

PORTFOLIO ANALYSIS & CONSULTING

Five Institutional Trends Dominated in 2H 2023

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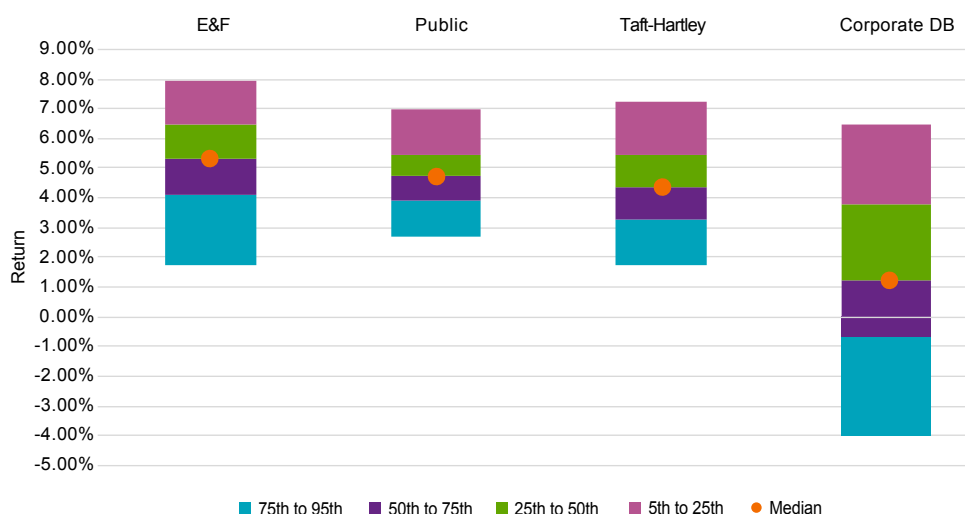


Natixis Investment Managers Solutions portfolio consultants monitor asset classes, investment products and market activity both in real time and from a historical perspective. Compelling institutional trends are summarized below.

#1 E&Fs lead crowded performance pack

Strong equity market performance helped institutional investment programs recover a portion of 2022 losses. Endowments and Foundations returns outpaced other plan types through Q3 2023.

Percentile Rank – YTD Performance through Q3 2023



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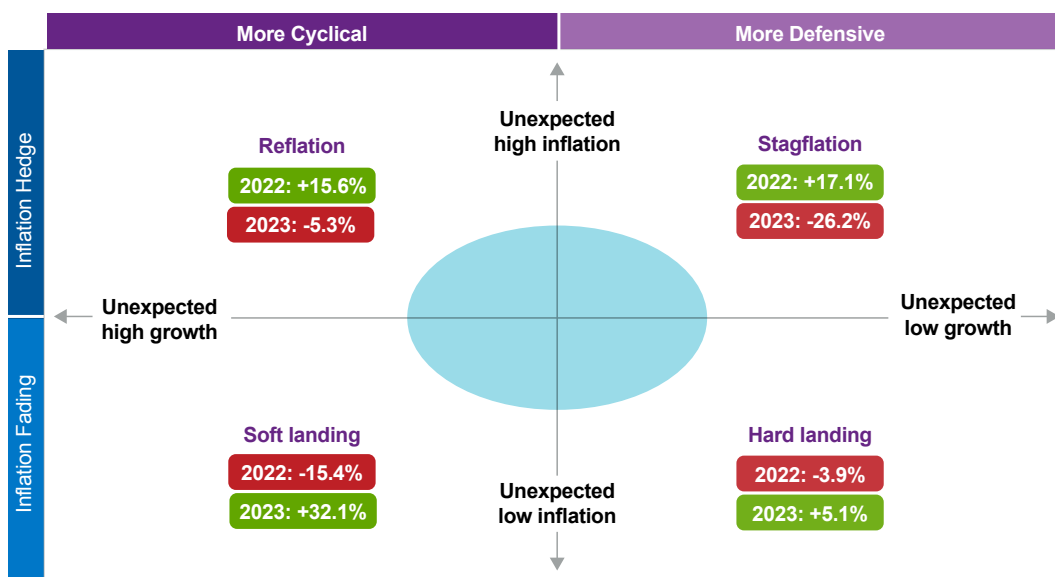
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Source: Natixis Investment Managers Solutions, InvMetrics

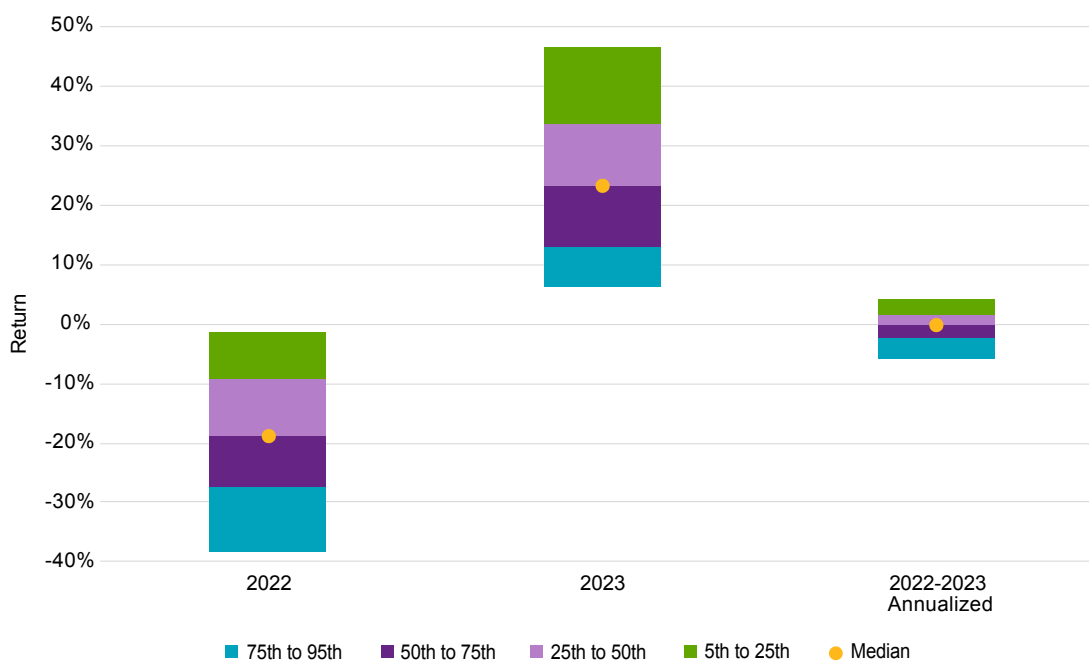
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#2 Soft landing industries rally

Active tilts toward “soft landing” industries provided massive performance tailwinds, reversing much of the underperformance from 2022. Conversely, active tilts toward “stagflation” industries, which protected in 2022, failed to keep up in 2023. This reversal in macroeconomic style created an interesting return dynamic where 2-year annualized returns from 2022–23 were significantly tighter than either 1-year period. For some strategies, slight differences in macro or style positioning could have driven meaningful performance differences beyond the impact of security selection.



US Large Equity Performance by Percentile



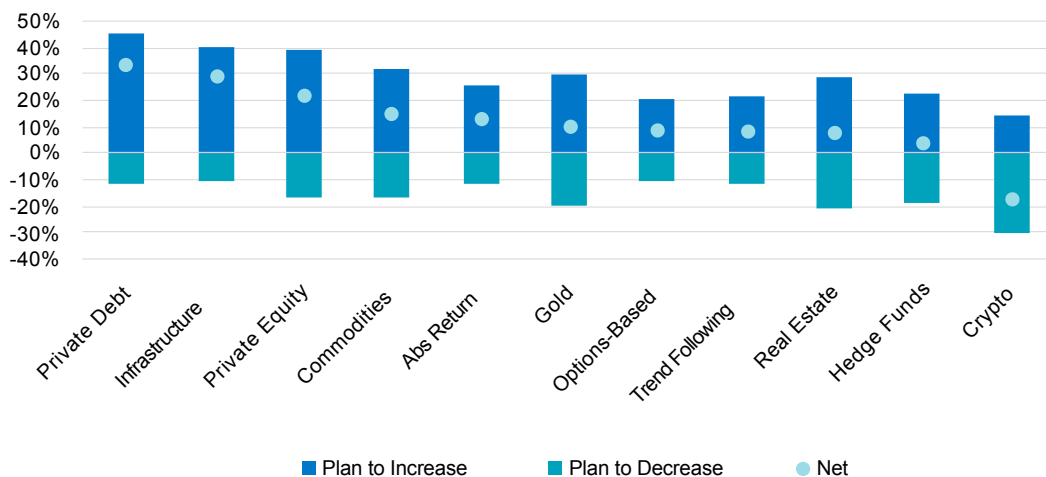
Source: Natixis Investment Managers Solutions, Morningstar

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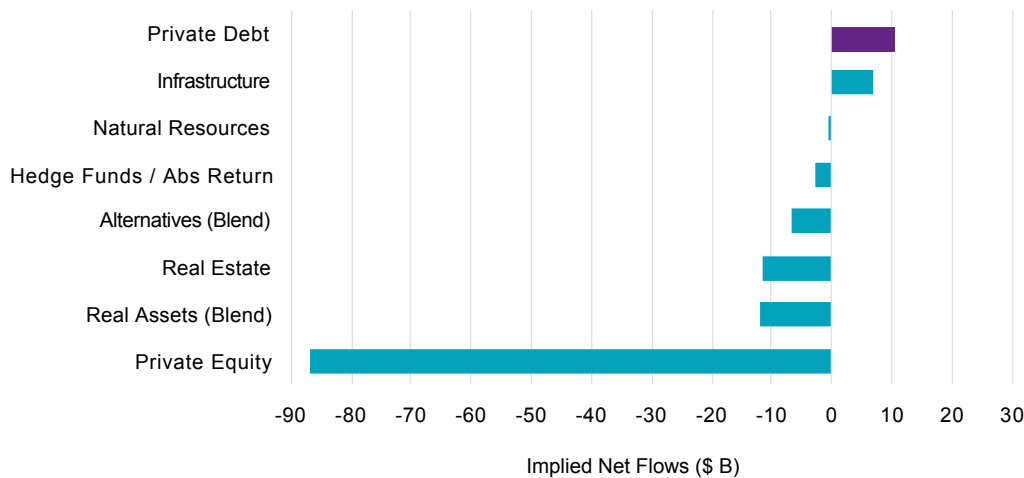
#3 Private debt interest soars

According to the 2024 Natixis Institutional Outlook Survey, 45% of institutional investors who already invest in private debt plan to add to it, while only 12% plan to reduce. This represented the largest differential of any asset class in the survey. Per eVestment, US public pension plans required net flows of \$10.4 billion to achieve existing allocation targets that were in place at mid-year 2023, the highest of any alternative or real asset category.

Natixis 2024 Institutional Outlook: Plans to Increase/Decrease Allocations, Alts Categories



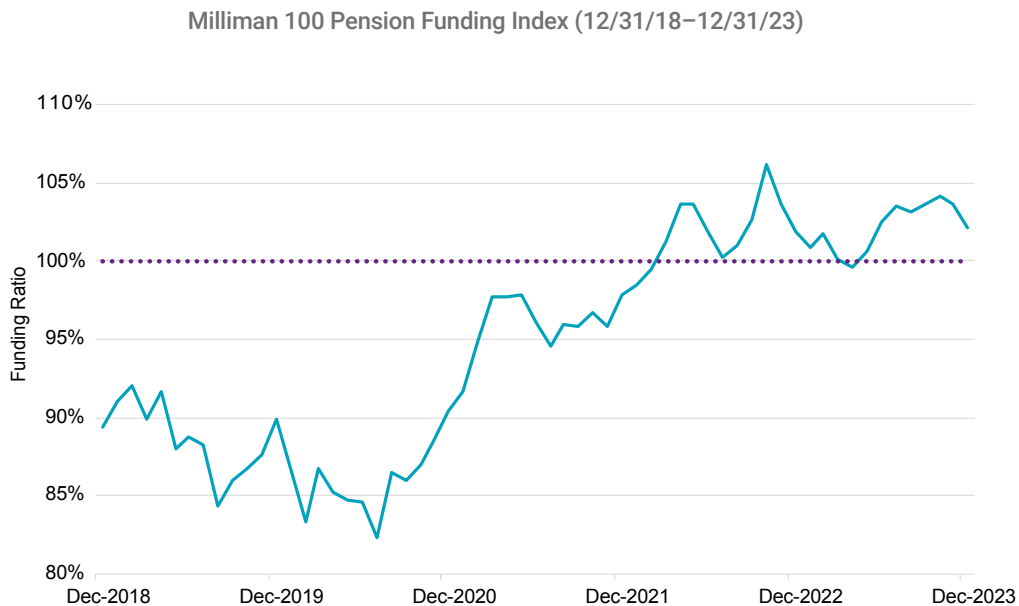
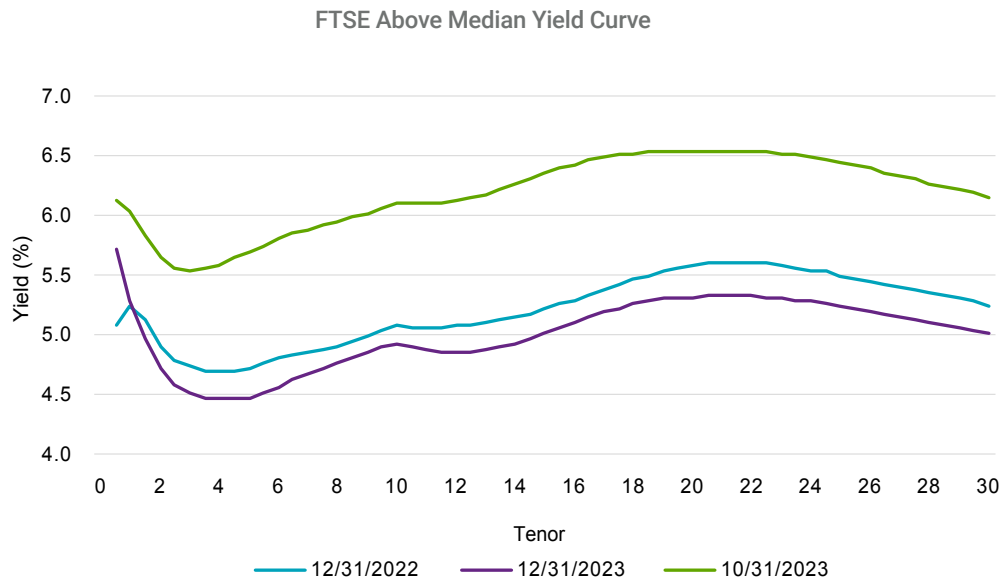
Required Flows to Match Asset Allocation Policy (6/30/23 Est.)



Source: Natixis Institutional Outlook 2024, eVestment

#4 Discount rate rollercoaster

Corporate pension discount rates achieved a post-Global Financial Crisis high of 6.25% at 10/31/2023 before plummeting to 5.06% at 12/31/2023, below where they started the year. Despite the increase in liability values, strong investment returns pushed the funded status of the largest 100 corporate defined benefit plans modestly higher on the year, from 101.9% at 12/31/2022 to 102.1% at 12/31.



Source: FTSE, Bloomberg

#5 New chapter for DB plans

IBM announced it was reopening a defined benefit pension plan beginning 1/1/2024. The announced benefit will be structured based on a cash balance formula – with a monthly income credit and a 6% annualized interest payment – and will replace the company match in a 401(k) plan. The firm had previously closed the IBM Personal Pension Plan to new entrants back in 2005 and frozen future benefit accruals in 2008. Reopening the DB plan will allow the company to unlock surplus funds to offset future retirement contribution costs.

Source: Pensions & Investments



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Natixis Investment Managers, Global Survey of Institutional Investors conducted by CoreData Research in October and November 2023. Survey included 500 institutional investors in 27 countries throughout North America, Latin America, the United Kingdom, Continental Europe, Asia and the Middle East.

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