

Seeking more diversification, lower volatility and higher returns, individual UK investors continue to turn to active management - Natixis Investment Managers Survey

- *More than half of UK investors are prepared to pay a premium for active management in order to combat volatility, a preference held by 56% of investors globally*
- *63% are seeking new strategies to diversify their portfolio (69% globally), and 56% say that, because of volatility in the market, they are looking for investments beyond traditional stocks and bonds (57% globally)*
- *67% of UK investors expect their investment funds to have a portfolio that is different than that of an index*
- *UK investors' long-term return expectations have jumped to 10.8% (above inflation), compared to 11.7% globally; but nine in ten believe it's important to protect their assets in periods of volatility*

London, 16 July 2019 – **UK investors may have mixed feelings about risk and return, but they express a preference for active management and professional advice – reveals a global survey of 9,100 individual investors (750 from the UK) released today by Natixis Investment Managers.**

On the heels of one of the most challenging periods in a decade, UK investors' return expectations grew, but their comfort level for risk is in question. Even though 90% of those surveyed in the UK (86% globally) believe it is important for their investments to deliver long-term results over short-term gains, and 79% (77% globally) would take safety over performance if forced to choose, history has shown that investors can have short-term memories when it comes to risk and volatility.

“Investors don't seem to fully grasp that pursuing double-digit returns will likely mean investing at the higher end of the risk spectrum,” said Matthew Shafer, Head of Global Wholesale at Natixis Investment Managers. “The fundamental disconnect between risk tolerances and return expectations highlights the importance for investors to work with their advisors, to understand the reality of risk and volatility and to be fully equipped to achieve their long-term goals.”

Preference for active management and advice...

The survey found that, despite the growth and widespread popularity of index investing, UK investors' expectations more closely align with active versus passive strategies. These investors also seem more discerning about this type of investing and expect to receive pure active management for fees paid. Among the findings:

- More than half (51%) are prepared to pay a premium to combat volatility with active management.
- 64% of UK investors (70% globally) say it is important for their investments to give them a chance to beat the benchmark for the asset class.
- 60% say it is important to have the ability to take advantage of short-term market movements, compared with 70% of global investors
- Just under 70% of both global and UK investors (68% and 67% respectively) expect their investment funds to have a portfolio that is different than that of an index

The survey also finds a renewed focus on alternative investments amongst investors in the UK. Over five in ten (56%) say volatility has them looking for investments other than stocks and bonds, compared with 57% of those surveyed globally. However, only 34% of UK investors say they already own alternative investments, compared with 38% globally. Past surveys have revealed that when it comes to investing in alternatives, investors particularly value support and advice from their financial advisors.

...but some confusions about index investing remain

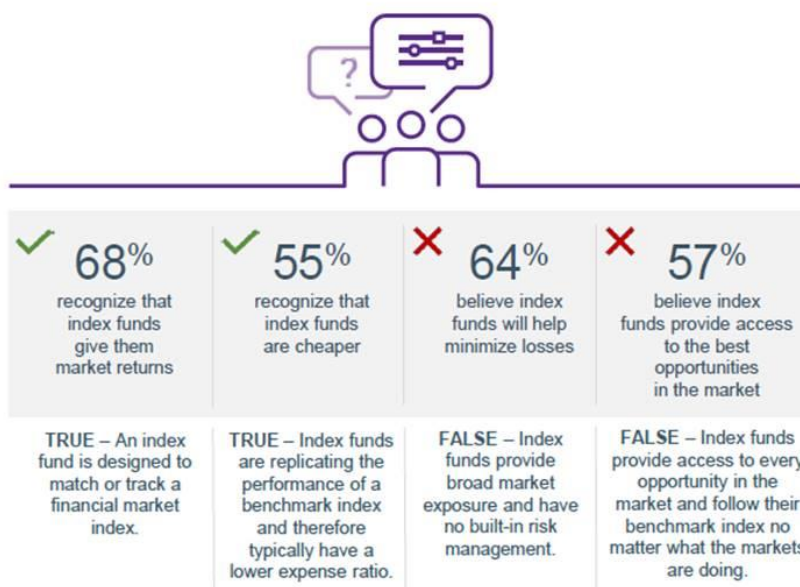
The survey revealed some confusions about index funds in the minds of investors. Roughly two-thirds (65%) in the UK (vs. 68% globally) said they understand the difference between active and passive investing, yet only 72% (68% globally) recognised that index funds provide market returns, up or down, and offer no protection from market declines.

At the same time, roughly two thirds (65%) of UK investors did say that recent market volatility showed that index funds are riskier than they had previously realised, compared with 67% of global investors.

Eight out of ten financial professionals say the 10-year bull market has made investors complacent about risk, and that market volatility in the last quarter of 2019 did very little to change that. Although two thirds of investors said they were prepared for the market risks at the start of 2018, with the benefit of hindsight, only 53% (59% globally) said they were actually prepared for the downturn at the end of the year.

“Investors’ misconceptions about risk, volatility and index investing may be clouded by double-digit return targets. Over the past decade, investors have enjoyed large gains in a long bull market with historically low interest rates and relative volatility. They may have forgotten that index funds have no built-in risk management and are exposed to the same level of risk that’s presented by the markets at large” said Matthew Shafer. *“Today’s markets require a long term view and an active approach to investing in order to capture the best opportunities and help investors to reconcile risk and return expectations.”*

Investors’ misconceptions about index funds



Source: Natixis Investment Managers 2019 Global Survey of Individual Investors

The full report of the 2019 Individual Investors survey from Natixis Investment Managers – *Six simple reasons why yesterday's volatile markets are a wake-up call for investors today* - is available [here](#)

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About the Natixis Center for Investor Insight

Investing can be complicated: Event risk is greater and more frequent. Volatility is persistent despite market gains. And investment products are more complex. These factors and others weigh on the psyche of investors and shape their attitudes and perceptions, which ultimately influence their investment decisions. The Center for Investor Insight conducts research with investors around the globe to gain an understanding of their feelings about risk, their attitudes toward the markets and their perceptions of investing.

Methodology

Natixis Investment Managers' 2019 Global Individual Investor Survey was conducted by CoreData Research in February and March 2019. The survey included 9,100 individual investors in 25 countries and regions including Asia, EMEA, Latin America, and North America. In the US, Natixis surveyed 750 investors with a minimum of \$100,000 in investable assets. The age groups are broken up as follows: 171 Millennials (23–38 years old), 203 Gen X (39–54 years old), 317 Baby Boomers (55-73 years old) and 59 from the Silent Generation (74 years and older).

About Natixis Investment Managers

Natixis Investment Managers serves financial professionals with more insightful ways to construct portfolios. Powered by the expertise of 24 specialized investment managers globally, we apply Active Thinking® to deliver proactive solutions that help clients pursue better outcomes in all markets. Natixis Investment Managers ranks among the world's largest asset management firms¹ with \$960.3 billion / €855.4 billion AUM.² Headquartered in Paris and Boston, Natixis Investment Managers is a subsidiary of Natixis. Listed on the Paris Stock Exchange, Natixis is a subsidiary of BPCE, the second-largest banking group in France. Investment solutions are also offered through Natixis Advisors and Dynamic Solutions. **Not all offerings available in all jurisdictions.** For additional information, please visit Natixis Investment Managers' website at im.natixis.com | LinkedIn: [linkedin.com/company/natixis-investment-managers](https://www.linkedin.com/company/natixis-investment-managers). Natixis Investment Managers' distribution and service groups include Natixis Distribution, L.P., a limited purpose broker-dealer and the distributor of various registered investment companies for which advisory services are provided by affiliated firms of Natixis Investment Managers, and Natixis Investment Managers S.A. (Luxembourg) and its affiliated distribution entities in Europe and Asia.

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¹ Cerulli Quantitative Update: Global Markets 2018 ranked Natixis Investment Managers as the 16th largest asset manager in the world based on assets under management as of December 31, 2017.

² Net asset value as of March 31, 2019. Assets under management ("AUM"), as reported, may include notional assets, assets serviced, gross assets, assets of minority-owned affiliated entities and other types of non-regulatory AUM managed or serviced by firms affiliated with Natixis Investment Managers.

