NATIXIS
INVESTMENT MANAGERS

**NEWS** RELEASE

# Investors Are Perplexed by Market Volatility, Natixis Survey Finds

- More than half of investors say volatility made them realize index funds were riskier than they previously thought.
- Four in ten investors admit they were blindsided by the 2018 year-end market downturn.
- Despite the wake-up call, investors' long-term return expectations rise to a high of 11.7% above inflation globally and 10.9% in the US – the highest targets recorded by Natixis; financial advisors say returns of 5.5% globally and 6.3% in the US are more realistic.[1]
- In a changing rate environment, just 2% of investors understand the relationship between interest rates, bond prices and future yield.

**BOSTON, July 16, 2019 –** Market volatility has been a wake-up call for many US investors whose high return expectations don't accurately reflect their appetite and understanding of risk, particularly when it comes to active and passive investing. According to a new survey released today by Natixis Investment Managers, investors cited market volatility as the biggest threat to their investments this year, and nearly half (47%) would be willing to pay a premium for volatility protection. Nearly two-thirds (64%) are considering new strategies to help diversify their portfolios.

Natixis fielded a survey of 750 individual investors across the US in the first quarter of this year when 2018 losses were still fresh in investors' minds. Going into 2019, eight in ten (83%) investors said they understand the risks posed by the market. Nearly the same proportion (82%) of investors also felt they were prepared for market risks at the start of 2018, although in looking back, only 59% say they were actually prepared for last year's downturn. On the heels of one of the most challenging markets in a decade, investors' return expectations grew in the face of losses, but their comfort level for risk is in question. According to the findings:

- US investors' long-term return expectations jumped to 10.9% (above inflation) from 9.8% in 2018, and they expect 10.1% for 2019; nine in ten investors (91%) believe it's important to protect their assets in periods of volatility.
- If forced to choose, most investors (77%) would take safety over performance.
- 71% of investors know portfolio fluctuations of 10% are not an unusual occurrence.

"The record bull market continues to create a growing disconnect between what investors expect from the market and what is realistically achievable, especially given their aversion to risk," said David Giunta, CEO for the US and Canada at Natixis Investment Managers. "Last year's market volatility was a strong reminder of the importance of professional advice in helping to build diversified portfolios tailored to both investors' goals and their risk tolerance."

The findings suggest that many investors are unprepared for the realities of investing risk in turbulent markets and need help building stability into their portfolios. For example:

[1] Natixis Investment Managers, Global Survey of Financial Professionals conducted by CoreData Research in March 2018. Survey included 2,775 financial professionals in 16 countries including 300 in the US.



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- Just 30% of investors know that, when interest rates rise, bond prices fall, and only 9% recognize that lower bond prices mean higher bond yields, or income, in the future.
- Just 2% of investors correctly understand that when interest rates rise, the price of bonds decreases and income received from bonds in the future increases.
- 64% believe investing in index funds helps minimize losses, yet 56% realized index funds are riskier than they thought after experiencing the steep market decline at the end of 2018.

"This year's study shows that investors ultimately are confused and need a refresher course on what they actually get out of index funds," said Dave Goodsell, Executive Director of Natixis' Center for Investor Insight. "We've found that, for half of investors, last year's volatility made them realize index funds were actually riskier than they had once thought."

**Preference for true active management and advice**

Natixis found that, despite the popularity of index investing, investors' expectations more closely align with active versus passive strategies. Investors also seem more discerning about this type of investing and expect to receive pure active management for fees paid. According to the survey:

- 65% of investors say it is important for their investments to give them a chance to beat the benchmark for the asset class.
- 69% say it is important to have the ability to take advantage of short-term market movements.

The survey also found that the sting of last year's volatility remains, and it has translated into a renewed focus on alternative investments. Five in ten (51%) investors say volatility has them looking for investments other than stocks and bonds, but few investors are adding alternatives to their portfolio. Just 38% of investors surveyed say they own alternative investments, and 16% don't know if they own them; that number is up from 11% in 2017.[2] As the Natixis report states, this is an area that demands better investor education about investments overall, and alternatives in particular.

Natixis' previous surveys have found that most investors believe those who have a professional financial advisor are more likely to reach their financial goals.[3] Advisors have an important role to play in helping investors to better understand their own risks and to build portfolios that match their risk tolerance.

Another key finding of the study shows investors' more conservative outlook goes well beyond market risks. When asked about their financial fears this year, nearly half (49%) of investors say their greatest fear is a large unexpected expense along with healthcare costs (also 49%). Beyond those, investors worry about taxes (39%) and maintaining their standard of living (35%).

More information can be found at [im.natixis.com/us/research/investors-survey-volatile-markets](im.natixis.com/us/research/investors-survey-volatile-markets).

[2] Natixis Investment Managers, US Survey of Individual Investors conducted by CoreData Research in February 2017. Survey included 750 individual investors in the US.
[3] Natixis Investment Managers, US Survey of Individual Investors conducted by CoreData Research in September 2018. Survey included 750 individual investors in the US.

**About the Natixis Global Survey of Individual Investors**

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.

**About the Natixis Investment Institute**

The Natixis Investment Institute applies Active Thinking® to critical issues shaping the investment landscape. A global effort, the Institute combines expertise in the areas of investor sentiment, macroeconomics, and portfolio construction within Natixis Investment Managers, along with the unique perspectives of our affiliated investment managers and experts outside the greater Natixis organization. Our goal is to fuel a more substantive discussion of issues with a 360° view of markets and insightful analysis of investment trends.

**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 Investment Managers ranks among the world's largest asset management firms[4] with $960.3 billion / €855.4 billion AUM.[5]

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. Natixis Investment Managers' affiliated investment management firms include AEW; Alliance Entreprendre; AlphaSimplex Group; Darius Capital Partners; DNCA Investments;[6] Dorval Asset Management; Flexstone Partners; Gateway Investment Advisers; H2O Asset Management; Harris Associates; Investors Mutual Limited; Loomis, Sayles & Company; McDonnell Investment Management;[7] Mirova;[8] MV Credit; Naxicap Partners; Ossiam; Ostrum Asset Management; Seeyond;[9] Seventure Partners; Thematics Asset Management; Vaughan Nelson Investment Management; Vega Investment Managers;[10] and WCM Investment Management[11]. 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.

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.

[4] 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.
[5] 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.

[6] A brand of DNCA Finance.

[7] Natixis Investment Managers, L.P. transferred ownership of McDonnell Investment Management, LLC to Loomis, Sayles & Company, Inc. on January 1, 2019.

[8] Operated in the U.S. through Mirova U.S., LLC (Mirova US).

[9] Seeyond is operated in the U.S. through a participating affiliate arrangement with Natixis Advisors, L.P.

[10] A wholly-owned subsidiary of Natixis Wealth Management.

[11] Natixis Distributors L.P. (fund distributor) and WCM Investment Management are affiliated.

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