NEWS RELEASE

Natixis Survey Finds Institutional Investors Putting Capital to Work to Address Global Problems

- Nearly half of institutional investor respondents champion corporate governance, including enhanced diversity and inclusion policies and practices
- Two-thirds expect private investments, such as private debt, infrastructure and other alternatives, to play a more prominent role in their portfolio strategy going forward
- Under pressure to meet short-term performance expectations, nearly half of institutional investors say there might not be enough time to execute on long-term investment strategies
- Current environment pushes institutional investors to outsourcing: Three-quarters say they do so to access specialized expertise

BOSTON, May 19, 2020 – Fully 96% of institutional investors recently surveyed by Natixis Investment Managers[1] believe they have an important role to play in addressing the world's most pressing challenges, including climate change, social and economic inequality and the need for infrastructure development. Six in ten say they would be more willing to invest in projects that help provide solutions to societal challenges if those projects presented a risk/return profile in line with their portfolios' long-term goals.

In its report on the findings, published today, Natixis says that balancing short-term risks and long-term objectives is a familiar conundrum for institutional investors who invest trillions of dollars in retirement plan savings and financial assets on behalf of American workers, endowments, foundations, insurers and other institutions. Since the 2008 financial crisis, strict liquidity requirements have limited institutions' investment options while ten-plus years of ultra-low interest rates have pushed their future obligations higher. The Federal Reserve's actions to stabilize the financial markets in March after the COVID-19 pandemic was declared a national emergency reduced rates nearly to zero, which further exacerbated the problem. The survey, which was compiled before the onset of the pandemic, found:

- Nearly six in ten (57%) institutional investors say that solvency and liquidity requirements create a bias for short-time horizons and highly liquid assets.
- Just under half (48%) say their ability to execute long-term strategies is inhibited by the market's focus on short-term performance expectations. Meanwhile, 31% also report internal pressure from their own boards' focus on quarterly results.

"Institutional investors must now find ways to meet their mandates in a world that's even more yield-starved while facing unprecedented social, political, financial and environmental threats," said David Giunta, CEO for the US at Natixis Investment Managers. "We're seeing institutions draw on a wider variety of assets and resources now more than ever to achieve their long-term objectives."

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Nearly half of investors surveyed by Natixis said that institutions should:

- Put capital to work to address Environmental, Social, and Governance (ESG) issues (48%).
- Champion corporate governance including enhanced diversity and inclusion policies and practices (48%).
- Use their clout to influence the policies and actions of companies in which they invest (49%).

Institutions say their main reason for integrating ESG is to align their portfolios with their firm's values, but institutional investors also see a strong investment case for sustainable investing strategies: Two-thirds (65%) believe ESG analysis has a valid place alongside fundamental analysis, and more than half (54%) say there's alpha to be found in ESG. More than two-thirds (70%) expect ESG will become a standard practice across the industry within the next five years.

Despite their expectation of ESG's growing importance, institutions are looking for clarity on the best ways to measure its performance. In particular, they are eager for more robust data, with 71% saying it is difficult to know which ESG data are really material to investment analysis.

Over three-quarters (78%) of institutions say they are invested in sustainable infrastructure projects, many of which offer the potential to generate social, economic and environmental benefits alongside financial returns.

While 32% say they are looking to increase their allocations to infrastructure, roughly a third (34%) are concerned about the associated risks, particularly in emerging and frontier markets. One in three (31%) also worry that there are no clear measurement standards.

Regardless of the risks, Natixis finds a trend toward private investments among institutional investors.

Nearly seven in ten (68%) institutional investors say private assets will play a more prominent role in their investment strategies going forward.

- Seven in ten (71%) institutional investors say the returns of private assets make them worth the liquidity risk.
- The main reasons institutions invest in private assets are for diversification (62%) and because the return/yields on private assets are more attractive than traditional markets (61%).
- 63% say the performance potential of private investments makes them worth the higher fees.

"Impact investing has vast promise and the possibility for win-win arrangements on a massive scale, but these types of initiatives often present risks that are prohibitive for institutional investors," said Dave Goodsell, Executive Director of Natixis' Center for Investor Insight. "Platforms such as blended finance have the potential to make investing in socially beneficial projects more realistic for institutional teams, and free up capital to improve living conditions around the globe."

Institutional teams turn to outsourcing for specialized expertise, diversification

Investing in private assets and alternatives is complex business; doing it successfully demands particular

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skills and experience. That is likely why three-quarters (75%) of institutional teams say they outsource at least some investment management functions in order to access specialized expertise.

Other reasons to outsource appear to be tied to the current risk-filled environment. According to the survey, roughly one-third (36%) say they are outsourcing to help them look for strategies that are tailored to their risk-return profile, and almost the same number (32%) say outsourcing gives them new sources of diversification and yield.

The full report, "Out of the Frying Pan," is available at im.natixis.com/us/research/2019-institutional-investor-survey-risk-yield-esg.

Methodology

Natixis Investment Managers surveyed 500 institutional investors, including 129 based in North America.[1] Respondents included managers of corporate and public pension funds, foundations, endowments, insurance funds and sovereign wealth funds in North America, Latin America, the United Kingdom, Continental Europe, Asia and the Middle East. Data were gathered in October and November 2019 by the research firm CoreData.

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[2] with $908.9 billion / €828.4 billion assets under management[3].

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; DNCA Investments;[4] Dorval Asset Management; Flexstone Partners; Gateway Investment Advisers; H2O Asset Management; Harris Associates; Investors Mutual

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[2] Cerulli Quantitative Update: Global Markets 2019 ranked Natixis Investment Managers as the 17th largest asset manager in the world based on assets under management as of December 31, 2018.
[3] Assets under management ("AUM") as of March 31, 2020. 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.

[4] A brand of DNCA Finance.

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

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Alternative investments involve unique risks that may be different than 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.

Sustainable investing focuses on investments in companies that relate to certain sustainable development themes and demonstrate adherence to environmental, social and governance (ESG) practices; therefore the universe of investments may be limited and investors may not be able to take advantage of the same opportunities or market trends as investors that do not use

such criteria. This could have a negative impact on an investor's overall performance depending on whether such investments are in or out of favor.

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