

## Professional fund buyers favour active management to deliver on return targets despite market volatility and uncertainty – Natixis Investment Managers Survey

- Top portfolio risk factors include rising interest rates, volatility and market bubbles
- Preference for active management to navigate markets, with two thirds who believe actively managed investments will outperform in the long run
- Bias towards risk assets among fund buyers remains; allocation to alternatives projected to increase
- Two-thirds say they will increase their allocation to ESG strategies in 2019; more than half contend that there is alpha to be found in ESG investing

**London, 29 April 2019** – A Natixis Investment Managers global survey of 200 fund buyers – responsible for selecting funds included on private bank, insurance, fund-of-fund and other retail platforms – found that, against the backdrop of market volatility and uncertainty, professional fund buyers are showing a clear preference for active management. Despite ongoing geopolitical and economic uncertainty and a persistent low return environment more than eight in ten (82%) believe that their return assumptions for 2019 are realistically achievable. However, they have reduced their long-term rate of return assumptions to an average of 7.7%, down from 8.4% in 2018.

Fund buyers have rising concerns such as higher interest rates, greater equity market volatility and they declare they experience performance pressure from forces including central bank unwinding of quantitative easing, geopolitical disruptions and trade disputes. Three-quarters of respondents agree that alpha is becoming increasingly difficult to obtain as markets become more efficient, and they are willing to pay higher fees for potential outperformance and agree that the 2019 market environment is likely to be favorable for active portfolio management.

**Matthew Shafer, Head of global wholesale at Natixis Investment Managers**, commented: *“If the active versus passive debate doesn’t look set to disappear, fund buyers are increasingly seeing the long-term value that can be generated by active management. A large proportion of global fund buyers (62%) agree that actively managed investments outperform passive portfolios in the long run, with 72% of portfolio investments being actively managed, a share which they expect to remain relatively constant over the next three years. Even in their passive holdings, over half (55%) are allocating more to smart beta than they were three years ago, which confirms that global fund buyers are diversifying traditional passive positions into other strategies.”*

### **Staying the course in risk assets overall; using alternatives as a route to returns and diversification**

The survey revealed that fund buyers do not intend to make wholesale asset allocation changes in 2019, with a bias towards risk assets prevailing. Equities and fixed income remain the most popular asset classes by a large distance, however fund buyers intend to trim their overall equity allocation by 1.2 percentage points to 43% (down from 44% in 2018). They also plan to increase weightings in alternatives (+19% in infrastructure; +15% in private debt; +17% in real estate) with 70.1% of overall alternative allocations being made into liquid assets. Alternatives are seen as valuable tools to help meet performance objectives, manage risk and diversify holdings.

### **ESG is another year closer to the mainstream**

Two-thirds (67%) of fund buyers surveyed said they agreed that including ESG factors will be standard practice for all investment managers within five years. Half (49%) believe that ESG factors are important in their organisation’s current manager selection process, and two-thirds say they will increase their allocation to ESG

strategies in 2019. More than half (57%) contend that there is alpha to be found in ESG investing. Fund buyers are increasingly incorporating ESG considerations into investment decision-making and analysis to align investment strategies with their organisational values. However, their concerns include the conflict between short-term return goals and long-term sustainability objectives, a lack of demonstrated performance track records and fears that companies may be “greenwashing” to enhance their public image.

**Matthew Shafer** commented: *“Appetite for ESG is growing stronger every year as investors increasingly seek to reflect their personal values in their portfolio strategies, and the longer-term return benefits of sustainability are being more widely recognised. However, we do hear and share fund buyers’ concerns about “greenwashing”. Robust and clear taxonomy, labeling standards across the industry and across jurisdictions, and transparency around ESG reporting are critical to maintaining the integrity of ESG investment products.*

*“As a leading active manager, we have high conviction and we consider that engagement with management around ESG factors and exercising voting rights accordingly are part of active investing and long-term performance.”*

### **More meaningful changes within asset classes; U.S. equities down, emerging markets up**

Just under half (44%) of fund buyers say they plan to decrease their allocation to U.S equities, with opinions evenly balanced towards European equities. A significant portion (39%) of fund buyers indicated that they plan to increase their allocation to emerging market equities in 2019. Fund buyers expect the financials, healthcare and information technology sectors to outperform, and expect materials and real estate to underperform. Attitudes towards fixed income allocation remain largely unchanged year-on-year. The most notable exception is a reduced enthusiasm for high yield debt, due to concerns over rising interest rates and the ability of high yield issuers to meet their debt obligations.

### **The survey also revealed notable portfolio risk factors include rising interest rates, volatility and market bubbles:**

- More than half (58%) of the fund buyers surveyed identified **rising interest rates** as a top portfolio risk in 2019, with 78% of fund buyers expecting interest rates to go up during the year.
- **Volatility** is also a prominent concern among fund buyers: 84% of those surveyed expect increased volatility in equity markets in 2019.
- Almost two-thirds (60%) of fund buyers believe that **regulation**, put in place after the financial crisis, has done little to mitigate current and future market risks.
- Fund buyers also remain wary of **market bubbles**. They see most danger in cryptocurrencies, in addition to technology, bond and real estate markets.

**The full report of the 2019 fund buyers survey “Ready. Steady. And waiting.” is available [here](#)**

###

#### **Press contact**

**Natixis Investment Managers**

**Samia Hadj**

Tel.: +44 (0)203 405 4206

Mail: [samia.hadj@natixis.com](mailto:samia.hadj@natixis.com)

#### **FTI Consulting**

**Gabriella Ruggiero**

Tel.: +44 (0)20 3727 1026

Mail: [Gabriella.Ruggiero@fticonsulting.com](mailto:Gabriella.Ruggiero@fticonsulting.com)

### Survey Methodology

The Natixis Investment Managers Global Survey of Professional Fund Buyers was conducted by CoreData Research in October and November 2018. The survey included 200 respondents in 22 countries throughout North America, Asia, Latin America, the United Kingdom, Continental Europe and the Middle East.

The professional fund buyers in the survey, who are researchers and analysts responsible for the fund selection process, work in a variety of institutions at the following types of organizations:

Fund of funds	11.0%
Private bank/Bank trust	14.5%
Investment division of insurer	8.0%
DC Investment platform provider	8.5%
RIA/Independent wealth manager	29.5%
Turnkey asset manager provider/DFM	20.0%
Other	8.5%

### 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.

### About Natixis Investment Managers

Natixis Investment Managers serves financial professionals with more insightful ways to construct portfolios. Powered by the expertise of more than 20 specialized investment managers globally, we apply Active Thinking® to deliver proactive solutions that help clients pursue better outcomes in all markets. Natixis ranks among the world’s largest asset management firms<sup>1</sup> (\$917.1 billion/€802.1 billion AUM<sup>2</sup>). 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. For additional information, please visit the company’s website at [im.natixis.com](http://im.natixis.com) | LinkedIn: [linkedin.com/company/natixis-investment-managers](https://www.linkedin.com/company/natixis-investment-managers). Natixis Investment Managers includes all of the investment management and distribution entities affiliated with Natixis Distribution, L.P. and Natixis Investment Managers S.A. Natixis Distribution, L.P. is a limited purpose broker-dealer and the distributor of various registered investment companies for which advisory services are provided by affiliates of Natixis Investment Managers. Provided by Natixis Investment Managers UK Limited which is authorised and regulated by the UK Financial Conduct Authority (register no. 190258). Registered Office: Natixis Investment Managers UK Limited, One Carter Lane, London, EC4V 5ER.

**Replace this UK disclaimer by the appropriate local country disclosure for your market**

<sup>1</sup> Cerulli Quantitative Update: Global Markets 2017 ranked Natixis Investment Managers (formerly Natixis Global Asset Management) as the 15th largest asset manager in the world based on assets under management as of December 31, 2016.

<sup>2</sup> Net asset value as at December 31 2018, Assets under management (“AUM”), as reported, may include notional assets, assets serviced, gross assets and other types of non-regulatory AUM.