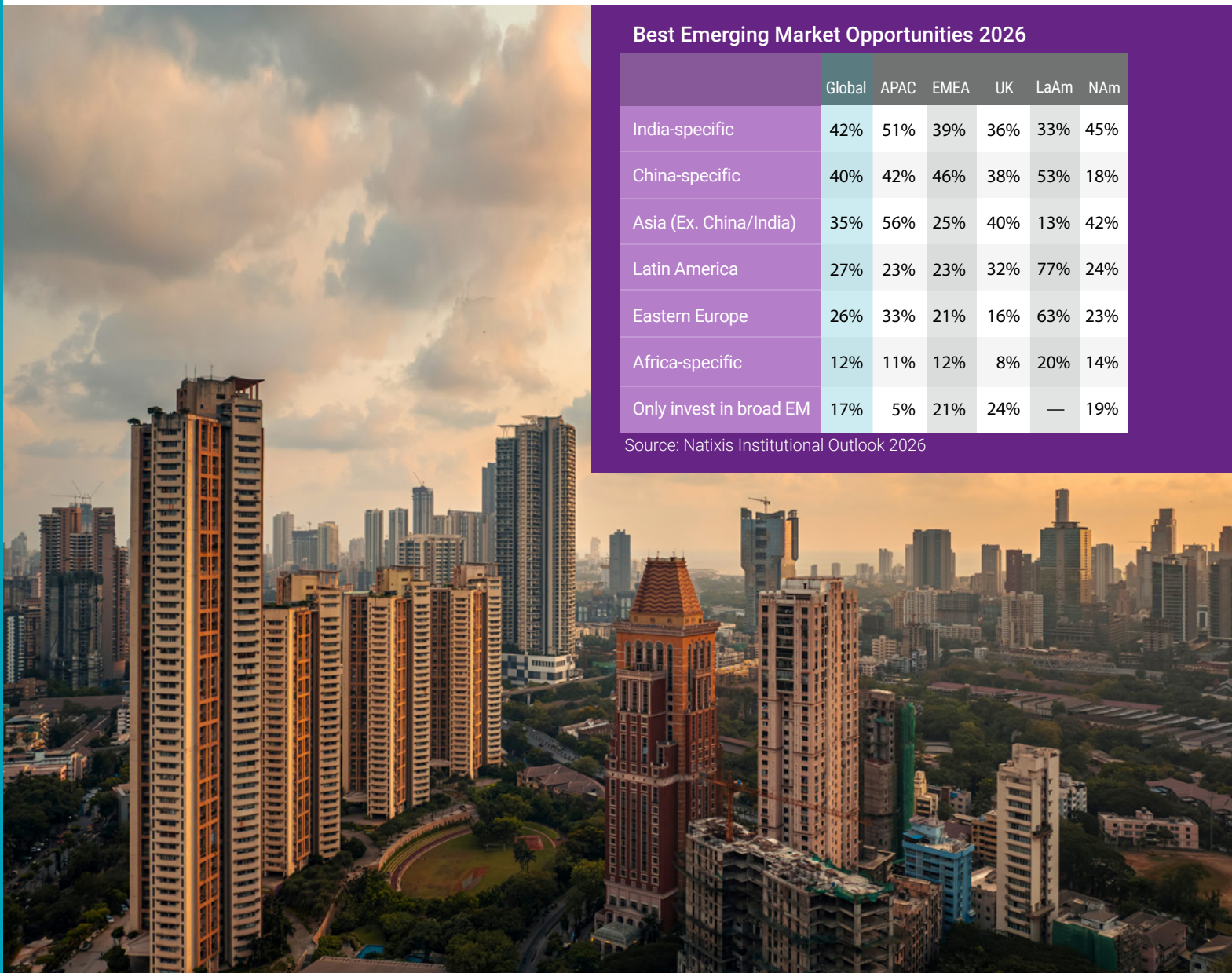
- 71% say trade policy uncertainty complicates emerging market strategies.
- 70% think deglobalization will make them more selective, relying more on region-specific strategies than a broad play on emerging markets.

With emerging market inflation averaging about 3.1%,⁴ 52% of institutions worry that it will hinder growth – 62% of those in the APAC region agree. Conversely, 70% say easing monetary policy in the developed world may help spur growth.

Best Emerging Market Opportunities 2026

	Global	APAC	EMEA	UK	LaAm	NAm
India-specific	42%	51%	39%	36%	33%	45%
China-specific	40%	42%	46%	38%	53%	18%
Asia (Ex. China/India)	35%	56%	25%	40%	13%	42%
Latin America	27%	23%	23%	32%	77%	24%
Eastern Europe	26%	33%	21%	16%	63%	23%
Africa-specific	12%	11%	12%	8%	20%	14%
Only invest in broad EM	17%	5%	21%	24%	—	19%

Source: Natixis Institutional Outlook 2026



Market Outlook: Inflation, valuations, or rates – pick a risk.

Coming off another successful year for equities and solid gains for bonds, institutional investors are watching three key risks that will shape investment strategy in 2026: inflation, valuations and interest rates.

Central banks have brought inflation closer to 2% targets and begun cutting from decades-high interest rates. But not all concerns have abated: 45% of institutional investors still rank inflation as a top risk. The path forward remains uncertain.

Prices remain elevated in select sectors and regions:

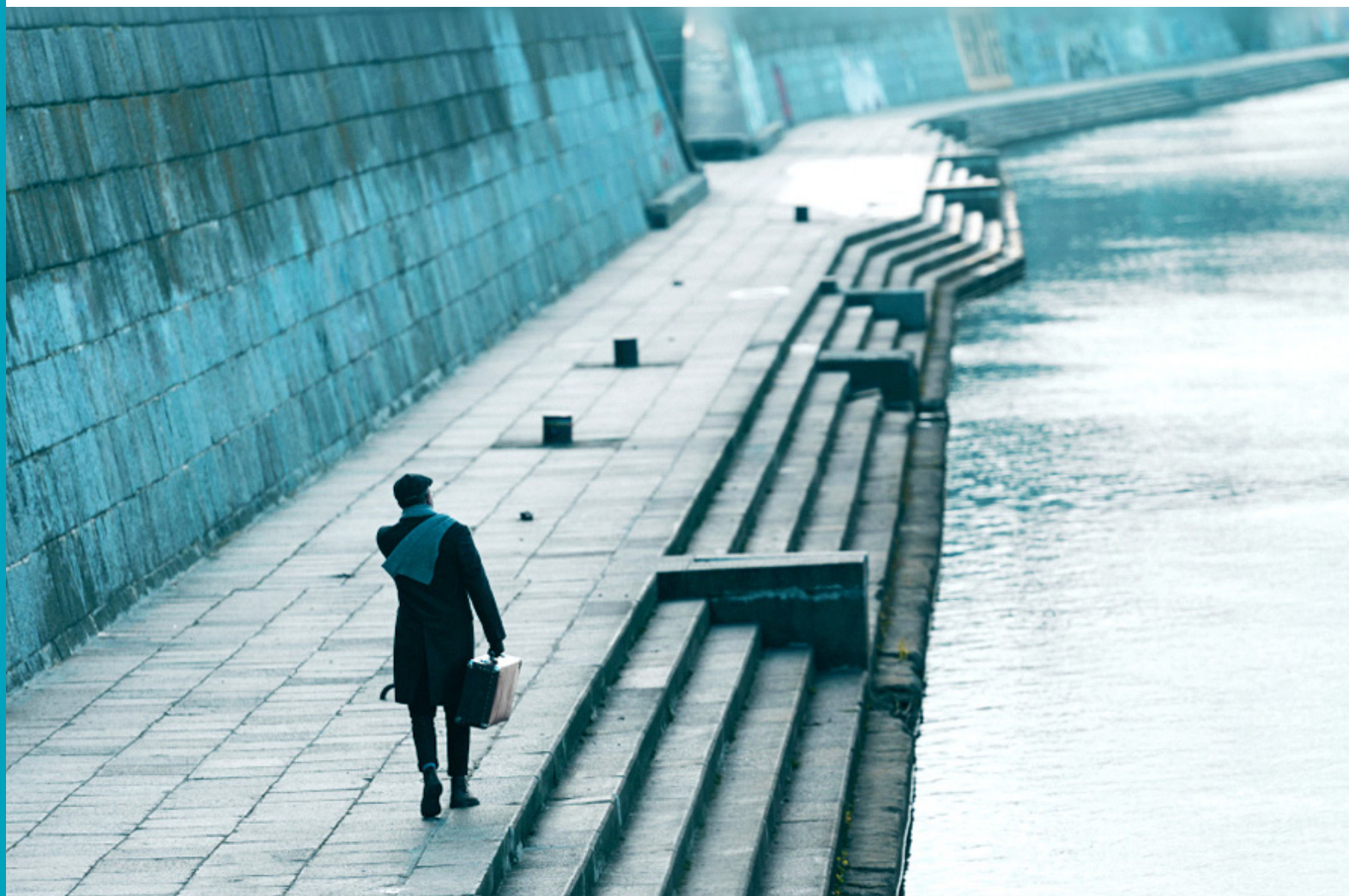
- Inflation remains stickier in the UK (6.8%) and Germany (2.3%).⁵
- France (1.0%) and the Eurozone (2.1%) have seen prices ease.⁶
- Consumers still feel the sting in prices for food, housing, healthcare, and energy.

Getting inflation down to target levels is critical for equity optimism. Many institutional investors believe that rate cuts will power the S&P 500® to an all-time high by year-end. However, uncertainty about additional cuts is problematic, and 63% think it could put investors in a holding pattern. This concern is especially pronounced in the UK (80%) and APAC (75%).

Top five portfolio risks for 2026

45%	Inflation
45%	Valuations
45%	Interest rates
38%	Volatility
32%	Concentration risk

Source: Natixis Institutional Outlook 2026



EQUITIES:

AI, then everybody else

The AI rally has created another set of investment risks for institutional teams. High valuations (45%) register as much concern as inflation, and seven in ten warn that markets will recognize that valuations matter in 2026, and they worry about the add-on effects of that discovery:

- 38% cite volatility as a key risk.
- 32% worry about the concentration risk presented by the Magnificent 7.

Even with the reservations, institutions are still largely positive on the prospects for AI in the year ahead. Overall, 65% expect the sector to supercharge growth again. But 46% think AI is a bubble: 37% overall anticipate a market correction sometime in 2026. The question that remains is how bad it will be:

- 74% of institutions expect there will be a market correction in 2026 with:
 - 46% probability of a downturn of 10% to 20% markets regularly experience.
 - 25% probability of a bear market correction of 20% or more.

That level of concern for a major correction may seem small, but it could be significant. Consider how inconvenient it is to be caught unprepared for deluge, when the weather report gave only a 25% chance of rain.

Institutions' two potential cushions for any potential blows

- 63% expect returns to become less concentrated as companies begin to realize AI-driven productivity and profitability gains.
- 62% believe individual investors could act as a shock absorber by buying on the dip.

Even with challenges and potential pitfalls, institutions remain optimistic about their market prospects in 2026, and 68% remain bullish on stocks. Sentiment on Mag 7 stocks is less clear as only 50% remain bullish on these tech behemoths.

One thing is clear: Few think it will be a smooth ride. After experiencing the effects of the Liberation Day sell-off in April and generally higher levels of volatility throughout the year, 59% think equity volatility will increase in 2026.

If there is one lesson about volatility to be learned from 2025 it is that it can be swift and powerful. The first week of November brought another wave of volatility that caused high valuations leading investors to take profits as AI and tech companies shed more than \$1 trillion in value.

- Plantir lost 11% despite record earnings.
- Nvidia lost 7%.
- Oracle dropped 9%.

AI vision realized, or more growing pains ahead

Considering that AI is developing rapidly, with some innovations – like China's DeepSeek – seemingly arriving overnight and its outsized influence on equity returns, institutional investors see elevated risk.

- 69% believe a significant new AI tech development will bring concentration risk to the forefront of equity markets.
- 64% worry that a slowdown in AI CapEx spending has the potential to upend market growth.

Even as many are worried about a bubble, AI continues as a dominant investment theme in 2026. But some see the story entering a new chapter. After the market dominance by the Mag 7, 76% of those surveyed say AI has moved beyond disrupting technology and is now disrupting market leadership.

Prime examples include:

- **Tempus:** Uses AI to analyze clinical and molecular data for personalized cancer treatments, challenging industry stalwarts such as Quest Diagnostics.
- **Carbon Robotics:** Builds autonomous AI-driven robots to eliminate weeds, competing with agrochemical giants such as Bayer.
- **Zipline:** Deploys AI-powered drones to deliver medical supplies in remote areas, disrupting traditional logistics players such as FedEx.

It's clear that all is not said and done on the AI front. Less than one-third globally and just 15% in North America think it's already clear who the winners and losers will be.

Equity allocations

When it comes to asset allocation, most institutions are not planning wholesale changes to their strategy. Instead, they are focusing on areas of relative strength and opportunity, guided by current market views and regional trends.

- Large-caps are favored, with 57% expecting them to outperform small-caps (43%).
- Regionally, institutions are slightly more likely to see Europe (52%) outperforming the US (48%).
- There is no clear consensus on style, with growth (51%) and value (49%) stocks seen as nearly evenly matched.

Equity allocation

Who will increase, where?	Global	APAC	EMEA	UK	LaAm	NAm
US Equities	25%	17%	22%	24%	47%	33%
European Equities	40%	33%	44%	41%	67%	30%
APAC	44%	61%	42%	40%	30%	34%
Latin American	21%	12%	19%	14%	63%	22%
Emerging Markets	42%	45%	42%	38%	43%	38%

Source: Natixis Institutional Outlook 2026

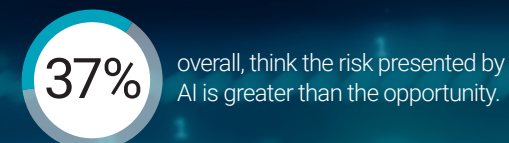
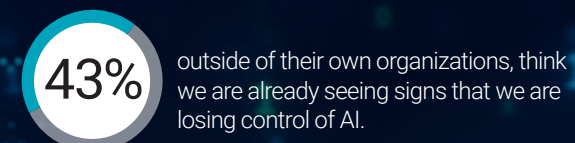
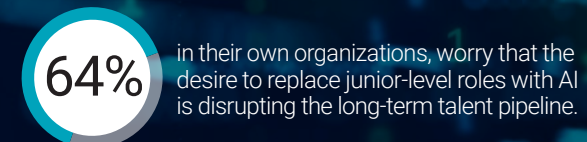
The good and bad of AI

AI extends beyond an investment theme and market risk for institutions. Many are already applying the revolutionary technologies to their own practices and policies, and they are finding a significant upside:



But even with positive results in the process, a large number of institutional teams are wary of the hype, and 41% see AI as a helpful tool but not much else.

Institutional investors also see a potential downside to AI:



ACTIVE MANAGEMENT:

Active ETFs emphasized in face of uncertainty

Concerns over valuations, volatility, and recession may come to a head in 2026, and 62% of institutions project that active investments will outperform passive – a continuation of out-performance that two-thirds say they gained with active in the past 12 months.

The mix may not change but the investments may

Institutions are currently using a mix of 64% active and 36% passive. Few see this mix changing over the next three years. But the growing availability of actively managed exchange-traded funds (ETFs) is likely to change how they pursue active exposures:

- 49% currently invest in active ETFs.
- 38% of those not yet invested plan to do so.
- Two-thirds of institutions (68%) say the strong flows into active ETFs highlight their utility in portfolios:
 - 75% of those who do invest are using active ETFs to manage risk exposures.
 - 43% say that when market volatility rises, they increase their active ETF exposure.

Active essential to fixed income

Going hand in hand with the 71% of institutions that say active management is essential to fixed income investing, a significant number (47%) are using active fixed income ETFs even more often than equities.



FIXED INCOME:

Few expect a smooth glidepath for rates

Uncertainty about inflation and interest rates is the foundation for institutions' views on fixed income markets. But even as the picture for bonds in 2026 becomes clearer, concerns remain elevated as tariffs, the possibility of deflation, and government debt pose questions about market stability.

Bond markets across North America, Europe, and Asia have been volatile in 2025. Institutions are divided on what to do next:

- 49% think bond volatility will remain the same in 2026.
- 38% project greater volatility in fixed income markets given questions about inflation and rate policy.
- Despite the risks, 55% are still bullish on bond markets.

Consensus on inflation is elusive

Overall, 42% think inflation will increase, reflecting concerns about reflation. Those in APAC (52%) were most likely to project an increase; those in Latin America (27%) were least likely. With inflation hovering near targets in many regions, only 21% think it will come down, while 37% think it will remain at current levels.

Rate expectations are mixed:

- 49% project more rate cuts in 2026.
- 34% think central bankers may keep current rates in place.
- Only 17% overall and 8% in North America and 11% in APAC anticipate rate hikes.

The operative question on cuts is "How many?"

Most institutions anticipate one to two cuts in their respective regions (68%) for the years ahead, with consensus strongest in Europe (74%) and the UK (74%). Many in North America see more cuts on the horizon, as 57% anticipate one to two cuts and 38% forecasting three to four cuts.

Expected cuts in your region

	Global	APAC	EMEA	UK	LaAm	NAm
0	10%	10%	13%	2%	17%	2%
1–2	68%	68%	74%	74%	40%	57%
3–4	20%	22%	11%	22%	33%	38%
5+	1%	2%	1%	—	7%	2%

Source: Natixis Institutional Outlook 2026

Concerns about bond market volatility are compounded by rising worries over corporate defaults and bankruptcies.

Institutions will monitor these issues closely as they shape their fixed income strategy for 2026.

- 46% predict defaults will increase over the already elevated levels seen in 2025.
- Concerns resonate in North America, where 54% expect an increase in defaults.

Regardless of their views on cuts, institutional investors recognize the complexity of the bond market environment. Balancing price stability and unemployment is difficult, and only 7% believe the glidepath for rates will be smooth.

There is no clear consensus among institutions on durations, as 52% think long duration will outperform and 48% think short durations will come out on top in 2026.

Given a wide range of contingencies to contend with, 71% of institutional investors say active management is essential in fixed income investing.

Fixed income allocation plans

Who will increase, where?	Global	APAC	EMEA	UK	LaAm	NAm
Government	23%	35%	19%	28%	30%	15%
Securitized Debt	20%	23%	14%	20%	24%	31%
Investment Grade Corporate	37%	39%	38%	36%	47%	30%
High Yield	27%	31%	24%	20%	44%	29%
Emerging Market Debt	28%	31%	26%	26%	31%	28%
Green Bonds	31%	36%	31%	33%	48%	10%

Source: Natixis Institutional Outlook 2026

Allocation objectives

Diversification and risk management: Institutions are facing uncertainty surrounding inflation, interest rates, and equity market volatility. Increasing allocations to government bonds, investment grade corporates, and securitized debt provides stability and helps manage risk in portfolios, especially as only 7% expect a smooth glidepath for rates and 49% expect bond volatility to remain unchanged.

Macro and regional trends: In North America, the lower appetite for government bonds may reflect concerns about rate sensitivity and a preference for securitized and corporate credit. Latin America and APAC show the highest intent to add to green bonds, high yield, and government debt, reflecting local priorities such as infrastructure investment, climate transition, and the need for higher yields in emerging markets.

ALTERNATIVE INVESTMENTS:

All private. All the time.

Given uncertainty about bonds and questions about equities, alternative investments are taking on greater dimensions in institutional allocation plans as institutions recalibrate for 2026.

Overall, 65% of those surveyed believe a portfolio composed of 60% stocks, 20% bonds, and 20% alternatives will outperform the traditional 60:40 stock and bond portfolio. The lion's share (78%) of their alternative allocation is dedicated to private investments, including:

- Private equity (31%)
- Private credit (17%)
- Real estate (16%)
- Infrastructure (14%)

It works out to an average mix of 86% public investments and 14% private.

Institutional alternative allocations globally

	Global	APAC	EMEA	UK	LaAm	NAm
Private equity	31%	27%	31%	28%	34%	33%
Private credit	17%	16%	17%	15%	14%	20%
Infrastructure	14%	18%	12%	20%	15%	11%
Real estate	16%	17%	17%	13%	16%	15%
Hedge funds	8%	6%	8%	9%	6%	9%
Options-based	4%	6%	4%	2%	5%	5%
Gold/Precious metals	4%	4%	5%	4%	3%	3%
Commodities	4%	5%	4%	5%	5%	3%
Crypto	2%	2%	2%	2%	2%	1%
Other	—	—	—	2%	—	—

Source: Natixis Institutional Outlook 2026

The biggest reason institutions are concentrating on private assets is the return potential, which 65% say is higher than public markets. Lower rates in public markets were another rationale for going private, but even with rate hikes producing more attractive yields, less than half (41%) say risk-free returns have them pulling back on private assets.

With so many investors chasing a limited number of deals, the biggest challenge may be overcrowding.

- 72% say they are stepping up due diligence because of concerns over deal quality.
- 59% are concerned that the increasing popularity of private is making it hard to find opportunities.
- 64% also worry that growing private investment increases portfolio risk in institutional portfolios.

Demand for private assets may be met in different ways.

- 68% of institutions say the growth in private credit and infrastructure debt offerings is expanding the investable universe.
- 67% anticipate that private debt issuance will accelerate in 2026.

Meanwhile, 70% of those surveyed say private equity secondaries not only offer liquidity but also show potential for attractive returns. Even still, almost half (49%) of those surveyed are turning to secondaries as an exit strategy.

In addition, 60% think a busier IPO market in 2026 would open the floodgates for private equity liquidity as investors can realize gains and recycle capital into new deals, fueling additional demand. But this may not always be the case, as loosening regulations make private markets more accessible, 69% think companies will be incentivized to stay private longer.

Tech, infrastructure, healthcare top private opportunities

Institutional investors project that information technology (49%) will outperform all other sectors in private markets. As with public markets, tech is a focal point of private investment plans, with 52% reporting that they are focused on AI-adjacent opportunities when it comes to new investment.

Infrastructure is another top private investment opportunity for 35%. The sector is at the nexus of three global megatrends that will shape the opportunity:

- Energy transition remains a priority as renewable energy, grid modernization, and electrification present significant investment opportunities in Europe, Asia, and Latin America.
- AI and cloud computing are driving demand for data centers, fiber networks, and power infrastructure.
- Supply chain resilience is another critical factor, as growing geopolitical tensions and reshoring efforts are driving demand for logistics hubs, ports, and transportation upgrades.

Healthcare (33%) rounds out the top three sector calls, driven by a powerful mix of demographics, innovation, and shifts in consumer preferences. A rapidly aging global population is increasing demand for specialized care, including private healthcare and long-term care. Similarly, advances in telemedicine and robotic surgery create additional investment opportunity.

Another reason for healthcare's high prospects is its traditional role as a defensive sector, something that could be helpful to those anticipating a market correction in 2026. For similar reasons, consumer discretionary (8%) and staples (7%) are counted as the least likely to outperform – a view that carries over to public markets as well.

How institutions are investing in private assets

Institutional investors are leveraging a wide range of deals to capitalize on private asset opportunities.

Private Equity: Most frequently, they are actively investing in infrastructure (52%), venture capital (45%), and fund of funds (43%). Growth capital (38%) and co-investment funds (35%) are receiving significant attention as well. Notable is the 34% who invest in secondaries, which many are finding provide attractive return potential as well as an exit strategy.

	Global	APAC	EMEA	UK	LaAm	NAm
Infrastructure	52%	52%	45%	55%	60%	66%
Venture capital	45%	45%	46%	32%	60%	44%
Fund-of-funds	43%	42%	45%	48%	43%	39%
Growth capital	38%	40%	31%	36%	57%	49%
Co-investment fund	35%	38%	32%	32%	43%	39%
Secondaries	34%	39%	30%	20%	30%	51%
Direct co-investment	32%	36%	29%	36%	33%	30%
Leveraged buyout	27%	24%	24%	30%	27%	39%
Mezzanine financing	17%	20%	17%	11%	20%	19%

Source: Natixis Institutional Outlook 2026

Private Credit: For the debt side of the portfolio, institutions most frequently turn to direct lending deals (50%). Mezzanine financing (37%), fund of funds (36%) and co-investment (34%) deals earn a significant share of investment. Like private equity, private institutions are also finding that secondaries (31%) fit in portfolio plans.

	Global	APAC	EMEA	UK	LaAm	NAm
Direct lending	50%	59%	41%	49%	53%	60%
Mezzanine	37%	31%	39%	29%	43%	38%
Fund-of-funds	36%	40%	37%	43%	47%	22%
Co-investment	34%	38%	29%	37%	60%	28%
Secondaries	31%	25%	34%	14%	53%	28%
Venture debt	29%	30%	30%	26%	43%	17%
Special situations	25%	35%	16%	31%	23%	35%
Distressed debt	22%	27%	13%	20%	30%	35%
Other	1%	1%	1%	—	—	3%

Source: Natixis Institutional Outlook 2026

CRYPTO:

Institutional appetite for crypto grows

As institutional investors turn to alternatives for diversification and return potential, many are willing to look further afield, leading many to reconsider cryptocurrencies in 2025. Just one year ago, 65% of institutions told us crypto was not a legitimate investment option for institutions; one year later almost half (49%) say it is.

Rising adoption and conviction

Institutional teams are putting money behind their conviction:

- 15% of institutions reported investing in crypto investments in 2022.
- 33% of institutions are invested in crypto in 2025.
- 41% of institutional investors personally invest in crypto.

Crypto investments currently represent 2% of all institutional assets. Those who have moved into crypto appear to be generally satisfied, as 94% say they will either maintain (58%) or increase (36%) their allocations.

Sustainability concerns and regulatory drivers

Sustainability issues may limit just how much gets allocated. The carbon footprint of mining crypto will hold back further institutional investment.

Many expect that recent developments in the US will propel crypto:

- 63% say more accommodating US cryptocurrency regulation will be a watershed for adoption, although sentiment in North America is more subdued (53%).
- 54% think opening retirement plan access will have a knock-on effect on cryptocurrency prices globally.

Broader market implications

Further out, 47% of institutional investors think increasing demand for stable coins could have an impact on government bond markets. However, both the US Treasury and the Bank of England have expressed caution, calling for robust regulation before stablecoins can be fully integrated into the financial system.

Given the speculative nature and history of price volatility for the asset, institutional investors have reservations about the general public, and 70% say cryptocurrencies are not appropriate for retail investors, which is only a slight decrease from the 73% who felt so in 2022.

Alternatives

Who will increase, where?	Global	APAC	EMEA	UK	LaAm	NAm
Real estate	27%	37%	21%	26%	57%	22%
Absolute return strategies	20%	19%	19%	27%	22%	21%
Private equity/Venture capital	39%	37%	40%	38%	60%	34%
Private debt	35%	36%	31%	39%	27%	45%
Commodities	18%	24%	19%	20%	19%	8%
Gold/Precious metals	26%	28%	28%	29%	27%	16%
Infrastructure	38%	43%	36%	35%	63%	31%
Hedge funds	19%	19%	19%	15%	28%	19%
Cryptocurrencies	36%	33%	35%	42%	32%	40%
Options-based strategies	17%	20%	14%	16%	16%	20%
Other	25%	100%	17%	—	—	33%

Source: Natixis Institutional Outlook 2026

Institutions are seeking higher return potential and diversification

Private equity (39% globally, 60% in Latin America) and private debt (35% globally, 45% in North America) are favored as alternatives that offer returns above public markets and help offset uncertainty in bonds and equities.

Regional priorities shape sector choices

Latin America shows the strongest intent to add to real estate (57%) and infrastructure (63%), driven by local development needs, while North America and the UK are more likely to increase exposure to private debt and cryptocurrencies, responding to market innovation and liquidity opportunities.

ESG/SUSTAINABLE INVESTMENTS:

Alpha, integration, and evolving strategies

As institutions look to enhance risk-adjusted returns, they are finding that environmental, social, and governance (ESG), and sustainable investments are positioned to help as 58% say there is alpha to be found in ESG investing. Sentiment shows that ESG/sustainable investments can be applied to both sides of the risk/return proposition:

- 63% say the economic risk of climate change, such as insurance costs, is underappreciated.
- 61% say long-term sustainability goals make infrastructure attractive right now.

Their efforts are not limited to specific ESG investments, but in many cases, it is embedded in their investment process, as half of institutions integrate ESG analysis alongside fundamental analysis in their investment decisions.

It appears to be helping, as among the 89% of institutions implementing ESG, 86% plan to increase (42%) or maintain their ESG investment in 2026.

Risk mitigation a primary objective

It's likely they will employ a range of objectives and strategies in these efforts.

Institutions allocate their ESG/sustainable investments to a range of objectives:

- **Responsible investments:** 42% of ESG assets are allocated toward systematically mitigate risky ESG practices and protecting value.
- **Sustainable investments:** 34% are allocated to specific environmental and social objectives alongside financial returns.
- **Impact investments:** 24% are allocated with the specific intention of generating positive, measurable social and/or environmental impact alongside a financial return.

Interest in impact investing is growing, as more than half (53%) say their institution is increasingly pursuing these investments. Measurement is a key driver, as 47% say their institutions are focused solely on the measurable aspects of ESG.

Strategy preferences and implementation

Integration tops strategy preferences, with 66% of investors saying it is an integral part of sound investing.

How institutions implement ESG/sustainable investing in their process:

- 51% deploy ESG integration by incorporating ESG considerations material to risk and return during investment analysis.
- 39% use a best-in-class approach that gives preference to those companies with better ESG records relative to their sector peers.
- 37% employ impact investments with the intention to generate and measure social and environmental benefits alongside financial return.
- 37% use active ownership to engage companies in a dialogue on key issues and exercise their ownership rights to effect change.
- 36% implement thematic strategies focusing on opportunities within social, industrial, and demographic trends.

Counter to outdated perceptions based on socially responsible investments, only 35% of institutions are using exclusionary screens to implement their ESG/sustainable investment strategy.

Who will increase, where?						
	Global	APAC	EMEA	UK	LaAm	NAm
ESG	42%	43%	44%	39%	77%	19%

Source: Natixis Institutional Outlook 2026

Active ownership focused on governance

While environmental and social considerations are still the top factor in active ownership, 61% report that their organization focused primarily on the environmental and governance aspects of ESG.

Where they focus active ownership objectives:

- 59% – climate change and environmental practices
- 43% – business ethics and transparency
- 26% – board structure and diversity
- 25% – diversity, equity, and inclusion
- 22% – employee health and safety
- 22% – supply chain management

Climate risk and portfolio management

Institutions are presented with a wide range of initiatives to mitigate climate change. Measuring their portfolios' carbon footprint is most frequently adopted, but institutions are introducing a range of activities to support ESG goals:

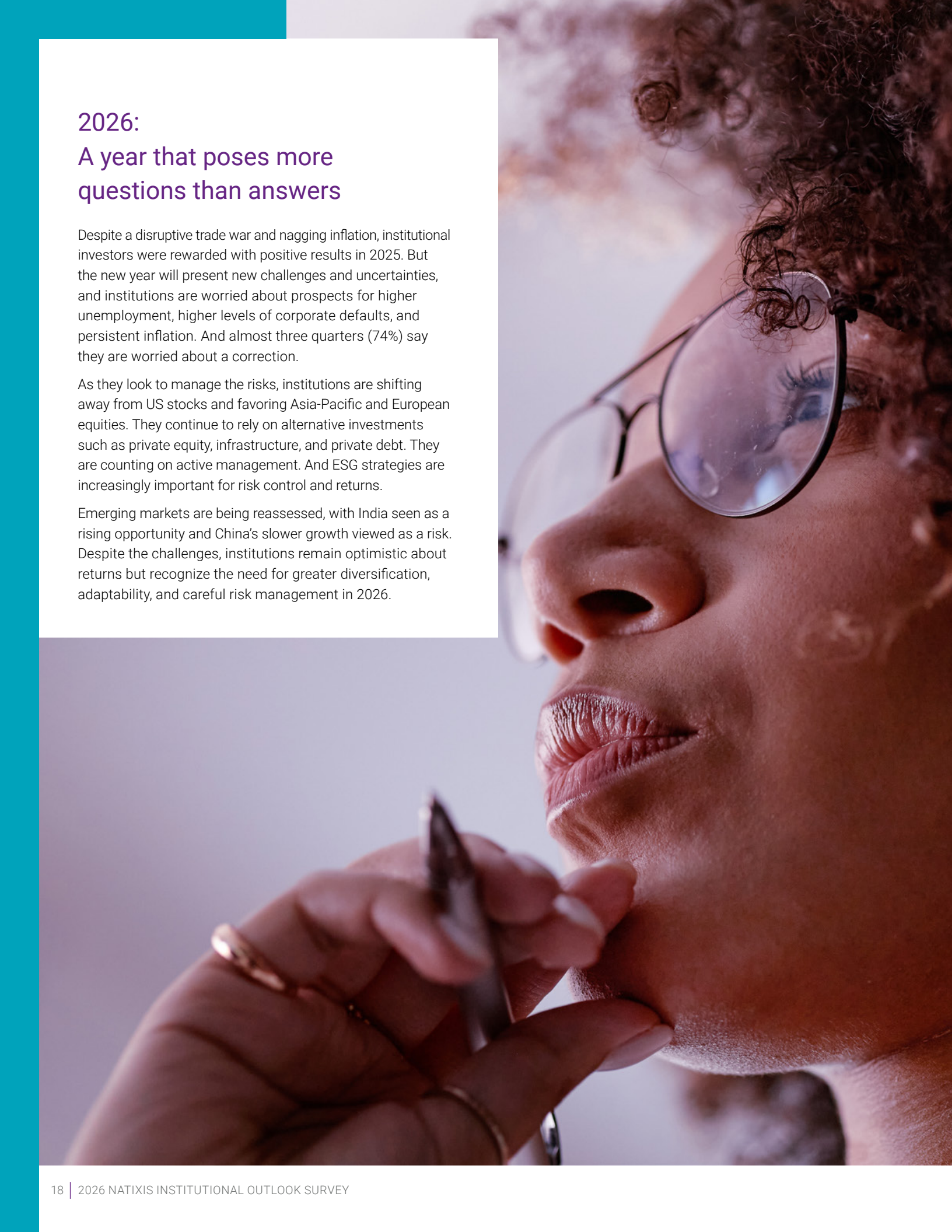
- 41% measure the carbon footprint of their portfolio.
- 38% are actively working to lower their portfolio footprint.
- 33% are actively moving to achieve net-zero portfolios in the future.
- 23% are measuring the temperature of their portfolio.

Investing now and in the future

From calls of greenwashing to outright skepticism to political backlash, ESG/sustainable investing has faced a number of challenges in recent years. But with time, the wrinkles are being ironed out, and institutional teams are finding a more positive investment environment:

- 68% say the move to standardization is making it easier to adopt ESG strategies.
- 44% say their institution is willing to pay a premium for assets with high ESG scores.
- 51% say ESG is still important to their investment process and strategy but have de-emphasized it publicly.





2026:

A year that poses more questions than answers

Despite a disruptive trade war and nagging inflation, institutional investors were rewarded with positive results in 2025. But the new year will present new challenges and uncertainties, and institutions are worried about prospects for higher unemployment, higher levels of corporate defaults, and persistent inflation. And almost three quarters (74%) say they are worried about a correction.

As they look to manage the risks, institutions are shifting away from US stocks and favoring Asia-Pacific and European equities. They continue to rely on alternative investments such as private equity, infrastructure, and private debt. They are counting on active management. And ESG strategies are increasingly important for risk control and returns.

Emerging markets are being reassessed, with India seen as a rising opportunity and China's slower growth viewed as a risk. Despite the challenges, institutions remain optimistic about returns but recognize the need for greater diversification, adaptability, and careful risk management in 2026.

About the Survey

Natixis Investment Managers, Global Survey of Institutional Investors conducted by CoreData Research in September and October 2025. Survey included 515 institutional investors in 29 countries throughout North America, Latin America, the United Kingdom, Continental Europe, Asia and the Middle East.

1. Bloomberg
2. Bloomberg
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