

Investors in Model Portfolios Are More Confident, Less Stressed Amid Ongoing Market Volatility, Finds Natixis Investment Managers Survey

- *Model investors are nearly two times more likely to say they are confident about the state of their finances, and are far more likely to trust their financial advisors than investors not in models.*
- *Big differences in the advice and services sought by model vs. non-model investors reveal a roadmap for financial advisors looking to add value beyond asset allocation.*
- *Nearly six in ten US wealth managers cite need to add more specialty models.*

BOSTON, October 26, 2023 – After recent bouts of volatility and inflation, just one in three Americans feels confident about the state of their finances right now. Yet those invested in model portfolios are nearly two times more likely to express confidence (45%) than non-model users (24%), according to new survey findings published today by Natixis Investment Managers (Natixis IM).

Model portfolios – the highly-vetted asset allocation strategies professional money managers use to build investment portfolios around specific risk and return or portfolio objectives – were once the domain of institutional investors. Their use has greatly expanded in recent years, and as of 2022, most financial advisors (93%) are now using model portfolios to manage some or all of their clients' discretionary assets, as Natixis IM has previously reported.

A new report from the Natixis Center for Investor Insights takes a deeper look at the use, drivers, and evolution of model portfolios, building on previously released data from the Natixis IM 2022 survey of financial professionals with new, never-released data from Natixis IM's 2023 surveys of individual investors in the US as well as findings from Natixis IM's 2023 survey of the investment professionals responsible for selecting funds and other investment products on their firm's advisory platforms, into which \$17.5 trillion in client assets are invested.

Taken together, the findings show that model portfolios are proving to be a win-win-win for investors financial advisors and advisory firms, particularly in light of the changing investment landscape and increased regulatory focus on investor protections and product suitability.

Key findings include:

- 97% of clients invested in models say they trust their financial advisor, compared to 73% of clients not in models.
- 78% of investors in models see market volatility as an investment opportunity while just 47% of non-model clients do. They are half as likely to say they feel stressed out about their finances (11% of model users compared to 23% of non-model users.)
- 65% of fund selectors say market volatility is accelerating advisors' use of model portfolios.
- 77% of fund selectors say model portfolios deliver a more consistent investment experience for clients across the firm, giving them greater choice (64%) and a lower-cost option (74%).

“The diversification and targeted risk/return attributes of model portfolios make a strong case across a broad investor base,” said Marina Gross, Head of Natixis Investment Managers Solutions. “Models greatly streamline the investment process and arm financial advisors with institutional quality portfolio management accompanied by deeper insights and rationale to talk with clients about allocation changes, risk and portfolio performance.”

Models allow advisors to advise on what matters most to clients

Natixis IM’s survey of individual investors found that about 50% of those who work with an advisor have assets invested in models. Another 22% aren’t sure if they are or aren’t in models. By comparison, just 12% of investors who are not working with an advisor say they are invested in models. Seven in ten (70%) say they are not, and 18% are unsure.

“Investors are telling us that the most important facets of their relationship with an advisor are activities that define a more holistic approach and more personalized service,” said Dave Goodsell, Head of the Natixis Center for Investor Insights. “Model portfolios free up time for advisors to introduce clients to a broader set of services and demonstrate the value of advice beyond allocation.”

In addition to a higher degree of confidence in their finances and trust in their advisors, model investors have characteristics that are distinctly and statistically different from non-model users. First and foremost, model clients think the most important facet of their advisor relationship is that they are getting financial planning advice (49%). Financial planning also is important to 43% of investors not in models, but that 6% difference speaks volumes when looking deeper at the services clients are interested in getting from their advisor.

The survey found that the professional services most wanted by model users versus non-model users are as follows :

- Retirement income planning (62% vs. 43%)
- Financial planning (59% vs. 28%)
- Sustainable investments (50% vs. 23%)
- Private investment opportunities (38% vs. 15%)
- Tax-efficient investment strategies (41% vs. 25%)
- Lending and credit solutions (19% vs. 9%)

Models are evolving: Customization without compromise

The model offering on advisory platforms is still dominated by advisor-built and proprietary, or in-house firm models; however, increasingly, models built by third-party asset managers and other strategists are being added to give advisors and their clients more choice. At least half (51%) of US wealth managers and other advisory firms plan to add to their third-party model offering in the next year, and 58% of fund selectors say their firm is finding a greater need to add specialty models that address specific client objectives.

Natixis IM’s 2023 survey of professional fund selectors found that:

- 66% of the model portfolios on US advisory platforms are built in-house; 25% are run by third-

party asset managers; and another 9% are white-label offerings. In 2020, 80% were in-house, 15% were third-party, and 4% were white-label models.

- 69% agree that model portfolios add an extra layer of due diligence in the investment process. This is likely why 77% also agree that models help manage firm risk.
- 66% say that models enhance advisors' ability to tailor portfolios to client-specific needs. In many cases this may be a more integrated approach to managing a wider range of client assets, as 82% are finding that models make the implementation of unified managed accounts more efficient.

"Model portfolios have evolved in such a way that it's possible to add sleeves with specific attributes and to mix and match in-house and third-party models or core and specialty models," added Marina Gross. "Financial advisors can customize portfolios to their liking depending on clients' goals and risk tolerance, at scale and without compromising investment quality."

One key area that 46% of fund selectors say their firms are looking to add are tax-efficient models for high-net-worth investors, a finding that Natixis IM reported earlier in the year. In general, these high-net-worth models incorporate the diversification benefits of traditional models with direct indexing, making it possible to implement tax-loss harvesting at scale – or the sale of "down positions" to offset capital gains in other positions – an active strategy that's not possible with investments in passively-managed index funds.

Other models that firms are looking to add include a focus on income (44%), alternatives (43%), environmental, social and/or environment factors (34%), and thematic (26%) that capitalize on macro trends and other innovation areas.

Natixis Investment Managers' full report, entitled *Model Citizens: Model Portfolios align firms, advisors, and client goals*, can be found by visiting <https://www.im.natixis.com/us/research/2023-models-report>.

Natixis IM's report on model portfolios builds on findings from:

- **Natixis IM 2023 Survey of Individual Investors**
<https://www.im.natixis.com/us/research/2023-individual-investor-survey>
- **Natixis IM 2023 Survey Professional Fund Selectors**
<https://www.im.natixis.com/us/research/2023-fund-selector>
- **2022 Natixis IM Survey of Financial Professionals**
<https://www.im.natixis.com/us/research/2022-financial-professionals-report>

Methodology

Natixis IM's report on model portfolios includes new analysis of a cut of US data from three distinct studies conducted by CoreData Research between May 2022 and May 2023. These studies include: the [Natixis IM 2023 Survey of Individual Investors](#) (cut of 750 US investors fairly evenly across wealth levels, including mass market (\$100K-\$300K), mass affluent (\$300-\$500K), emerging high net worth (\$500-\$1 million), and high net worth (more than \$1 million) in net household investable assets, excluding the value of their primary household residence), conducted in January and February 2023; the [Natixis IM 2023 Survey of Professional Fund Selectors](#) (cut of 152

Natixis US-based fund buyers from private banks, wirehouses, registered investment advisors, independent wealth managers and other advisory firms), conducted in December 2022; and the [Natixis Investment Managers 2022 Survey of Financial Professionals](#) (cut of 300 US financial advisors) conducted in March and April 2022.

About the Natixis Center for Investor Insight

The Natixis Center for Investor Insight is a global research initiative focused on the critical issues shaping today's investment landscape. The Center examines sentiment and behavior, market outlooks and trends, and risk perceptions of institutional investors, financial professionals and individuals around the world. 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' multi-affiliate approach connects clients to the independent thinking and focused expertise of more than 15 active managers. Ranked among the world's largest asset managers¹ with more than \$1.2 trillion assets under management² (€1.1 trillion), Natixis Investment Managers delivers a diverse range of solutions across asset classes, styles, and vehicles, including innovative environmental, social, and governance (ESG) strategies and products dedicated to advancing sustainable finance. The firm partners with clients in order to understand their unique needs and provide insights and investment solutions tailored to their long-term goals.

Headquartered in Paris and Boston, Natixis Investment Managers is part of the Global Financial Services division of Groupe BPCE, the second-largest banking group in France through the Banque Populaire and Caisse d'Epargne retail networks. Natixis Investment Managers' affiliated investment management firms include AEW; DNCA Investments;³ Dorval Asset Management; Flexstone Partners; Gateway Investment Advisers; Harris Associates; Investors Mutual Limited; Loomis, Sayles & Company; Mirova; MV Credit; Naxicap Partners; Ossiam; Ostrum Asset Management; Seventure Partners; Thematics Asset Management; Vauban Infrastructure Partners; Vaughan Nelson Investment Management; and WCM Investment Management. Additionally, investment solutions are offered through Natixis Investment Managers Solutions and Natixis Advisors, LLC. **Not all offerings are 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, LLC, a limited purpose broker-dealer and the distributor of various US registered investment companies for which advisory services are provided by affiliated firms of Natixis Investment Managers, Natixis Investment Managers S.A. (Luxembourg), Natixis Investment Managers International (France), and their affiliated distribution and service entities in Europe and Asia.

¹ Cerulli Quantitative Update: Global Markets 2023 ranked Natixis Investment Managers as the 17th largest asset manager in the world based on assets under management as of December 31, 2022.

² Assets under management ("AUM") of current affiliated entities measured as of June 30, 2023 are \$1,230.1 billion (€1,127.5 billion). 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.

³ A brand of DNCA Finance.

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