

NATIXIS
INVESTMENT MANAGERS

NATIXIS INSTITUTIONAL
OUTLOOK SURVEY 2027

Welcome to the machine

AI remains the throughline on growth despite weakening macro conditions

Foreword

Sometimes the outlook only sees so far

It's likely the November 5 tech sell-off in the Nasdaq has shaken up some 2027 institutional investment plans before the new year can even begin. Especially since 63% globally and 62% in North America told us that the US midterm election results will be insignificant to markets compared to US Fed policy.

Then, just two days after the Democrats won both the House and Senate, markets produced a dramatic sell-off in which the Nasdaq dropped 5.5% in one day, taking it 10% below its October high.

Tuesday's Blue-nami results put investors in a panic. With the Democrats in control, investors appear to be fearful over the future of AI regulation and more specifically data center development across the United States — two issues that most believe Democratic policymakers are likely to put on the agenda after the 120th Congress is sworn in this coming January.

In fact, 63% of institutions globally and 70% in the United States told us directly they are concerned that local pushback on data centers will threaten the broader AI buildout. But there has to be more to the sell-off than "not in my backyard" (NIMBY) concerns.

Potential policy responses were already expected

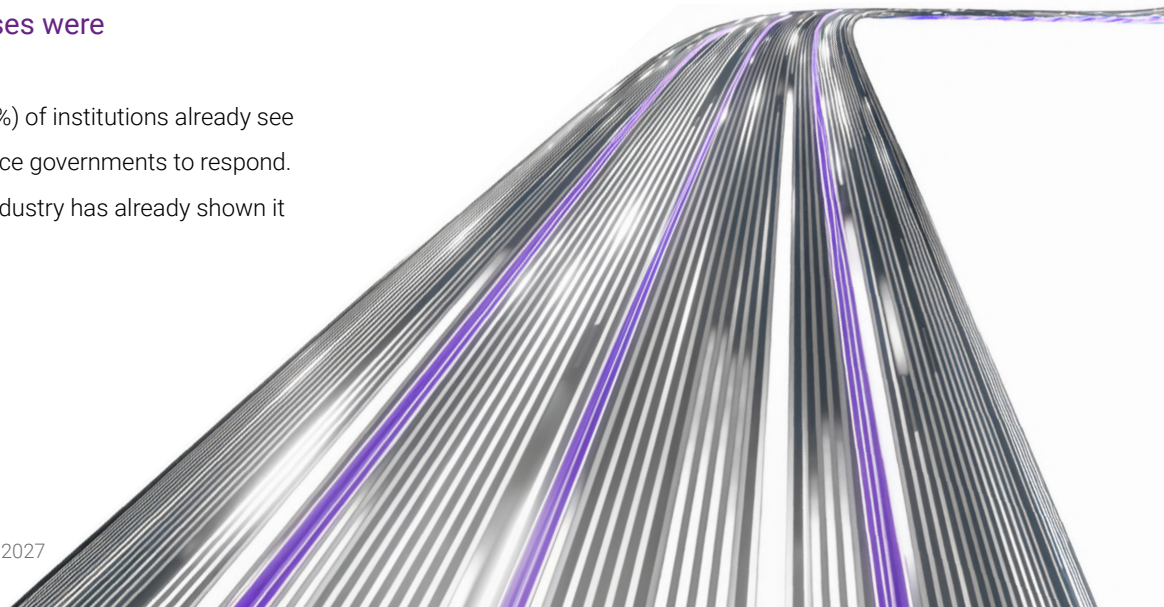
More than three-quarters (77%) of institutions already see that rising AI backlash will force governments to respond. And with 52% saying the AI industry has already shown it cannot contain the technology, it's no surprise that a majority of institutions (67%) already think AI regulation will add effective guardrails to prevent a worst-case scenario.

While the election was the catalyst for a sell-off, there is a complex set of concerns simmering underneath the surface: Sky-high valuations, enormous CapEx spending, and difficult financing conditions already have investors on edge.

Institutions know that even while the AI trade is robust, it can also be fragile. In fact, 71% think a slowdown in CapEx spending has the potential to upend economic growth, while 70% have it in the back of their minds that all the spending won't provide the productivity gains that are already priced in.

In the long run, it's likely that institutions see the sell-off as the market trying to reach equilibrium. Only 37% globally are looking at AI as a bubble. In fact, 80% think AI still has a long runway for growth. In terms of how long, two-thirds think AI will drive markets for the next two decades.

The volatility that 66% thought would come in 2027 arrived early, and they're prepared. From here, it will be interesting to see whether the 64% who think dip-buying retail investors will continue to serve as the shock absorber are right.



Welcome to the machine

Institutional investors are at the crossroad between unease and optimism as they set plans for 2027. The path forward is beset with a challenging mix of persistent inflation, mounting fiscal pressures, and the specter of geopolitical disruption.

But despite the weakening economic fundamentals, hopes for growth are buoyed by an AI cycle that holds the potential to reshape economies, markets, and investment opportunity around the world.

The Natixis 2027 Institutional Outlook finds that the optimism around AI is not fleeting. Among the 515 institutional decision-makers in 29 countries surveyed, two-thirds (67%) say that AI has the potential to drive markets for the next 20 years. But the conviction comes with a caveat — concentration risk. More than seven in ten (71%) institutions worry that a CapEx slowdown has the potential to upend economic growth in 2027.

Bulls tread carefully

They are bullish on both the stock market overall (73%) and more specifically, defense stocks (77%). However, they are less enthusiastic about the Mag 7 (56%). They are generally bullish on bonds (54%) but concerned about credit, as 51% warn that corporate defaults may be on the rise. Convictions on private assets remain high with 57% bullish on private debt and 59% bullish on private equity.

Economic challenges are wide and varied. Government debt and a potential fiscal crisis (45%) ranks as their top economic threat. The threat of geopolitical shock and greater geopolitical fragmentation (37%) cloud the outlook equally, while inflation (55%) and interest rates (49%) pose the biggest portfolio risks.

77%

are bullish on defense stocks



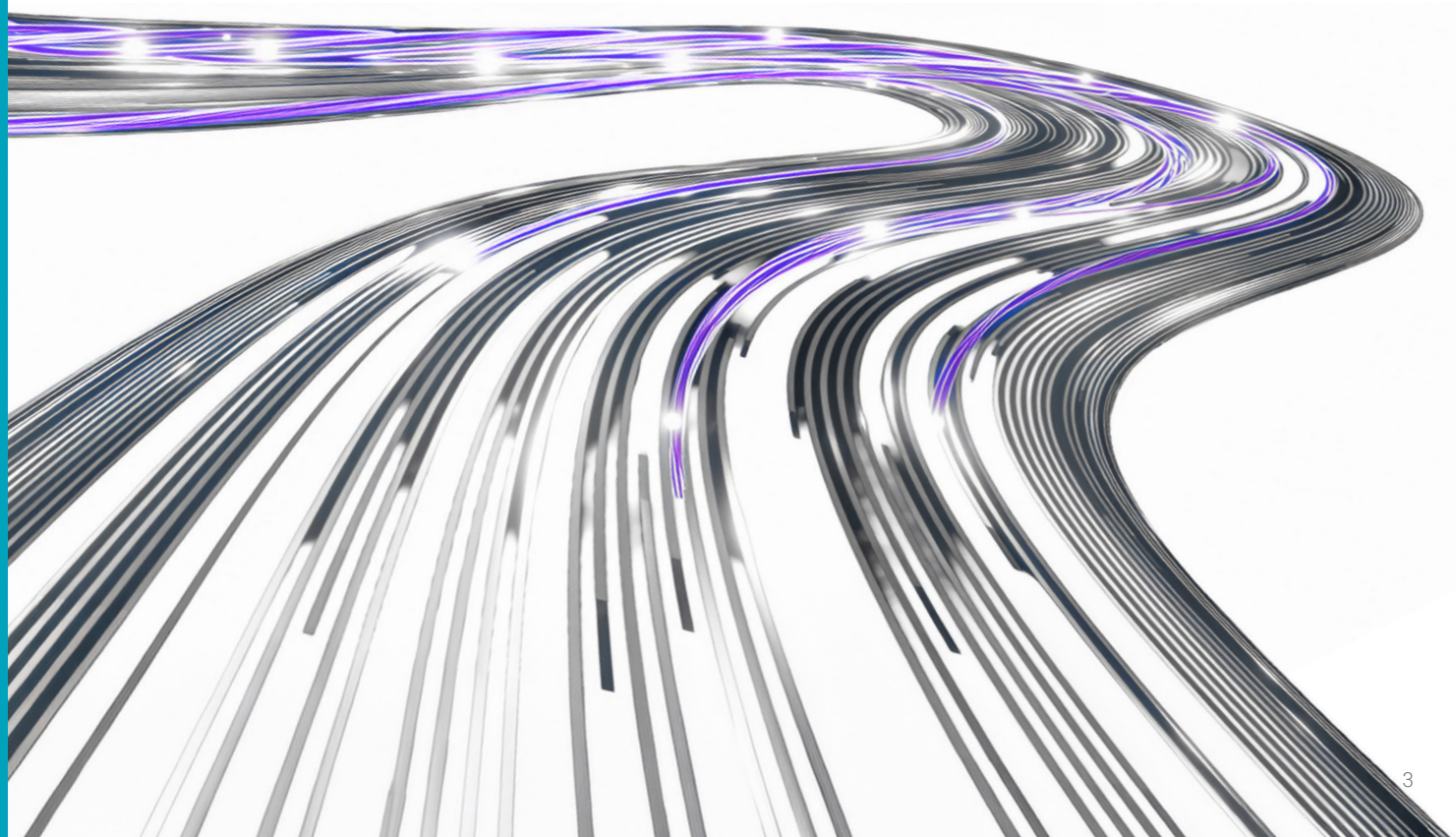
The result is an outlook that doesn't avoid risk, but favors a selective approach to taking risk, finding opportunity, and managing portfolios. Strategy for the years ahead is being shaped by three key considerations:

1. **Macroeconomic: Growth faces economic and geopolitical challenges.** AI continues to be the hero of the growth story as they rank information technology (61% outperform) as the best sector play. But even this call is more selective as almost half (49%) project that the Mag 7 will perform more like the Meh 7. Even local politics hold potential for disruption as 63% worry that local pushback on data centers threaten the AI buildout.

2. **Markets: Running bulls expect a bumpy ride.** Institutional investors may be bullish on stocks, but nearly two-thirds (66%) project greater volatility. Valuations (39%) and concentration risk (37%) are among their top portfolio concerns. While they are bullish on bonds and 58% expect long-duration to outperform, 41% expect bond volatility to rise. And a bullish outlook on private markets is tempered by the fear that a lackluster IPO market will slow the pipeline of companies going public (63%).

3. **Portfolio strategy: Selective risk-taking and an emphasis on alternative.** Allocations indicate many are adding broader geographic exposure to complement US holdings as they are most likely to add allocations to Asia-Pacific equities (48%) and emerging market equities (47%). Fixed-income allocations favor quality with 44% planning to add to investment-grade corporate bonds while least likely to add to high-yield bonds (24%). And they are most likely to add more infrastructure (56%) exposure to alternative sleeves.

Institutions are optimistic about what 2027 will bring, but the journey will be complicated by uncertainty on the economic front and increasing risk in markets. AI promises to be the hero in institutional plans, provided it can deliver tangible economic results.



Macro Outlook: Growth faces economic and geopolitical challenges

Institutional investors are counting on AI to be the hero of the growth story in 2027 as ever-increasingly sophisticated models create greater and greater demand for semiconductors and chips and the infrastructure buildout accelerates.

Even as AI makes the call to adventure, investors will be challenged by weakening economic conditions ranging from persistent inflation to higher levels of defaults, and an unsettled geopolitical landscape.

Inflation is a significant concern as the global disinflationary process underway for 36+ months was disrupted in 2026. Higher commodity prices, and energy costs in particular, drove inflation across the G20 from 3.4% in 2025 to 4.0% in 2026.[1] Institutional investors don't see relief for 2027, as 40% globally expect inflation to rise even further while 39% expect it to remain the same.

Rising price pressure

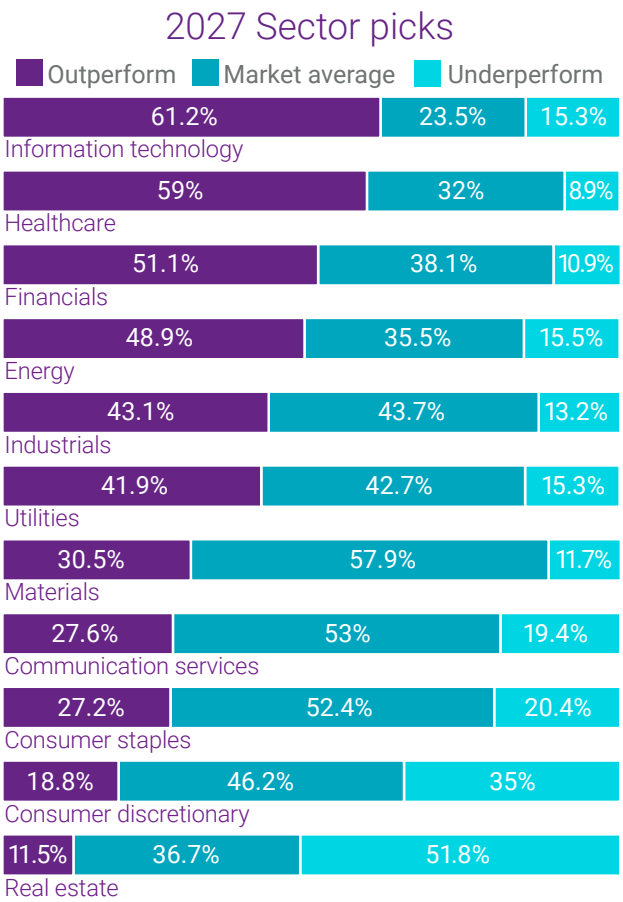
Price pressures are likely to extend beyond inflation standard measures as 49% of those surveyed expect energy prices to rise and 41% expect increased housing prices. Labor concerns add to the pressure as 44% project increased unemployment, including 56% in the UK and 48% in North America.

Those in the UK project the greatest unease on these issues as 62% expect higher inflation in 2027 and 56% forecast higher unemployment. The most positive outlook comes from Latin America where only 20% see inflation climbing and just 10% anticipate higher unemployment.

A question of credit

Many project worsening credit conditions as 51% of institutions globally expect corporate defaults to be on the rise — though the regional pattern is inverted as Latin America (60%) shows the greatest concerns on credit and the UK (40%) the least.

Even as 61% of institutions expect currency volatility to increase, there is no global consensus as the issues show dramatic regional differences: those in Latin America (73%) and APAC (70%) showing the greatest concern, and those in the UK (40%) and North America (48%) showing the least.



Globally, it is hardest to get a consensus view on interest rates: As 37% expect rates to rise, 32% expect rates to decline, and 31% see no change. Again, the regional view varies greatly as 48% in the UK expect higher rates, while 63% in Latin America forecast lower rates.

Despite weakening economic fundamentals, institutions are not projecting a broader economic downturn. Instead, they see reasons for growth as the AI Supercycle continues to drive markets and reshape the global economy.

AI economy drives opportunity

Technology is uniquely positioned to perform in 2027. Major capital spending continues to increase demand. From companies building the infrastructure to software and platform companies, investors can get broad exposure. The downside is that some grow weary of ever-expanding valuations. Although, Alphabet's recent 12% drop shows that investors may be equally concerned with ROI as valuations.

While sentiment on healthcare can certainly indicate a play on innovation like GLP-1 obesity drugs and gene therapy, institutions may also see a sector that's less economically sensitive thanks to demand for medical devices and healthcare services from rapidly aging populations.

Not counting on consumers

While consumer consumption has been a key growth engine in recent years, an unsettled economic picture is shifting to an economy driven by corporate CapEx spending. Faced with prospects for higher prices, higher interest rates, and potentially higher levels of unemployment, it's likely consumers will spend less and 35% expect consumer discretionary to underperform, while 20% anticipate under performance from consumer staples.

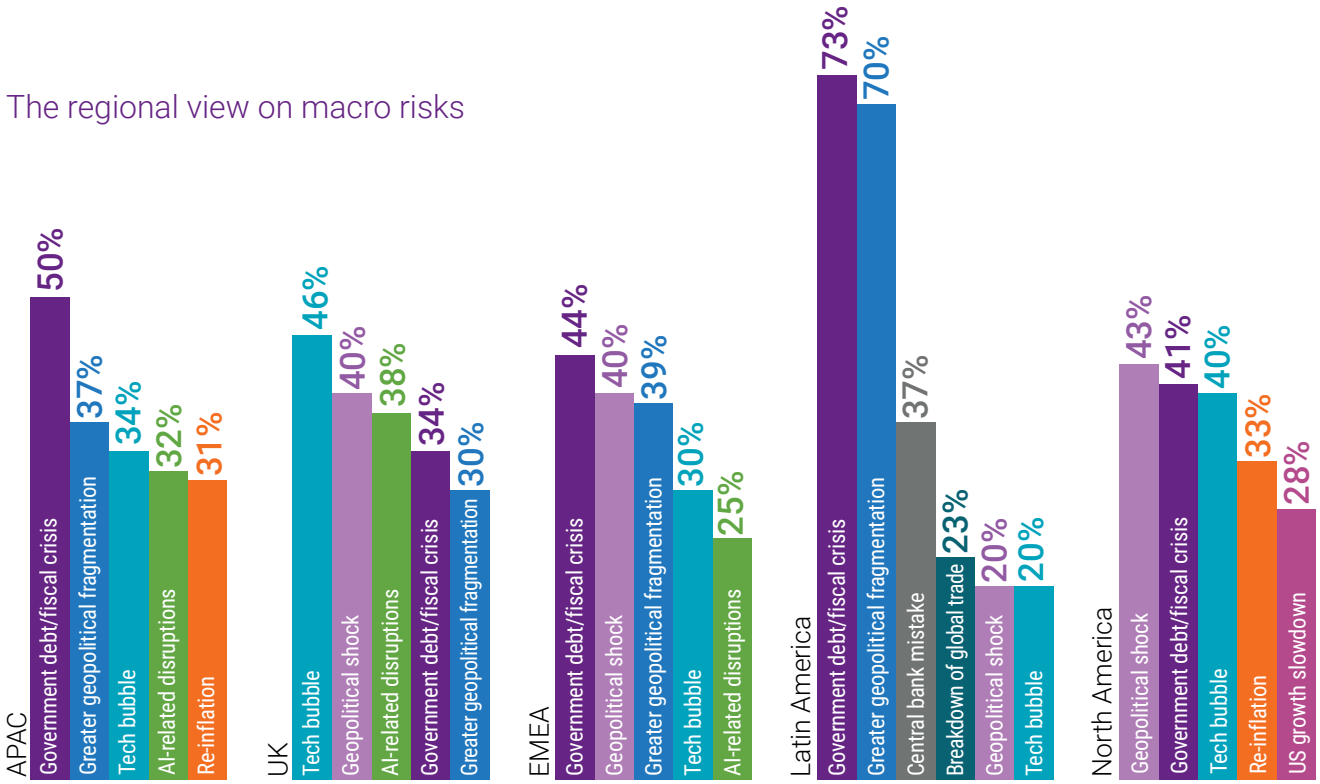
Rates minimize expectations for real estate

Persistent inflation and a higher-for-longer interest rates environment are making institutions less confident about the real estate sector, with 52% projecting it will underperform the market in 2027. One bright spot for real estate investors is nontraditional real estate, as 56% are bullish thanks to the AI buildout and demand for logistics centers.

Unsettled environment presents key threats

While the outlook for 2027 is generally pro-growth, institutional investors see a diverse range of threats including government debt, geopolitics, and AI that could upset economic assumptions.

The regional view on macro risks

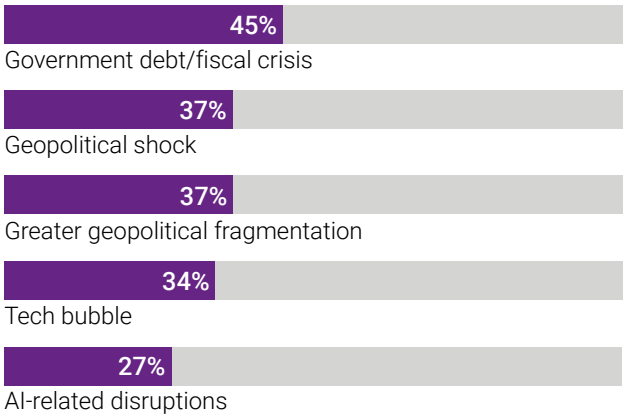


TOP ECONOMIC THREATS FOR 2027

The IOUs are coming due

Government debt and the potential for fiscal crisis top the list of economic threats in 2027. While the problem has been a long time coming, institutions are concerned that the issue may come to a head after government borrowing hit $17 trillion globally in 2025 and is anticipated to reach $18 trillion in 2026.[2] It's likely institutional concerns are raised for 2027. OECD reports that 80% of borrowing ($13.5 trillion) is taken just to refinance existing debt. Threat levels appear to be rising as governments roll massive levels of debt into today's higher interest rate environment.

Top economic threats



Unpredictability key to geopolitical concerns

Geopolitical shock (37%) and greater geopolitical fragmentation (37%) are second on their list of economic threats in 2027. After a year that started with the US action in Venezuela, soon followed by war with Iran, adding the risk presented by the unresolved Russia-Ukraine war, institutional investors are wary and concerned that more may be in store. They're just not sure where it will come from. But as seen with the impact of the Iran war on world oil supplies, they know the economic consequences can be swift and far reaching.

Much of their trepidation comes from the continued erosion of geopolitical norms (37%) in place for 80 years or more. Overall, 69% say a realignment of the global security order will force them to reevaluate their investment thesis for certain countries.

Trade and tariff policies add political concerns as trade gets shaped more by national security and industrial policies rather than open markets. Almost two-thirds (66%) believe the global economy is splitting into two spheres: East and West. In a related concern, 58% worry that tensions in the South China Sea will become a more immediate threat to markets in the next year.

Institutional investors anticipate even greater fragmentation on the horizon. More than six in ten (63%) believe that geopolitical conflict will ratchet up due to disputes over new frontiers like space and the Arctic. Meanwhile, the race to secure critical commodities needed for everything from defense and military systems to smartphones leads 68% of institutions to call rare earths security the new energy security.

Even national politics factor into this view as two-thirds (66%) are concerned that national politics thwart European unity rather than US foreign policy bringing Europe together. When it comes down to it, markets prefer predictability and the current political climate is anything but predictable. Nearly eight out of ten (78%) say political dysfunction in major markets is a growing threat to market stability.

AI presents both geopolitical and market risk

Artificial intelligence (AI) adds to the threat with 76% saying that it will open up a new avenue of geopolitical risks to investors. Beyond that, institutions see more reasons for concern about the macro risks presented by AI.

In fact, the technology that many expect to drive market performance is also driving threat levels higher. Overall, 34% are concerned that even as AI-related spending reached $1.5 trillion in 2025 alone,[3] tech stocks may still be approaching bubble status.

Some may rethink their opinion after witnessing the October 30 sell-off when skittish investors ran from tech stocks and wiped out $1 trillion in value in one day. It's likely the SaaSpocalypse is still fresh in mind and institutions are equally concerned about the impact of AI-related disruptions on the economy.

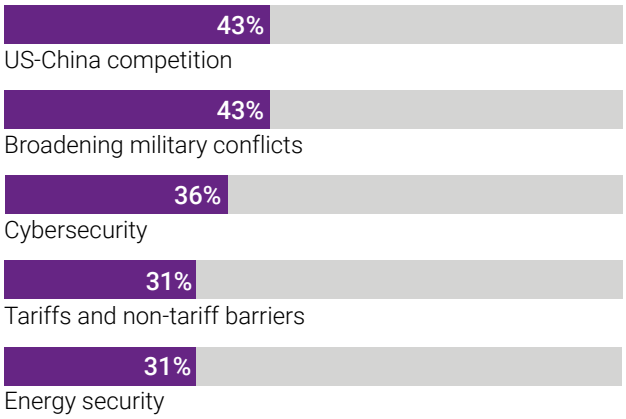
GEOPOLITICAL RISKS: TRADE WARS, HOT WARS, AND CYBER THREAT FACTORS INSIDE RISK FORECAST

Even as they worry about the deepening fragmentation of geopolitical norms, institutional investors put one geopolitical concern in line with prospects for military conflicts broadening (43%): the US and China rivalry (43%).

Institutional investors are long-term investors and recognize that war may be a critical event risk, but US-China competition represents a long-term structural risk that can undermine fundamental investment assumptions. That risk is playing out in real time. As the two economic superpowers vie for influence, two-thirds (66%) say the global economy is already splitting into two spheres of influence: East and West.

While they process the long-term pressures, institutions also know that the escalation of either the Russia war with Ukraine or the Iran war represents a risk here and now. In both cases, the potential for economic disruption is great, particularly around oil, which is why energy security (31%) also ranks among their top geopolitical risks.

Top geopolitical threats



The added risk of cybersecurity

Beyond war, institutional investors also see cybersecurity (36%) as a critical threat — one with clear financial consequences. Recent events show just how much is at stake. In one example alone, a suspected North Korean cybercrime unit netted more than $6 billion with a malware attack that is thought to have compromised the laptop of an engineer at Binance, the world's largest cryptocurrency exchange.

That's just one attack. Overall, cybercrime has grown from about $3 trillion in 2020 to $10 trillion in 2025. There is little sign of it abating as it's estimated that cybercrime losses will reach almost $14 trillion in 2028.[4]

Global trade presents additional risk

Institutional teams are also concerned about risks presented by trade policy with tariff and non-tariff barriers (31%). Like any long-term investors, institutions value stability. Tariffs and other trade barriers introduce two levels of instability: Geopolitically, they're a unilateral tool that deepens fragmentation and makes global trade rules unpredictable. Economically, tariffs also increase import costs and add to inflationary pressure, complicating the outlook for both interest rates and growth. Neither is helpful to formulating an investment strategy that spans decades.

Trade, tariffs, and protectionism

While US tariffs seem to take up much of the oxygen in the global trade discussion, protectionist trade policies are not the exclusive domain of the Trump administration. China, the EU, and India are all engaged in protectionist trade measures including industrial subsidies, export controls, and subsidized imports. Within this broader view, institutional investors see the potential for an impact on the global economy in 2027.

Tariffs are the most visible concern. While they are often framed as a game of geopolitical brinkmanship, just 27% of institutions think tariffs will actually deepen the wedge between rival economies. However, this low number doesn't reflect the realities of less developed export-dependent economies. In fact, 57% of those in Latin America and 34% in APAC are concerned that wedge will deepen.

Regardless of political impact, someone still has to pay the bill, and just one-quarter of institutions think companies will be forced to pass on the full impact of tariffs to consumers. However, in the United States, where companies are already absorbing 30% of tariff costs, 35% of institutions anticipate the costs will be passed to consumers in 2027.

In light of protectionist policies and geopolitical risk, many companies are onshoring competitive technologies like semiconductors. As a result, 66% of institutions say they have been forced to reevaluate investment strategy. Institutional investors see a specific downside to protectionist policies with AI, where 61% are worried the policies will impair the industry's growth potential.

A new chapter in the China growth story

World Bank estimates place economic growth in China at 4.4% in 2026 and 4.3% in 2027,[6] and 60% of institutions project that China will continue to struggle to recapture growth. Few see it as a cyclical shift as 75% of institutions say slow growth is the new normal for China.

As the economy shifts from the property-, infrastructure-, and debt-led model that propelled China for decades, few institutions think they've run out of tools. In fact, 77% say cheap AI will be China's greatest economic weapon, something 93% of those in Latin America agree with. But it appears the advantage is price, not technological superiority. Less than half (43%) think China will eclipse the US in AI technology.

China's $579 billion electric vehicle (EV) market could complement its AI potential. Analysts project a 9.2% growth rate over the next five years, taking the market value to almost $900 billion by 2031.[7] Growth seems relatively assured as only 24% project that protectionist trade policies will crash the Chinese EV market.

Institutions are not all-in on the new China story. Two-thirds say China's geopolitical ambitions lessen its investment appeal — though few (29%) are actively divesting. In fact, 45% say China investments provide a hedge on global markets within portfolios.

Emerging markets

The bid for capturing AI growth is shining a new light on emerging markets with 47% of institutions planning to up allocations to emerging market equities. In fact, 63% overall and 72% in APAC point to dollar weakness as fueling the best emerging market (EM) opportunity in years.

2026 Emerging markets

Market	Global	APAC	UK	EME	LaAm	NAm
Asia (ex China/India) specific emerging equities	50%	72%	36%	50%	70%	27%
India-specific emerging equities	48%	51%	34%	51%	73%	35%
Latin America-specific emerging equities	30%	22%	24%	30%	87%	27%
China-specific emerging equities	23%	30%	34%	21%	13%	16%
Eastern Europe-specific emerging equities	20%	10%	26%	26%	13%	16%
Africa-specific emerging equities	15%	7%	14%	20%	10%	13%
I only invest in broad emerging-market equities	16%	10%	18%	15%	—	31%

In terms of the opportunity, most see the greatest return potential in Asia ex-China markets. It's likely they are seeing continued opportunity in the semiconductor-heavy markets. But it's clear that China is not part of the plan.

In fact, 64% of institutional investors worry that emerging markets are overly dependent on China, and 59% think China's economic malaise will hold back emerging market growth. The shadow may be fading though as 51% project that India will become the top EM for investment, which is reflected in their calls on market performance. Latin America is also getting a positive view as 58% say changing government/political leadership across the region represents a turning point for investment.

Also on the downside, 59% worry that persistent inflation will hinder EM investment, while 71% globally and 93% in Latin America are concerned that uncertainty around trade policy makes it difficult to set EM strategy.

AI: The red thread in the outlook

AI is the red thread connecting the 2027 macro outlook. For many institutional investors, it will continue to be a defining factor as 80% say AI still has a long runway for growth. Two-thirds of institutional investors believe AI will drive market growth for the next two decades, something 77% in Latin America agree with.

While many are anticipating the technology will produce massive productivity gains, 63% see the recent gains in Asian markets as proof that the chip stocks are the real stars of the AI trade.

With AI CapEx at Alphabet, Amazon, Meta, and Microsoft alone projected to reach $760 billion in 2026,[8] 63% of institutions project continued spending to drive growth in 2027. They also anticipate a clear payoff as 69% expect AI productivity gains to show up in market growth. Another 56% believe the gains will show up across industries rather than remaining concentrated: 82% believe growth in AI globally will open up even more investment opportunities.

The downside of AI

Confidence in an immediate productivity payoff in 2027 may be more fragile than the numbers indicate. Underneath the enthusiasm, 70% worry that AI won't provide all the productivity gains currently priced in. Should companies not find anticipated payoffs and decelerate AI investments, institutions warn that the effects could have dire consequences since 71% believe a slowdown in CapEx spending has the potential to upend economic growth. This is a sentiment shared by 84% of those in APAC.

NIMBY and the risk of regulation

AI companies are facing a wave of social protest as massive power and water consumption is being met with "not in my backyard" (NIMBY) in local communities. The protests are local, but the impact could be global as 63% worry that local pushback on data centers will threaten the AI buildout, and 77% believe rising AI backlash will force governments to respond.

Institutional investors see a degree of security risk in the race to implement AI globally. More than half (52%) say the AI industry has already shown that it cannot contain its technology, but only 35% think that risks posed by AI are greater than the investment opportunity.

67%

believe AI will drive market growth for the next 20 years



Regulation may have some key social benefits as two-thirds (67%) believe greater AI regulation will add effective guard-rails to prevent a worst-case scenario. But it may come at a strategic cost: Almost half (48%) are concerned that stronger regulatory regimes will mean China takes the lead on AI development.

Concentration risk and the Meh 7

On the investment side, most are concerned with concentration risk in AI. Rapid development of ever stronger models is a key reason for the concern, as 73% worry that a significant new AI technology development could bring concentration risk to the forefront of equity markets.

The Magnificent 7, or Mag 7, stocks provide a clear picture on concentration risk. Once the dominant block of stocks in the S&P 500®, the companies are now underperforming the index. Most institutions anticipate continued underperformance as investors go deeper down in the AI value chain. Almost half (49%) say the Mag 7 will perform more like the Meh 7 in 2027, while 61% warn that investors will learn hard lessons about concentration risk if these stocks continue to lag.

49%

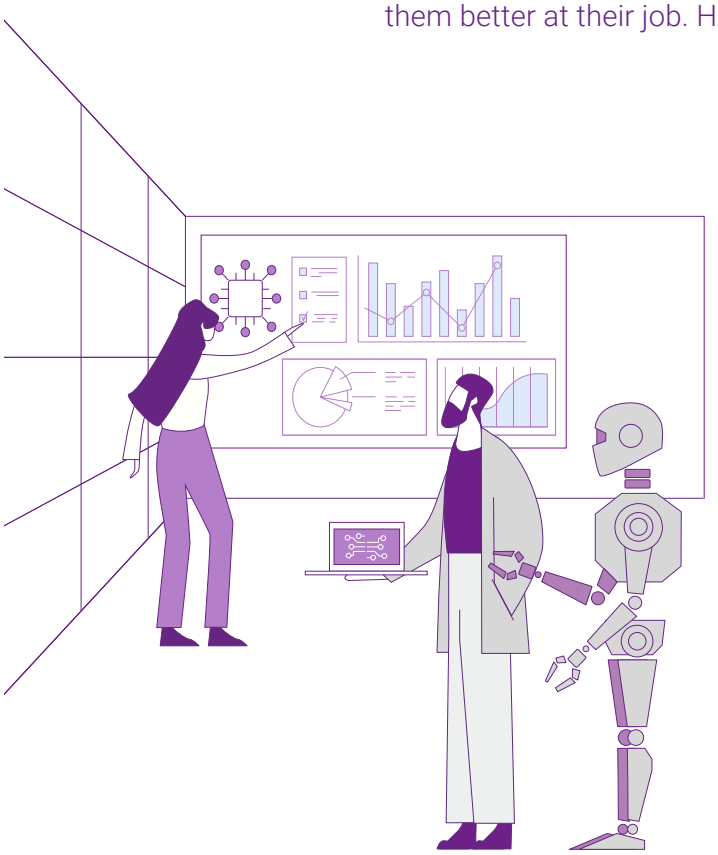
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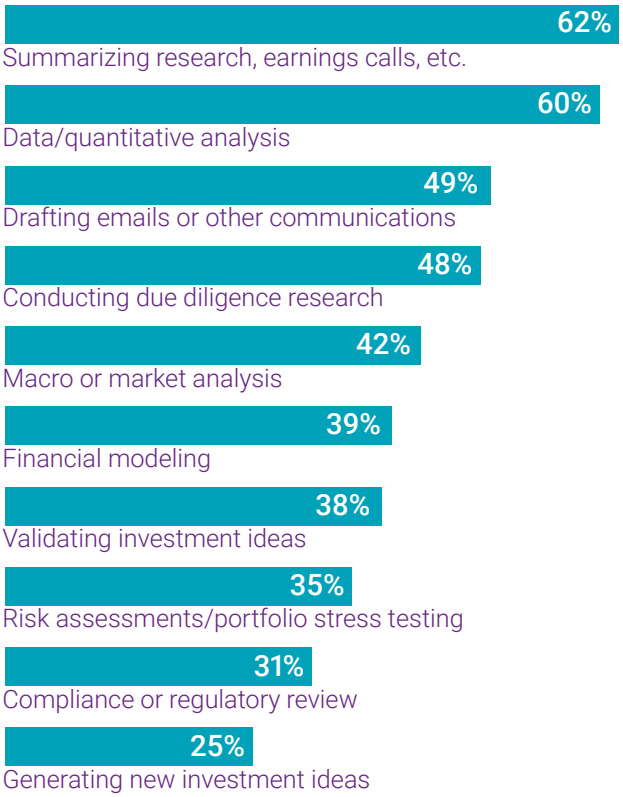
Employment, replacement and the economic risks

The effects of AI adoption are being felt across the economy as AI efficiencies are resulting in employment patterns. Seventy-five percent warn that replacing junior roles is disrupting the talent pipeline. Almost half (49%) believe that AI-driven layoffs will force them to rethink how they define recession.

AI on the job

Investment teams have been quick to adopt AI, and **98%** of institutional investors say they are using it in their job—**78%** say AI has actually made them better at their job. Here's how it's deployed:





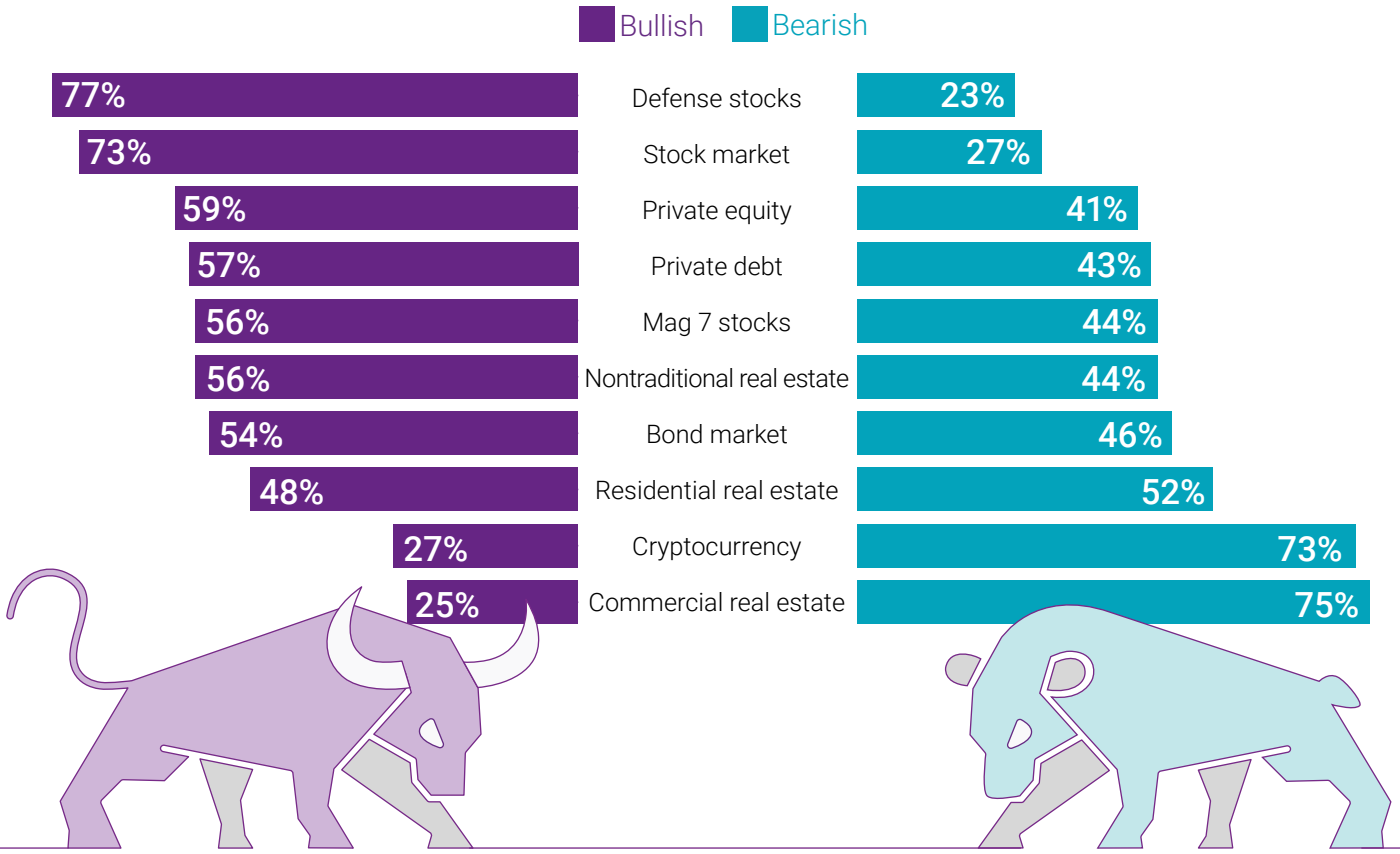
Market Outlook: Running bulls expect a bumpy ride

Institutional investors are broadly bullish on markets in 2027, but they're hardly relaxed. Overall, 73% are bullish on the stock market, but considering long-term geopolitical risks, they are most bullish on defense stocks (77%). Although, even as they anticipate a positive run, 72% anticipate it will bring increased volatility.

Despite their concerns about lackluster performance for the Mag 7, 56% of institutions remain bullish on the mega-cap tech companies. Investment teams are also net bullish on private equity (59%), private debt (57%), nontraditional real estate (56%), and the bond market (54%).

They are less enthusiastic about traditional residential and commercial real estate with 52% bearish on residential and 75% bearish on commercial sectors. The call is, in part, a reflection of their views on AI as a growth driver for 2027 as data centers are one of the key factors in the sector. Cryptocurrency is another concern as 73% are bearish on the asset class.

Where the best opportunities lie



Stocks still get the vote

For all the uncertainty surrounding markets in 2027, institutional investors have not lost their appetite for equities. Nearly three-quarters (73%) are bullish on stocks globally. Optimism is strongest in Latin America (87%), where long-term growth expectations and relatively attractive valuations give investors more room to be optimistic about equities.

Optimism prevails in APAC (78%) and EMEA (75%) as well, reflecting the potential upside of China stabilization and continued market strength in Japan and other markets for Asian investors. Those in Europe may see improving economic conditions and the potential for lower rates as a catalyst for markets.

Sentiment is more restrained in North America (65%), where valuations and market concertation leave little room for error, and the UK (60%), where domestic growth is more subdued and the market has struggled to generate earnings on par with the US and Asia. Even with these moderate reservations, a clear majority in every region still sees opportunity in equities.

Volatility may create opportunity

Positive sentiment does not translate into expectations for a smooth market. Two-thirds (66%) expect equity volatility to rise, including 73% in Latin America, 71% in APAC, and 69% in EMEA. North America is the least concerned at 55%. But institutions do not necessarily expect that turbulence to develop into a severe selloff.

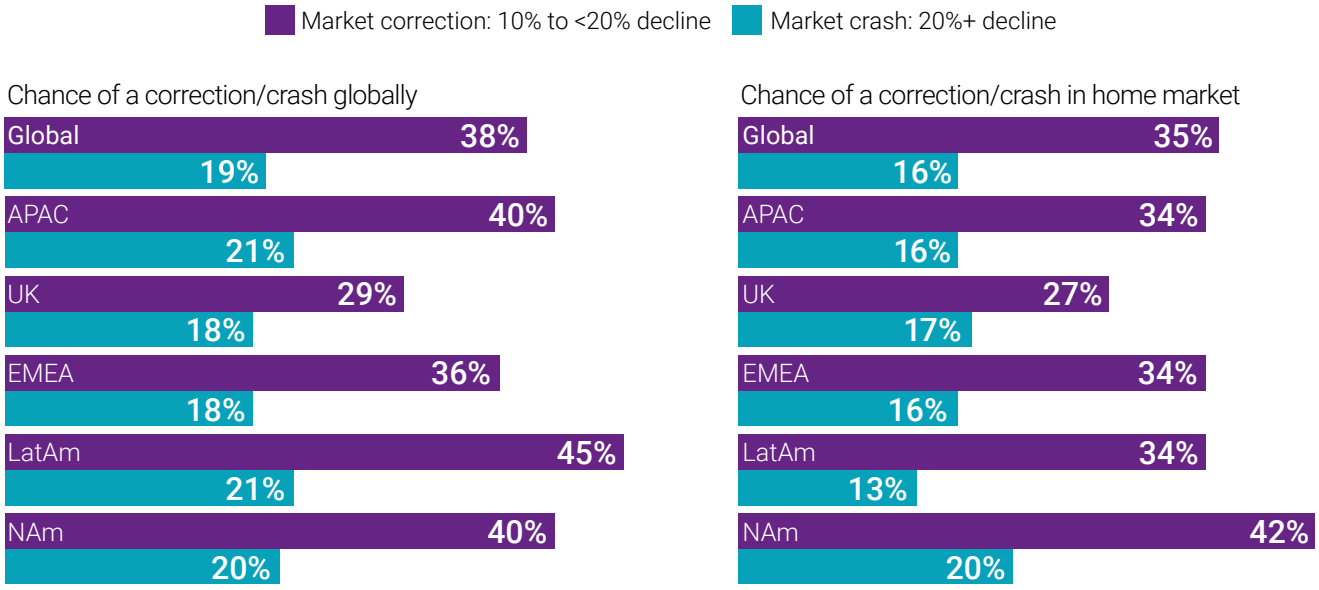
Institutional investors globally put the average probability of a global correction of 10% to less than 20% at 38% — meaningful odds but still comfortably below 50/50. The probability of a global crash of 20% or more is considerably lower at 19%. Odds for a market event remain within a similar range for home markets as well.

Greater separation between winners and losers

More than half (54%) expect dispersion of returns to increase as well, suggesting that volatility may be driven as much by diverging company results as broad market declines. Those in Latin America (83%) were most likely to call for higher dispersion, followed by APAC (59%) and EMEA (57%). North America is the outlier at just 36%, while the UK comes in at 42%.

Correlation presents a less dramatic picture as only 27% expect it to rise, while 44% see no change and 30% expect it to decline. Together, the results point to a market where stocks are less likely to move as a single block and individual company results matter more.

Odds of a correction or crash in 2027



NO SINGLE PLAYBOOK FOR EQUITIES

Given the dominance of large tech and AI companies in broader macro/market discussion, it's no surprise that 59% expect large caps to outperform small caps. But it is not insignificant that 41% project small caps to come out. It's likely this, too, has an AI angle as investors begin to look more closely at the second-order players such as software companies, power and cooling providers, and automation specialists.

Style sentiment offers little consensus as growth and value are split evenly at 50% each, something that is a direct reflection of broader equity outlook. Institutions may be bullish, but expectations for higher volatility and greater dispersion suggest they do not expect the market to hand investors an easy trade.

DEFENSE SPENDING CREATES ANOTHER EQUITY OPPORTUNITY

While much of the equity discussion is focused on AI, defense stocks offer another important source of potential equity growth. Almost three-quarters of institutions (73%) believe increased defense spending will buoy growth across developed markets. The view from EMEA (73%) is particularly interesting as much of Europe finds itself in a significant defense-spending cycle, giving institutions greater visibility into the economic impact of procurement and manufacturing capacity.

The implications reach well beyond traditional defense contractors. Higher spending may support aerospace, industrials, cybersecurity, and infrastructure, broadening the range of companies positioned to benefit from government defense budgets. The opportunity extends into private markets as well, where 75% believe escalating defense spending will open new investment opportunities.



FIXED INCOME

Bonds still have a place

Even with an inflation and rates picture that projects higher for longer, 54% of institutions are bullish on bonds. But regional conviction varies greatly. Latin America (77%) is the most bullish, which is likely the result of moderating inflation and comparatively high nominal yields. APAC (63%) follows, reflecting a more varied monetary-policy cycle and different inflation dynamics than the US.

EMEA (57%) is closer to the global average as weaker growth and the potential for further easing could provide support for fixed income. The UK (44%) is more cautious, while just 35% are bullish in North America, reflecting greater uncertainty over sticky inflation, fiscal pressures, and how much room the Fed ultimately has to cut.

Duration is in play

Globally, 58% expect long duration to outperform short duration, while 52% say they are lengthening bond duration. APAC shows the strongest conviction in long duration at 64%, with Latin America at 63%, consistent with regions where they may see potential for easing to provide a tailwind. EMEA (59%) and the UK (54%) are closer to the global average. Sentiment in North America is divided, on long duration (52%) or short (48%), suggesting those institutions are much less willing to make a straightforward "rates down, bonds up" bet.

Higher yields come with higher risk

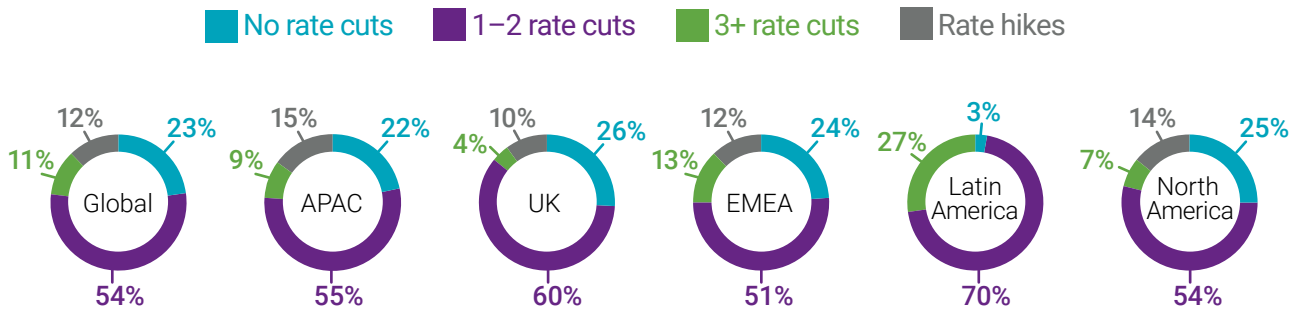
Bond calls are no sure thing, and institutions point out that the risks can be significant. Globally, 41% expect bond volatility to rise, while 51% expect corporate defaults to increase. That makes fixed-income decisions more complicated than simply extending duration. Higher starting yields provide income and some cushion, but persistent inflation, rate volatility, and pressure on weaker borrowers put a premium on credit selection.

Rate cuts are coming, but institutions aren't counting on many

Bond decisions ultimately come back to inflation and monetary policy. Overall, 54% of institutional investors expect just one or two rate cuts in their local market in 2027, while 23% expect none and only 11% expect three or more.

It is interesting to note that the rate path works both ways. With expectations for reinflation factored into the outlook, only 12% anticipate rate hikes. Sticky inflation complicates the policy picture, especially in North America where the bond outlook appears less dependent on a dramatic fall in rates than on capturing attractive yields while selectively positioning for eventual easing.

Rate outlook for local region



ALTERNATIVES

Private markets carry alternative allocations

Elevated valuations, concentrated equity markets, and persistent uncertainty are giving institutions more reason to look beyond traditional stocks and bonds for returns. In 2027, institutions project that an alternatives-diversified 60:20:20 portfolio will outperform the traditional 60:40 model. And an ever-growing share of that 20% alternatives sleeve is going to private investments. Taken together, private equity, private debt, and infrastructure currently account for 64% of institutional alternatives allocations, with projections rising slightly to nearly 67% in 2027.

Bullish on private markets

The appeal starts with returns and a growing opportunity set. Seven in ten institutions (70%) say private markets continue to offer greater return potential than public markets, while expanding private credit and infrastructure debt markets are creating more opportunities for investment. That confidence shows up in their 2027 outlook. Institutions are bullish on private equity (59%), private debt (57%), and nontraditional real estate (56%).

Enthusiasm comes as the opportunity set in private markets expands, with improving exit prospects, growth in private credit, and significant new capital requirements for infrastructure. The strongest conviction comes from Latin America, where 80% are bullish on private equity, 83% on private debt, and 90% on nontraditional real estate. APAC shows similarly broad enthusiasm. But by contrast, North America's more restrained outlook suggests a mature private market where valuations, competition for deals, and selectivity may matter more.

The return case for private

The case for private markets starts with returns. Seven in ten (70%) believe return potential in private markets continues to be higher than in public markets. At the same time, institutions see the investable universe becoming broader.

Three-quarters of institutions (75%) say growth in private credit and infrastructure debt offerings is expanding their investable universe, rising to 88% in the UK, 80% in Latin America, and 79% in APAC. And they look for the expansion to continue as 65% expect private debt issuance to accelerate in 2027, led by Latin America at 80%.

That expansion is important given the role private assets already play in alternatives. Institutions are not simply allocating more to a static universe. Private credit, infrastructure debt, and other new sources of financing are giving them more places to put that capital to work.

More capital, more competition

Growth also creates challenges. Sixty-five percent globally say the increased popularity of private equity is making it hard to find investment opportunities — a concern is most pronounced in Latin America (77%), APAC (69%), and EMEA (69%), the same regions where institutions also express some of the strongest conviction in private markets.

This presents a significant challenge. Institutions continue to see greater return potential in private markets, while greater demand for those same assets is increasing competition

Private asset sector preferences

Sector	Global	APAC	UK	EMEA	LaAm	NAm
Infrastructure	51%	56%	40%	54%	60%	42%
Healthcare	49%	52%	48%	52%	57%	33%
Information technology	48%	51%	43%	47%	60%	47%
Energy	28%	16%	40%	29%	17%	37%
Industrials	22%	22%	23%	17%	43%	24%
Financials	14%	13%	18%	13%	20%	15%
Utilities	14%	14%	23%	13%	7%	12%
Materials	11%	10%	13%	10%	7%	17%
Communication services	10%	15%	10%	9%	3%	9%
Real estate	9%	6%	15%	9%	3%	9%
Consumer discretionary	8%	9%	5%	10%	3%	3%
Consumer staples	7%	5%	5%	8%	7%	6%

for opportunities. At the same time, the expanding private debt and infrastructure debt markets are giving investment teams a broader opportunity set beyond traditional private equity.

Like public markets, technology and healthcare feature prominently in sector calls for private assets; although, in this case, infrastructure (51%) tops the outlook for 2027, reflecting the different role private capital can play. Large, long-duration projects require substantial capital commitments, making infrastructure particularly well-suited to private investment.

Regional views on private asset performance vary widely

The global average, however, does not tell the whole story as regional views on private asset performance vary widely. Institutions in Latin America show the strongest conviction in infrastructure and IT at 60% each. APAC also leans heavily toward infrastructure (56%) but places healthcare (52%) along the same lines as IT (51%). EMEA largely mirrors the global ranking, led by infrastructure (54%) and healthcare (52%). North America stands apart, with lower conviction in the three global leaders and greater emphasis on energy at 37%.

A changing liquidity equation

Secondaries are becoming a more important part of the private-market landscape. More than three-quarters (76%) say private equity secondaries offer the potential for attractive returns, rather than simply providing a source of liquidity. But liquidity remains part of the equation, with 48% saying they are turning to secondaries as an exit strategy.

Institutions are also looking for greater flexibility in how they hold private assets. More than half (51%) have moved or intend to move toward more liquid or semi-liquid product structures, led by Latin America (77%), APAC (58%), and EMEA (54%). Adoption is notably lower in North America (37%) and the UK (35%).

Technology could eventually play a role in broadening access as well. Half (50%) believe tokenization has significant potential to increase access to private markets, including 70% in Latin America and 58% in APAC.

Institutions also see the potential for improvement in traditional exit channels. Nearly two-thirds (65%) believe a busier IPO market will open the floodgates for private equity liquidity, including 80% in Latin America and 70% in APAC, compared with 48% in North America.

Combined, secondaries, liquid structures, tokenization, and a potentially stronger IPO market point to multiple ways the longstanding liquidity constraints around private assets could begin to ease.

Greater opportunity, greater scrutiny

The regulatory environment could further expand private markets. Nearly three-quarters (73%) believe regulatory loosening around private-market access will incentivize more companies to stay private longer. Institutions, however, are not responding to the expanding opportunity set by lowering their standards. More than three-quarters (78%) say concerns about deal quality have led them to increase scrutiny and due diligence on private assets.

It all makes selectivity an increasingly important part of private investment. More companies staying private, greater issuance, and new investment vehicles can expand the universe. But greater competition for assets and concerns over deal quality are putting more pressure on investment teams to distinguish among those opportunities.



Infrastructure on the rise

Infrastructure stands out within the private-market opportunity set. More than half (56%) of institutions plan to increase allocations in 2027, with the asset class's share of the alternatives sleeve projected to rise from 15.6% to 17.5%.

The potential opportunity is broadening thanks to some of the biggest investment themes institutions see ahead. Three-quarters (75%) believe escalating defense spending will create new private market opportunities, while 54% are focused on AI-adjacent opportunities when making new private investments. That provides the bridge into the deeper private-market discussion: not simply whether institutions want more private assets, but where they see the opportunities and how they plan to access them.

AI buildout creates new real estate opportunities

The physical buildout behind AI is creating new opportunities in nontraditional real estate. More than half (56%) of institutions are bullish on the asset class in 2027, with conviction particularly strong in Latin America (90%) and APAC (63%).

75%

think escalating defense spending will create new private investment opportunities

Data centers are the clear favorite. Two-thirds (67%) identify them as a top opportunity, ranking first in every region and reaching 77% in Latin America, 73% in APAC, and 71% in the UK. Demand for computing capacity is translating the AI investment cycle into demand for the physical assets needed to support it, from data centers themselves to the power and infrastructure that keep them running.

Other structural trends broaden the opportunity beyond technology. Half (50%) see opportunity in senior housing, followed by life sciences (28%), essential/affordable housing (26%), and medical offices (23%).

Skeptical on crypto, but still adding

Institutions may not be bullish on crypto in 2027, but that isn't stopping some from adding exposure. Globally, 30% plan to increase cryptocurrency allocations compared with just 13% who plan to decrease them. EMEA shows the strongest momentum, with 41% increasing allocations and 13% decreasing, while North America is also net positive at 19% versus 3%. Latin America moves sharply in the opposite direction, with just 9% increasing and 36% decreasing, despite expressing some of the strongest support for crypto as a legitimate institutional investment.

Despite the calls, reservations run deep. Just 46% consider cryptocurrency a legitimate institutional investment, and only 24% say their institution currently invests in it. Meanwhile, 79% say cryptocurrencies are inappropriate for most retail investors, 65% say AI hype has distracted from the case for crypto, and 55% believe the unwinding of crypto treasury funds could deliver a major shock to prices. The result is an unusual combination for 2027: limited enthusiasm and substantial skepticism, but a willingness among some institutions to increase exposure anyway.



Portfolio Strategy: Selective risk-taking and an emphasis on alternatives

Projected institutional allocation moves suggest a selective risk-on posture for 2027. Within equities, they show a clear preference for international as they look to increase exposures to Asia-Pacific (48%), emerging markets (47%), and Europe (41%). Interest in US equities are more muted with just 33% looking to increase their holdings.

Fixed income moves indicate a preference for quality over additional credit risk. Overall, 44% plan to increase investments in investment-grade corporate debt and green bonds. While plans to increase emerging-market debt suggest some appetite for risk, 51% are content to maintain their high-yield exposures.

Alternatives continue to play a crucial role in portfolios as 72% of institutions project the 60:20:20 alts diversified portfolio to outperform the traditional 60:40 strategy. The alternatives sleeve is also where the strongest moves come into play. Institutions continue to emphasize private markets as 56% plan to add to infrastructure investments, 51% will add to private debt, and 49% will up private equity/venture capital. Meanwhile, institutions are more likely to be reducing cash positions (30%) than increasing (11%). The overall pattern shows cash coming off the sidelines, increased exposures to non-US equities, and a deeper push into private assets. Risk-taking with equities is being countered with a risk-conscious fixed-income focus that emphasizes investment-grade bonds. It all adds up to a measured reach for enhanced returns.

2026 Portfolio Strategies

Asset class	Increase	No Change	Decrease
Equities			
US equities	↑33%	39%	↓28%
European equities	↑41%	42%	↓17%
Asia-Pacific equities	↑48%	41%	↓11%
Latin American equities	↑20%	63%	↓17%
Emerging-market equities	↑47%	42%	↓11%
Fixed income			
Government related	↑29%	44%	↓27%
Securitized debt	↑27%	62%	↓11%
Investment-grade corporate debt	↑44%	43%	↓13%
High-yield corporate debt	↑24%	51%	↓25%
Emerging-market debt	↑32%	51%	↓17%
Green bonds	↑44%	46%	↓10%
Alternative assets and cash			
Real estate/REITs	↑16%	46%	↓38%
Absolute-return strategies	↑22%	68%	↓10%
Private equity/venture capital	↑49%	40%	↓11%
Private debt	↑51%	39%	↓10%
Commodities	↑23%	73%	↓4%
Gold/precious metals	↑27%	63%	↓10%
Infrastructure	↑56%	39%	↓5%
Hedge funds	↑17%	50%	↓33%
Cryptocurrencies	↑30%	57%	↓13%
Options-based strategies	↑19%	75%	↓6%
Cash	↑11%	59%	↓30%

EQUITIES

Projected movement within equity portfolios looks less like "more stock" and more like a strategy to diversify away from US exposures to the broader AI opportunity.

Asia-Pacific equities (48% increasing) and emerging-market equities (47%) give institutions exposure to AI-linked markets beyond the US, while European equities (41%) provide further geographic diversification. European equities are also positive, with 41% institutions increasing and only 17% decreasing.

US equities are much more divided: 33% plan to increase, but 28% plan to decrease. That is easily the narrowest positive indicators among major markets. Latin American equities are largely a hold, with 63% making no change.

THE REGIONAL VIEW

APAC: With the AI Supercycle producing double-digit returns across Asia, APAC institutions appear to be positioning to capture more upside potential. Overall, 62% plan to increase allocation to the region. They are willing to complement regional upside potential, upping allocations to both emerging-market (48%) and US (46%) equities.

EMEA: Allocations appear to be satisfying two strategies within equities. On the one hand, they demonstrate a strong home market conviction with 57% increasing allocations in European equities. On the other, it appears they are diversifying AI exposures as 48% plan to increase Asia-Pacific equities, and 46% will add to emerging-market exposures.

LATIN AMERICA: Moves indicate that institutions may be weary that the US looks expensive and are ready to look elsewhere for growth. They plan to diversify with increased investments in emerging markets (80%), Latin America (63%), and Asia-Pacific (50%).

UK: Equity allocations suggest institutions are moving on from the US as mega-cap tech stocks may look expensive; 56% plan on decreasing exposure while just 4% say they'll increase. Instead, they appear to be looking to capture the next leg of the AI Supercycle by adding investments to both emerging market (54%) and Asia-Pacific equities (53%).

NORTH AMERICA: Plans for 2027 show a more restrained approach to equities. In fact, US equities is the only class in which calls for a decrease (32%) outstrip increases (21%). Instead, a modest number plan to increase emerging market (34%) and Asia-Pacific (27%) exposure.

Institutions are most divided on US equities



FIXED INCOME

On the fixed income side of portfolios, institutional allocation calls look like a quality and income play rather than a reach for yield. They will look to add credit exposure that can provide attractive income potential without moving too far down the risk spectrum.

Overall, institutions are split between a bullish (54%) and bearish (46%) outlook on bonds, a balance that is represented by more selective allocation plans that emphasize quality and specialty exposures.

On the quality side, investment-grade corporate is the strongest bond call in the portfolio with 44% planning to increase holdings. Green bonds are equally strong, with 44% increasing and just 10% decreasing.

They appear to be complementing the core with exposure to emerging-market debt, where 32% plan to increase their investment; securitized debt, with 62% holding at current levels; and government-related debt, where they are split between increasing (29%) and decreasing (27%) exposures.

High-yield is the weakest call, with 24% increasing and 25% decreasing, suggesting that while they want fixed income exposure, they do not want to take on additional credit risk.

THE REGIONAL VIEW

APAC: Unlike equities, institutions are more measured in fixed-income, emphasizing quality over credit risk. Overall, 60% plan to increase green bond investments while 49% plan on upping investment-grade investment. Increasing securitized debt (33%) suggests a plan to diversify with another source of income. Government debt (31%) is likely a counterweight in their strategy.

EMEA: In Europe, institutions are following a similar path. Investment-grade corporate debt is clearly the focus with 51% increasing, followed by green bonds at 48% and emerging-market debt at 37%. High-yield shows less conviction, with 28% decreasing and 23% increasing.

LATIN AMERICA: The region is an outlier on fixed income as allocations track closely with equity moves that indicate a drive for higher returns. Institutions here are emphasizing high-yield with 45% planning to increase allocations. As the counter move, 53% plan to decrease government-related debt.

UK: Institutions are a different kind of outlier. Institutional strategy is not risk-on as in Latin America, nor does it follow the global quality bias. Instead, their strategy is more selective and opportunistic as 24% plan to decrease investment-grade corporates while only 17% plan to increase. They are more likely to add to emerging-market debt (31%) for opportunity, which is countered by the 27% adding to government-related debt and the 26% adding to securitized debt.

NORTH AMERICA: Fixed income moves in the region are more muted but still emphasize quality. Overall, 35% will add to investment-grade corporate debt. Securitized debt (25%) and emerging-market debt (21%) will also see increases.

44%

plan to increase investment-grade bond holdings

ALTERNATIVES

The strategy for alternatives appears to be "all private all the time" as institutions continue to expand their exposure across a range of assets including infrastructure (56%), private debt (51%), and private equity/venture capital (49%).

While the push into private has been underway for more than a decade, it's likely that AI is contributing to the search for attractive returns and reliable income with a focus on infrastructure. While data centers are the most common focal point of the AI discussion, the Supercycle is creating an insatiable demand for power generation, grids, and electrical infrastructure, making the asset class particularly attractive.

Unlike infrastructure, the case for adding to private debt and private equity is less driven by AI and instead a way to purse higher levels of predictable income and long-term growth beyond what they can find in public markets.

While the 27% looking to add gold/precious metals exposures may be in large part diversifying and managing currency/monetary risk, precious metals also offer a second-order investment into AI. Similarly, the 23% looking to add to commodities may also be chasing the second-order effect as AI is driving demand for the copper, aluminum, natural gas, and uranium needed for power systems.

THE REGIONAL VIEW

APAC: Calls for increased allocations to infrastructure (66%), private debt (58%), and private equity/venture capital (56%) echo the 62% who plan to increase allocations to Asia-Pacific equities. In total, the moves suggest they may also see private investment as another avenue for exposure to AI across the regional growth story with public companies, privately held companies, financing, and physical infrastructure.

EMEA: The private story takes on a different tone in the region, as institutions are favoring assets tied to long-term capital needs and cash flows and backing away from less-compelling alternatives. Infrastructure (62%) shows up as the most favored increase, with private debt (49%) and private equity (49%) complementing the move.

LATIN AMERICA: The thirst for yield appears again in alternative allocations, with 90% planning to add to private debt holdings. Similarly, the call for more infrastructure (73%) and private equity (67%) is an extension of their strategy to diversify growth opportunities in equities. To fund these new investments, they are rotating out of more traditional alternatives with 73% decreasing real estate and 59% decreasing hedge fund exposures.

UK: While institutions are playing a similar tune on alternatives, the volume is lower as UK institutional moves are more restrained. Overall, 43% plan to increase infrastructure, 43% will add to private equity, and 36% will add to private debt. Real estate/REITs and private equity/venture capital have the highest decrease readings at 20% and 19%, respectively.

NORTH AMERICA: Allocation calls echo similar moves in fixed-income portfolios and reflect a different private market. Most frequently, they plan to up allocations to private debt (44%) and private equity (40%). Infrastructure allocations lag other regions, with only 26% planning to increase their allocations. The emphasis on private debt gives institutions a way to pursue higher income without taking on equity-like risk. The private credit market is also more mature and established in the region than infrastructure.

The strategy for alternative investments seems to be "all private all the time"

Active management features prominently in portfolio plans

Looking at a forecast that includes higher volatility, lower correlations, and greater dispersion, 71% of institutional investors say market conditions will favor active management in 2027, while 64% project active strategies will outperform passive strategies. Their confidence is reinforced by recent experience, as 64% say their active investments have outperformed over the past 12 months.

Two underlying concerns add to their convictions. With the run-up in tech and AI, 58% say sky-high valuations are prompting them to shift from passive to active strategies, giving them more discretion over what they own and how much they own. Index concentration adds another concern, as 38% say they are turning to active ETFs to help reduce concentration risk.

Institutions see the fixed-income sleeve as a critical place to deploy active management, given the opportunities to add value through credit selection, duration, and yield curve positioning as rates, spreads, and economic conditions change. It's because of these complexities that 74% say active management is essential to fixed income. For many, active ETFs are becoming a vehicle of choice for fixed income.

Active ETFs offer portfolio utility

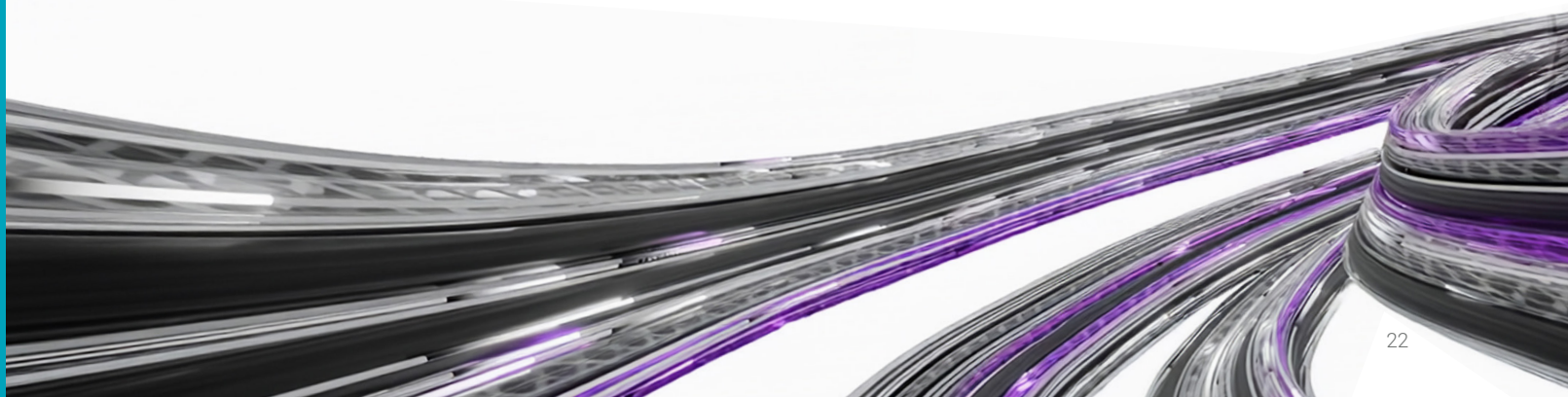
Combining active security selection and risk management with the flexibility, liquidity, and efficiency of the ETF structure, active ETFs provide greater utility to portfolio managers — a fact that 70% of institutions say is demonstrated by strong flows going into active ETFs. It's also why institutional investors are increasingly turning to active ETFs within their portfolio strategy. Currently, 57% already deploy the products, while another 37% say they plan to invest. And 49% are using the structure for fixed income more than for equities.

While alpha potential is often the rationale for active management, the appeal of active ETFs goes well beyond alpha. Institutions deploy active ETFs because they offer better risk management (40%), access to specialized investment capabilities (39%), the opportunity to outperform (39%), and reduced major-index concentration risk (38%), all of which land in essentially the same range.

Of all the reasons, risk management may actually be the bigger story, as 79% of current active-ETF investors use them to manage risk exposures and another 44% increase their active-ETF exposure when volatility rises. That suggests the vehicle becomes more useful, not less, when markets get messy.

WELCOME TO THE MACHINE

Where the 2027 journey ends for institutional investors is unclear. If all goes to plan, AI will be the engine driving both economic growth and market returns as the Supercycle continues and a broader range of companies begin to realize a return on their capital expenditures. Inflation will moderate, geopolitical fragmentation will cool, and investments in quality fixed income will pay off. The biggest challenge is that with so many moving parts, there is always the chance of something breaking and taking the machine offline.



About the Survey

Natixis Investment Managers, Global Survey of Institutional Investors conducted by CoreData Research in September and October 2026. Survey included 515 institutional investors in 29 countries throughout North America, Latin America, the United Kingdom, Continental Europe, Asia and the Middle East.

1. Organisation for Economic Co-operation and Development (OECD)
2. Organisation for Economic Co-operation and Development (OECD)
3. Gartner, Inc.
4. Statista
5. Congressional Budget Office (CBO)
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