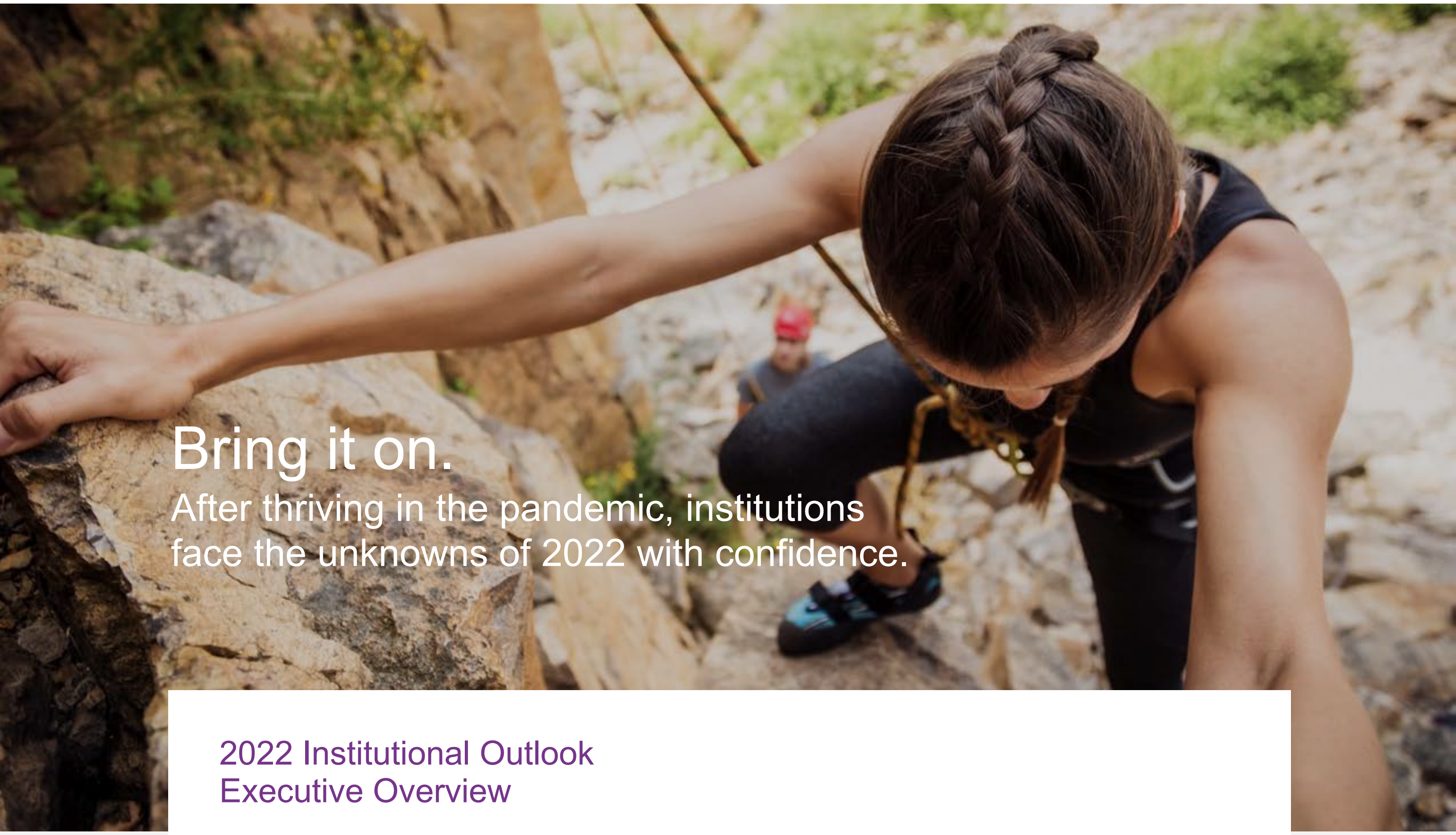

Bring it on.

After thriving in the pandemic, institutions face the unknowns of 2022 with confidence.

2022 Institutional Outlook
Executive Overview

In positioning portfolios for the unknowns ahead in 2022, institutional teams are watching five key themes that will shape portfolio strategy:

- Central banks hold the keys to investment success.
- Covid is no longer the greatest threat to growth.
- The hunt for yield leads to alternatives.
- ESG (Environmental, Social and Governance) presents a green field for investment opportunity.
- Navigating 2022 will require an active strategy.

About the survey

Natixis Investment Managers, Global Survey of Institutional Investors conducted by CoreData Research in October and November 2021. Survey included 500 institutional investors in 29 countries throughout North America, Latin America, the United Kingdom, Continental Europe, Asia and the Middle East.

500 total survey respondents

157
Corporate Pension Plans

89
Endowments/ Foundations

100
Public or Government Pension Plans

128
Insurance Companies

22
Sovereign Wealth Funds

4
Central Banks

Institutions are making moves in 2022

Asset allocation changes

Equities	Increase	No Change	Decrease
Emerging Market Equities	41%	41%	18%
Asian-Pacific Equities	34%	50%	16%
European Equities	33%	47%	20%
US Equities	25%	39%	36%

Fixed Income	Increase	No Change	Decrease
Green Bonds	60%	35%	5%
Emerging Market Debt	31%	48%	20%
Investment Grade Corporate Debt	30%	51%	20%
High Yield Corporate Debt	28%	49%	23%
Securitized Debt (Mortgage-Backed Bonds, etc.)	23%	56%	21%
Government-Related (Sovereign Debt, Treasury)	17%	45%	38%

Alternatives	Increase	No Change	Decrease
Infrastructure	53%	44%	3%
Private Debt	43%	48%	9%
Private Equity	41%	50%	9%
Absolute Return Strategies	34%	55%	11%
Real Estate / REITs	33%	52%	16%
Cryptocurrency	28%	62%	10%
Other	25%	75%	N/A
Commodities	23%	66%	11%
Gold/Precious Metals	22%	67%	11%

Cash	Increase	No Change	Decrease
Cash	11%	71%	18%

Allocation changes shown are for those invested in each of the sub-asset classes .

Central banks hold the keys to institutional success.

- While inflation is the top portfolio concern, six out of ten institutions believe it is transitory.
- 55% of institutions think inflation is structural thanks to a combination of loose monetary policy and low interest rates, rather than cyclical (45%).
- 68% predict the bull market will end when central banks stop printing money.
- 37% worry that massive stimulus efforts could result in unchecked inflation.
- 58% worry that stimulus will result in tax hikes.
- Eight out of ten institutions say low rates have distorted valuations.

Policy is driving top portfolio risks for 2022

69%	Inflation
64%	Interest rates
45%	Valuation
43%	Volatility
17%	ESG issues

Covid is no longer the biggest threat to growth

- 45% see the economy fully recovering from Covid in 2022.
- 56% say supply chain disruptions pose the greatest risk to recovery.
- 84% of institutions think major supply chain disruptions will hinder economic growth.

Top 5 economic threats

56%	Supply chain disruptions
47%	Less supportive central bank policy
41%	Covid variants
32%	US/China relations
27%	China growth

The news forecast for 2022

While there is much at play in the markets and the economy, institutional investors have clear views on how the story of 2022 will unfold.

What will make headlines in 2022?

	Global economy fully recovers from Covid-19	✓	**Global economy cannot escape consequences of Covid-19**
	Covid-19 variants disrupt the return to normal	✓	**Life reverts to pre-pandemic normal**
✓	**Reopening trade outperforms**		Stay-at-home trade outperforms
	Big tech is broken up	✓	**Big tech continues to grow unabated**
	Large caps outperform	✓	**Small caps outperform**
✓	**Value stocks outperform**		Growth stocks outperform
	Developed markets	✓	**Emerging markets**
✓	**ESG outperforms**		ESG underperforms
	Aggressive portfolios outperform	✓	**Defensive portfolios outperform**
✓	**Active investments outperform**		Passive investments outperform

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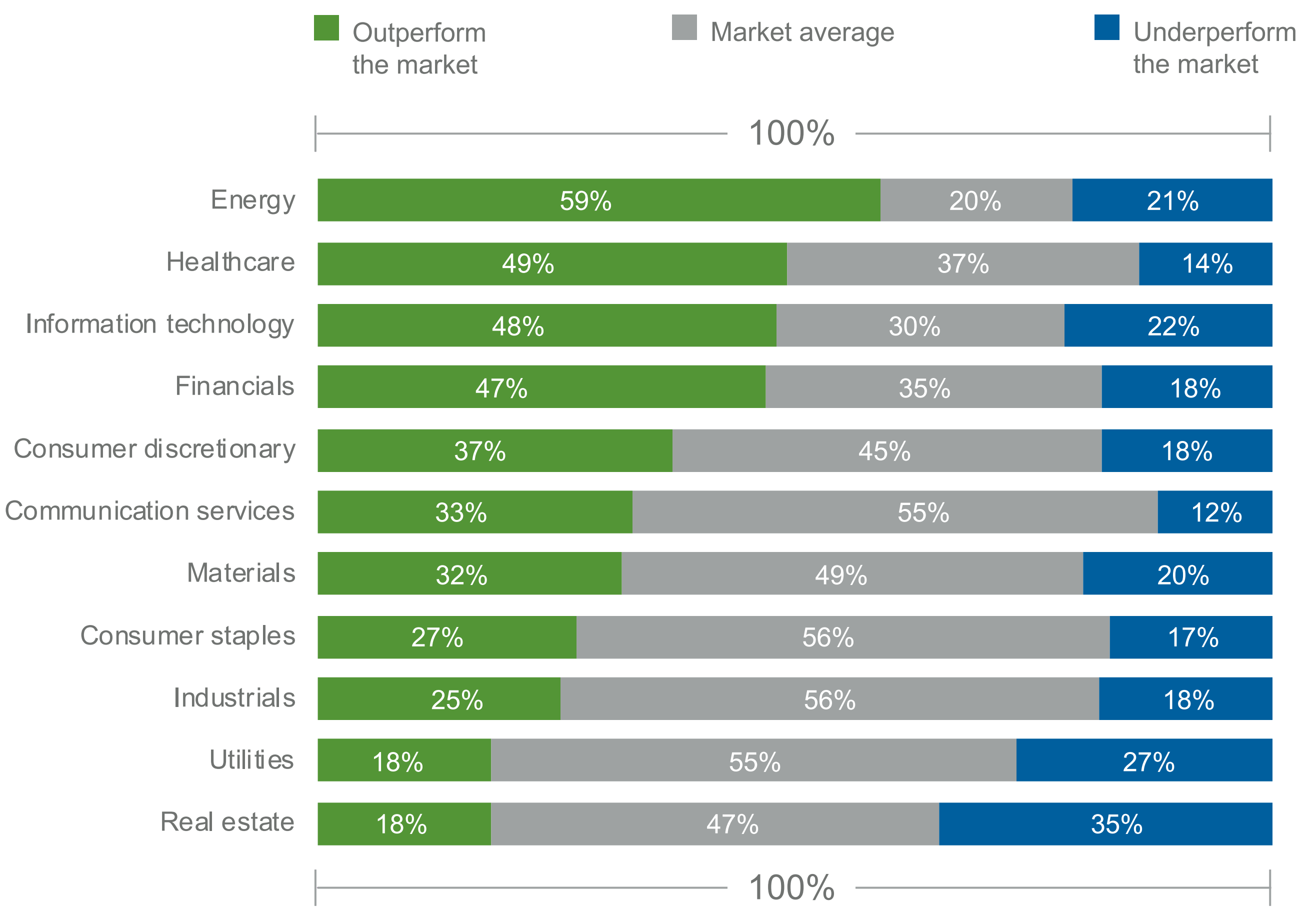
Betting on the reopening trade

- 58% say they believe that life will return to pre-Covid normal after the pandemic.
- 42% believe that Covid variants will continue to disrupt the return to normal.
- Institutions are less focused on streaming and more focused on in-person experiences.
- 64% of institutions anticipate that the reopening trade such as restaurants, theaters, and travel will outperform a stay-at-home trade (36%) focused on Netflix, online shopping and other touchstones of quarantine life.
- 78% institutional investors who say that there is still a significant delta between private assets and public markets.

Who will be the winners and losers in 2022?



Some data does not add to 100% due to rounding

The hunt for yield leads to alternatives

- 91% of those already invested in private equity and private debt say they will maintain or increase their investments.
- 97% of those already invested in infrastructure say they will maintain or increase their investments.
- Institutional investors call for the best opportunities to include information technology (45%), healthcare (41%) and infrastructure (40%).
- 78% institutional investors who say that there is still a significant delta between private assets and public markets.

2022's most attractive sectors for private markets

45%	Information tech	14%	Industrials
41%	Healthcare	14%	Consumer discretionary
40%	Infrastructure	13%	Communication services
34%	Energy	12%	Materials
20%	Real estate	9%	Utilities
18%	Financial	8%	Consumer staples

ESG presents a green space for investment opportunity

- 66% of institutional investors believe there is alpha to be found in ESG.
- Half of institutional investors surveyed believe companies with better ESG practices generate better returns.
- Three-quarters of institutional investors believe ESG is integral to sound investing.
- 42% say they currently deploy impact strategies.
- 37% are turning to thematic strategies in their approach to ESG.

How institutions implement ESG

66%	Integration
45%	Exclusionary screens
42%	Impact investments
40%	Best-in-class selection
37%	Thematic investing
35%	Active ownership

Why institutions implement ESG

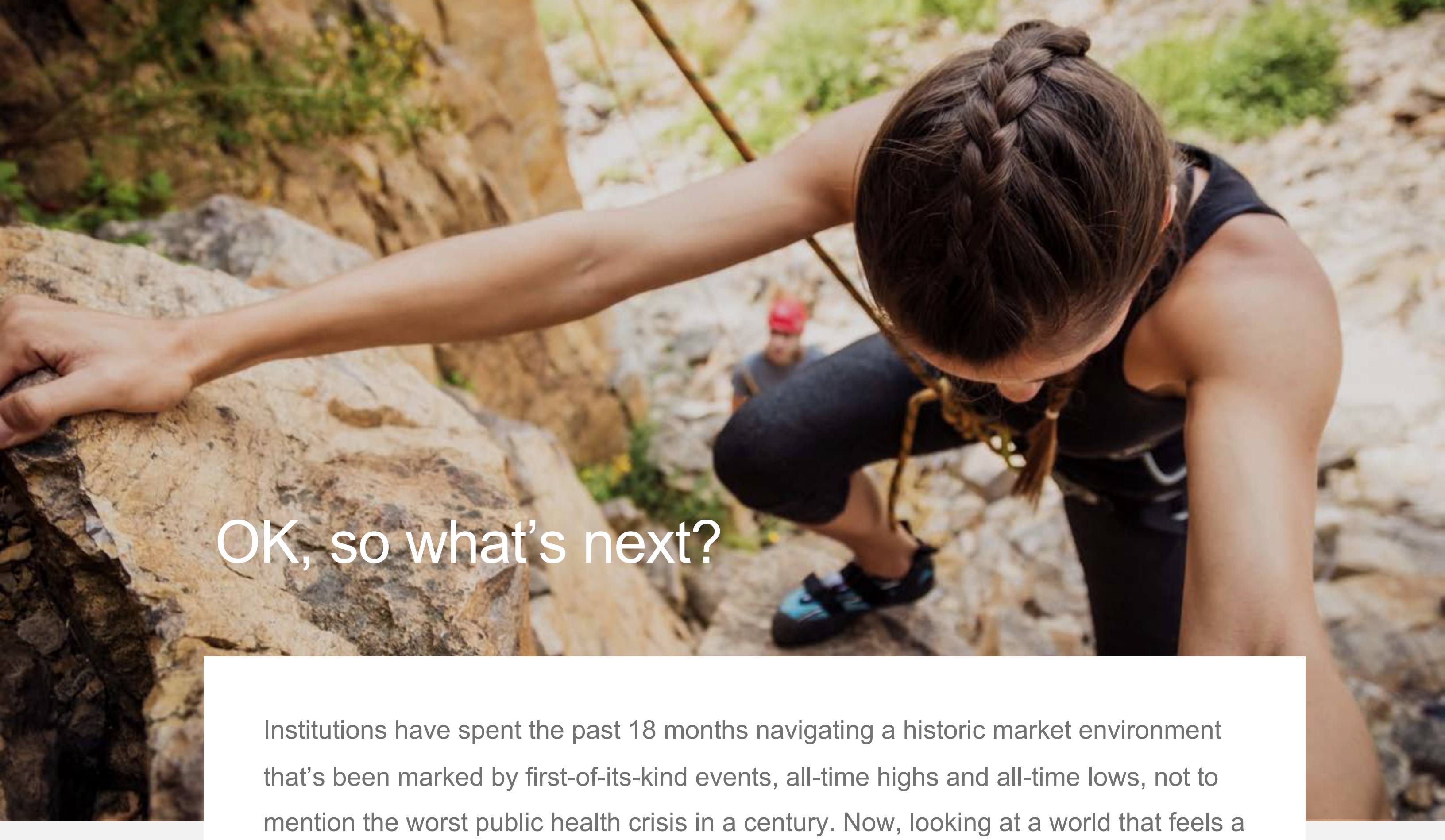
49%	To align assets to organizational values
33%	To influence corporate behavior
33%	Mandated by investment policy statement
30%	To make a better world
27%	To seek better risk-adjusted returns
27%	To minimize headline risk
23%	For new sources of diversification
17%	For new sources of investment returns
16%	Enhanced downside protection

Navigating 2022 will require an active strategy

- 70% of those surveyed believe markets will favor active management in 2022.
- Seven in ten say their active investments outperformed the benchmarks over the past 12 months.
- 70% say they will invest in active funds to achieve better risk-adjusted returns.
- Half also report that active provides better all-around risk management.
- Two-thirds say large flows in and out of passive investments exacerbate volatility.
- 58% among institutional investors say the growing use of passive shows the market is ignoring the fundamentals.

Why institutions invest in active

70%	51%	40%	39%	31%
Achieve better long-term returns	Better all-around risk management	Better to adapt to changing markets	Customize portfolio for ESG	Downside protection



OK, so what's next?

Institutions have spent the past 18 months navigating a historic market environment that's been marked by first-of-its-kind events, all-time highs and all-time lows, not to mention the worst public health crisis in a century. Now, looking at a world that feels a little bit closer to normal, they see potential in the year ahead and express confidence in their ability to handle whatever comes their way. It seems as though the collective sentiment confidently says, "Bring it on." (As long as it isn't an end to quantitative easing, an interest rate hike, a prolonged bout of inflation that becomes cyclical, rather than structural, or a meltdown in the tech sector.)

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

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

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

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

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

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

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