NATIXIS
GLOBAL ASSET MANAGEMENT

UNDER PRESSURE

Facing up to the challenge of balancing short-term performance needs with long-term liabilities

2014 INVESTOR INSIGHT SERIES

UNDER PRESSURE

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Global Survey of Institutional Investors

EXECUTIVE SUMMARY

UNDER PRESSURE

Facing up to the challenge of balancing short-term performance needs with long-term liabilties

Institutional investors report being optimistic on prospects for equity performance in 2015, but mounting concerns over geopolitical and market risks, along with a clear desire to add non-correlated asset classes to their holdings, underscore their cautious approach to investing in modern markets.

Our 2014 Global Institutional Investor Survey[1] offers a window into three key strategic challenges these decision-makers face in their investments:

- **Striking a delicate balance between return generation and asset protection –** While 46% of institutional investors believe equities will be the top performers for the year ahead, 81% believe volatility will be a challenge in the next few years and 77% worry about tail risk.

- **Responding to short-term market movements while staying on target to fulfill long-term liabilities –** Eight in ten institutions say it is challenging to generate stable returns in the short term, while six in ten institutions say it will be difficult to meet their long-term liabilities.

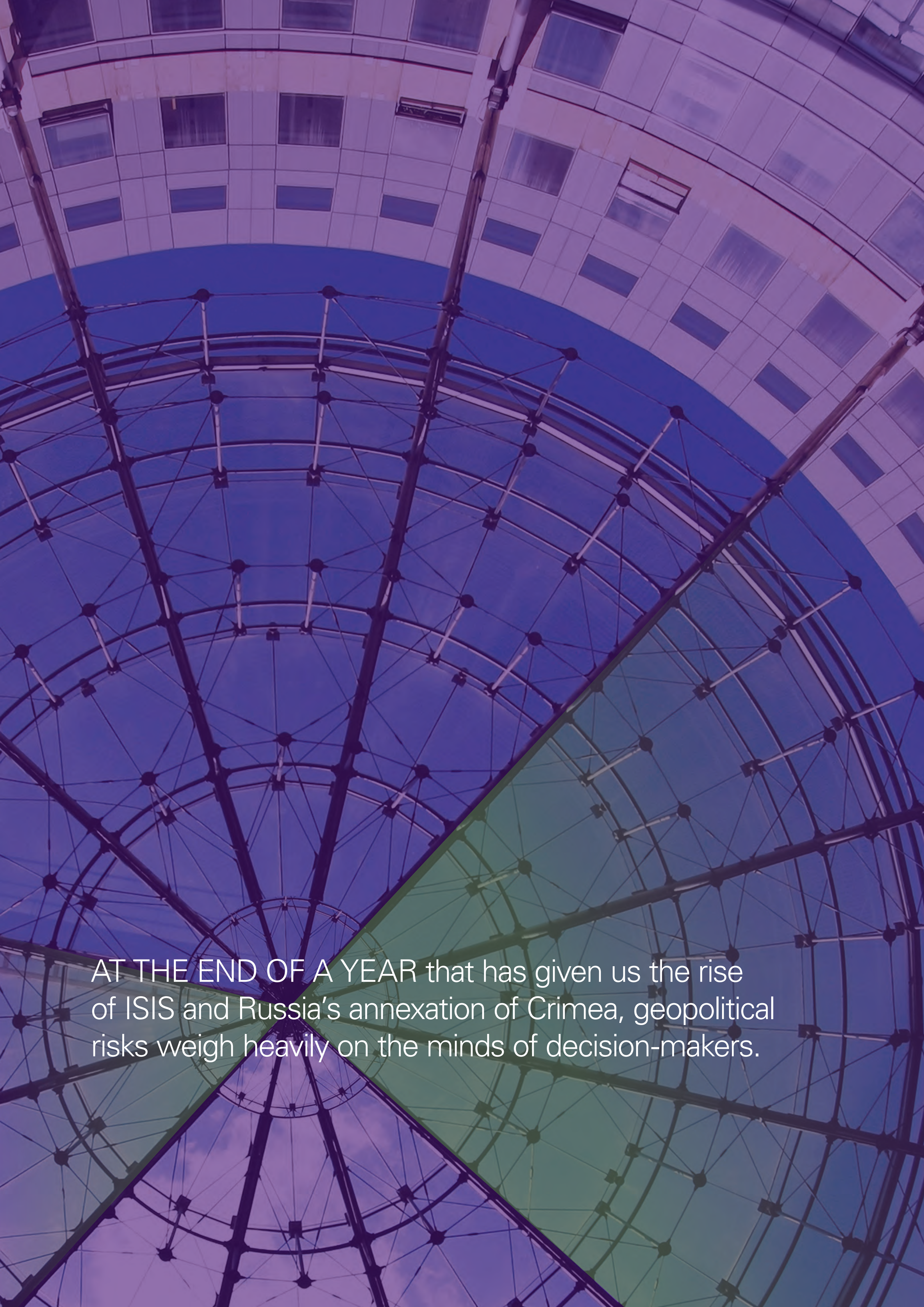
- **Identifying new sources of alpha as correlations[2] continue to rise and markets become increasingly efficient –** Traditional asset classes are too highly correlated to provide distinctive returns according to 55% of those polled, while more than six in ten tell us they need to replace traditional portfolio construction approaches to achieve results.

For many, these key portfolio challenges are addressed by revisiting asset allocation strategies and large numbers say they will implement alternative investments.[3] The end result is a more comprehensive view of portfolio construction that starts with clear risk management objectives.

1 Interviews were conducted throughout October and November 2014. The survey was based on fieldwork conducted by CoreData Research. Globally, the study involved 642 decision makers working in institutional investment in 27 countries across six geographical regions.

2 A statistical measure of how securities move in relation to each other.

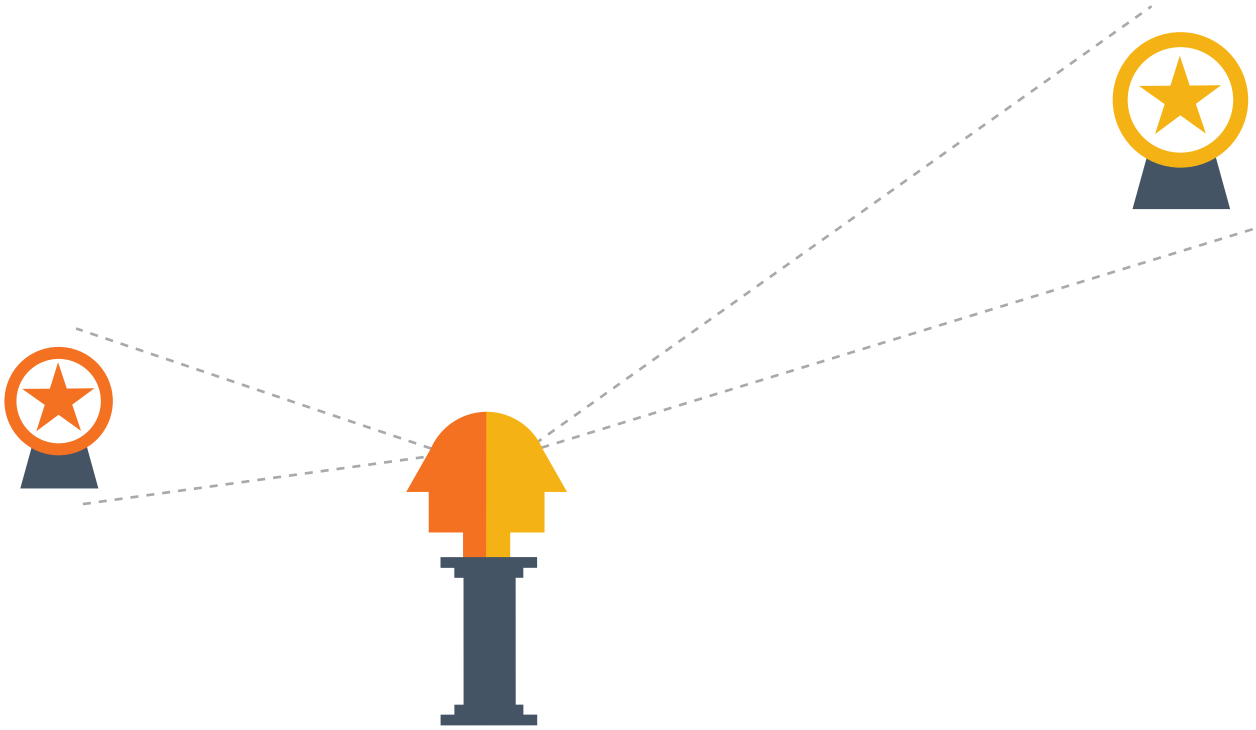
3 An alternative is an investment that is not one of the three traditional asset types (stocks, bonds and cash). Most alternative investment assets are held by institutional investors or accredited, high-net-worth individuals because of their complex nature, limited regulations and relative lack of liquidity. Alternative investments include hedge funds, managed futures, real estate, commodities and derivatives contracts.



AT THE END OF A YEAR that has given us the rise of ISIS and Russia's annexation of Crimea, geopolitical risks weigh heavily on the minds of decision-makers.

INTRODUCTION

The challenge of managing short-term performance needs and long-term liabilities



Institutional investors across the globe project cautious optimism as they look to balance long-term liabilities with the challenges of managing assets through short-term market movements.

Their views on risk are being shaped by dramatic world events and fickle economic conditions. At the end of a year that has given us the rise of ISIS and Russia's annexation of Crimea, geopolitical risks weigh heavily on the minds of decision-makers, even ahead of significant macroeconomic trends.

On the economic front, the year ahead presents a broad spectrum of investment challenges for institutions. At the end of 2014, Japan, the world's third largest economy, has slipped back into recession. The once white-hot Chinese economy has cooled and Europe has continued to sputter along, failing to get out of neutral for yet another year.

> "On the economic front, the year ahead presents a broad spectrum of investment challenges for institutions.

Despite these headwinds, 46% of institutions tell us they see equities as providing the best performance potential in 2015. But they are selective in the regions where they see potential. Their optimism is also tempered by modern market realities, as 81% also tell us they believe it will be difficult to manage volatility over the coming years.

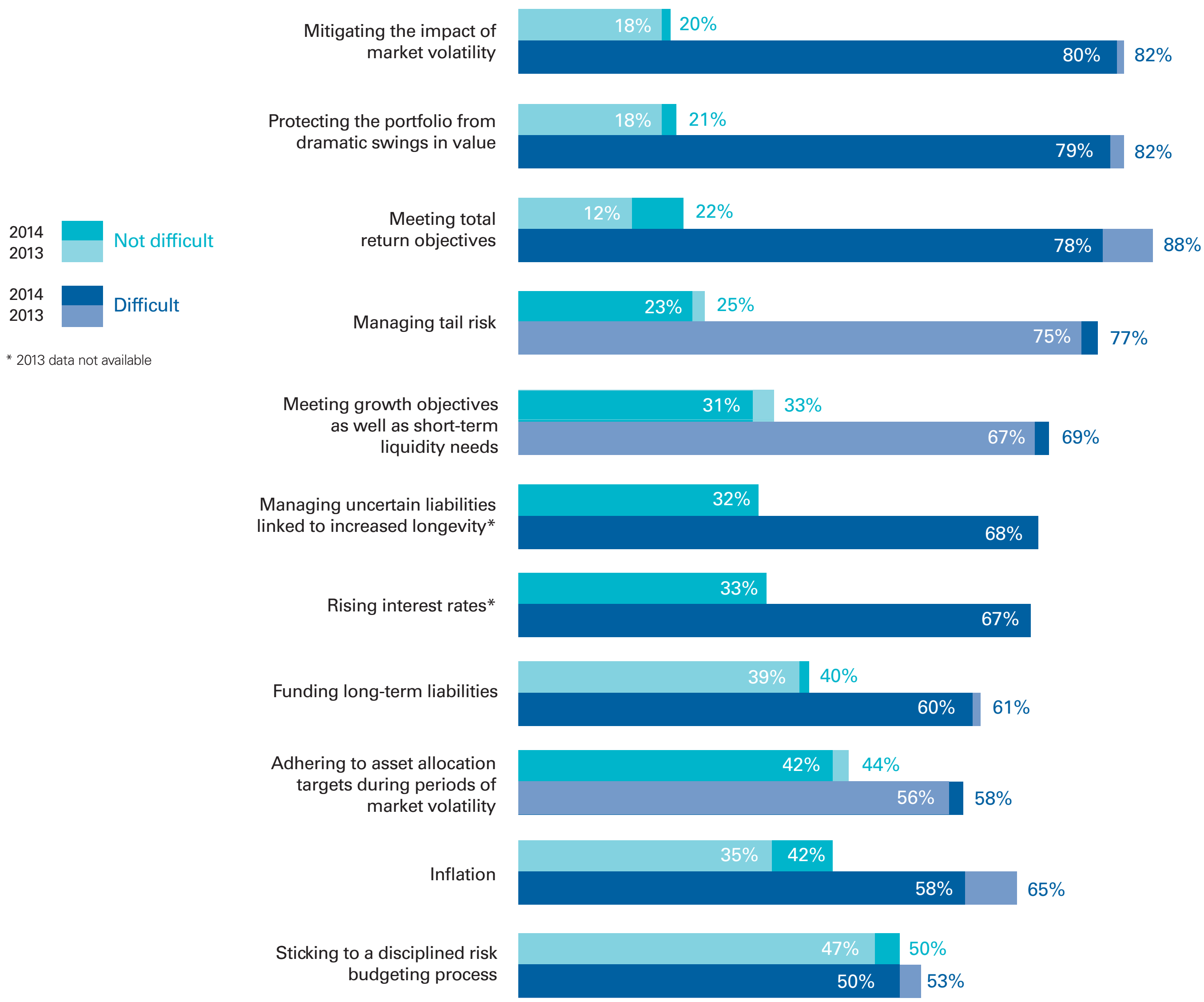
Our 2014 Global Survey of Institutional Investors provides a look into three key challenges for decision-makers at public and private pensions, insurance companies, sovereign wealth funds, endowments and foundations, and central banks in 27 countries:

- Striking a delicate balance between return generation and asset protection
- Responding to short-term market movements while staying on target to fulfill long-term liabilities
- Identifying new avenues for alpha[4] as correlations continue to rise and markets become increasingly efficient

Despite some key differences in how they view risk and liabilities, the institutional decision-makers we spoke with are consistent in what they believe to be the actions necessary to meet the challenges.

INSTITUTIONAL INVESTORS FACE A WIDE RANGE OF CHALLENGES

Year over year, institutional investors present a consistent view on the key challenges they face.



4 Alpha is a measure of the difference between a portfolio's actual returns and its expected performance, given its level of systematic market risk.

2014 Global Survey of Institutional Investors

ABOUT THE SURVEY

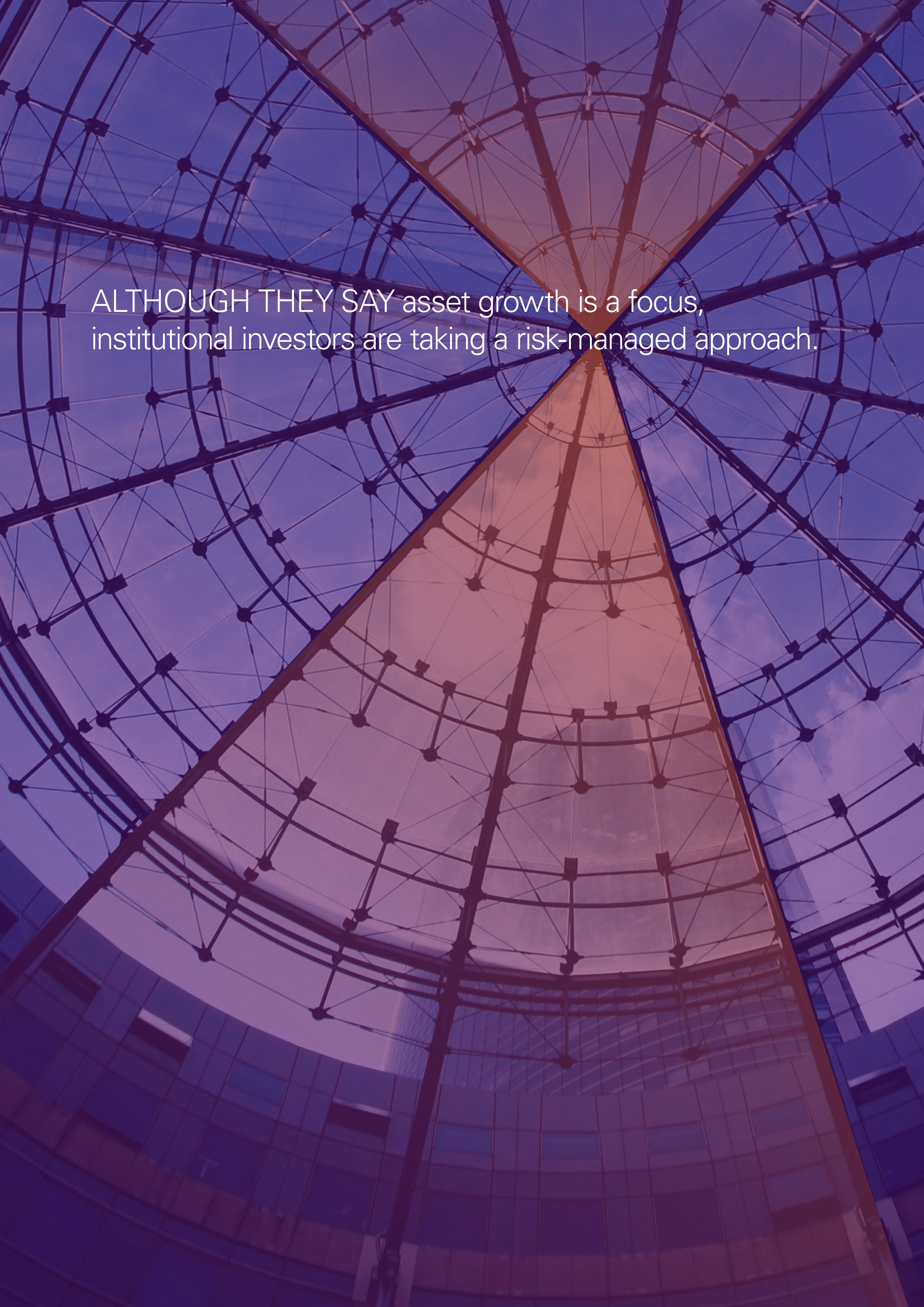
Natixis Global Asset Management commissioned CoreData Research to conduct a global study of institutional investors, with the aim of gaining insight as to how they are managing investments and meeting various challenges in today's world.

PROJECT BACKGROUND AND METHODOLOGY

2014 marks the third year in which Natixis Global Asset Management has conducted its Global Institutional Investor Survey.

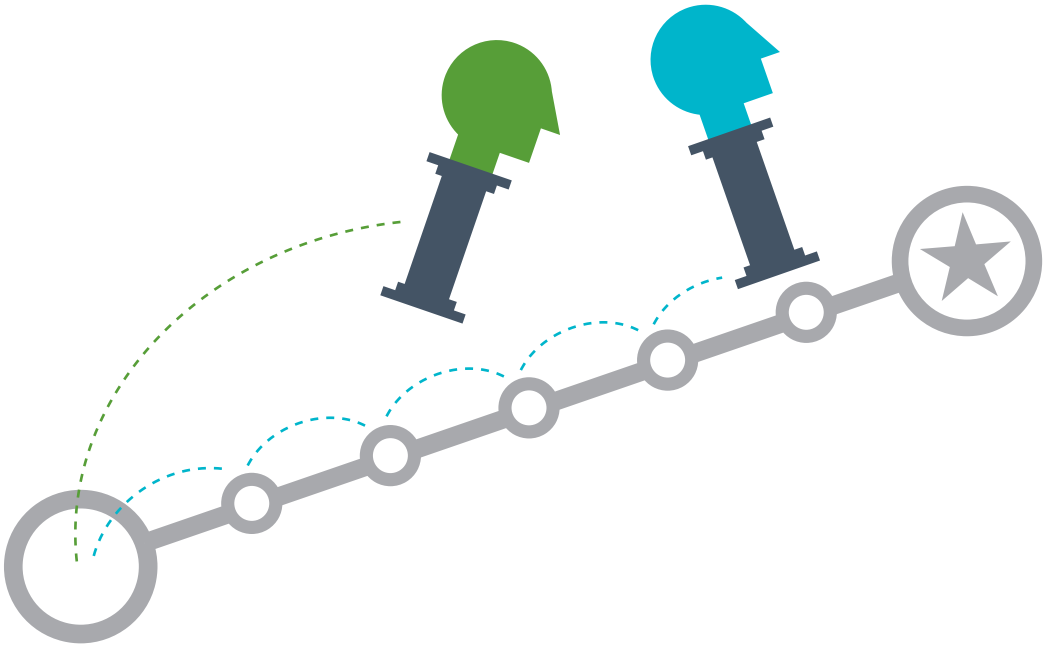
Interviews were conducted throughout October and November 2014. The survey was based on fieldwork conducted by CoreData Research. Globally, the study involved 642 decision-makers working in institutional investment who collectively manage $31 trillion in assets in 27 countries across six geographical regions.

ALTHOUGH THEY SAY asset growth is a focus, institutional investors are taking a risk-managed approach.



SECTION ONE

Return generation and asset protection: a delicate balance of investment priorities



When asked about thoughts on top-performing asset classes in 2015, it appears that institutional investors will still be riding the bull market, but rather than charging as it has in recent years, they think the bull is likely to be walking on eggshells.

Among those polled, 46% said they believed equities would be the top performers for the year ahead, but with specific limitations: The highest number expect global and U.S. equities (12% each) will be the top performers, closely followed by emerging markets (11% each). Convictions were weaker for European (6%) and Asian equities (5%). Sovereign Wealth Funds demonstrated the strongest convictions for equity performance, with 39% anticipating the best results from global equities.

Cautiously optimistic on equities

Perhaps most telling of any caution they feel about stocks are the 41% of institutions who said they will add value-oriented equity strategies to their portfolio in 2015 versus the 31% who said they will add growth-oriented strategies. Given the prolonged run-up experienced since 2010, it would seem that a significant number of institutional investors believe momentum has run its course and now is the time to find those stocks that have been overlooked and undervalued.

Although they say asset growth is a focus, institutional investors are taking a risk-managed approach, as evidenced by a projected 22% decrease in allocations to risk assets in the next 12 months.

ANTICIPATED TOP PERFORMERS IN 2015

Global Equities	12%
U.S. Equities	12%
Emerging Market Equities	11%
Private Equity	10%
Real Estate	7%
European Equities	6%
Asian Equities	5%
Hedge Funds	5%
Global Fixed-Income	5%
Emerging Market Debt	5%
Macro / Absolute Return	4%
Gold / Precious Metals	4%

Renewed focus on alternatives

Despite an optimistic outlook on equities, institutions are also hedging their bets with allocations to alternative investments. Just under three-quarters of respondents (73%) say they will maintain or increase allocations to illiquid investments, and 87% say they will maintain or increase allocations to real estate. About one-third (36%) of institutions also see specific applications for alternatives as they look to mitigate interest rate risk in a potentially rising rate environment.

> "81% of institutions say they believe it will be diffiult to mitigate the impact of volatility in the coming years.

How strong is the commitment to alternatives among institutions? Nearly half (49%) of those surveyed said it is essential for institutions to invest in alternatives in order to outperform the broad markets. Respondents see dual purpose in their alternative allocations, with seven in ten saying they are a good source of diversification and six in ten saying they are also a good source of returns.

Concerns with volatility

Volatility has remained at or near historic lows throughout recent years. Even when events such as mere discussion of dialing back on quantitative easing[5] can trigger spikes in volatility, they have not been sustained for longer than a month or two. Even given this recent history, 81% of institutions say they believe it will be difficult to mitigate the impact of volatility in the coming years and another 77% are concerned about their ability to manage tail risk.

INSTITUTIONS REPRIORITIZE RISK FOR 2015

Investors still like stocks. But they favor other categories, such as dividend-paying and value equities. Moving from 2014 into 2015, they'll look to cut risk throughout their portfolios. The following investment types are where respondents are looking to make changes:

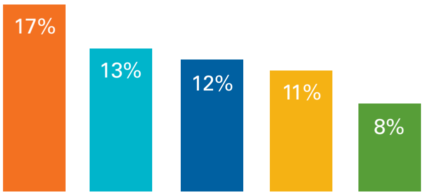
Investment type	Decrease	Increase	Difference
Income-generating	7	36	**29**
Real estate	13	40	**27**
Value investments	19	41	**22**
Growth investments	18	31	**13**
Beta strategies	27	33	**6**
Liquid assets	27	31	**4**
Momentum strategies	29	32	**3**
Volatility	31	32	**1**
Real assets/commodities	30	28	**-2**
Risk	38	16	**-22**

Diversification does not guarantee a profit or protect against a loss.

5 Quantitative easing refers to winding down the U.S. government's program of quantitative easing (QE) that has been in place since December 2008. QE involves the purchase of Treasury bonds and agency mortgage-backed securities by the central bank to help keep interest rates low.

WHERE THE RISKS ARE

Institutional investors rank geopolitical events ahead of macroeconomic issues in their top five risk concerns.



Geopolitical risks 17%

Russia's annexation of Crimea and the rise of ISIS are two events that may have contributed to institutional concerns over geopolitical risk. These sentiments may soon be exacerbated as Russia and the Middle East grapple with the political fallout of a sharp decline in oil prices.

Slow growth in Europe 13%

As GDP growth in the European Union dropped as low as 0.1% in Q2 of 2014, all eyes turned to Germany. Where it has been a bright spot in the region in recent years, the German economy posted negative 0.1% growth in Q2 of 2014 and just 0.1% growth in Q3, raising concerns about Europe's prospects for avoiding recession.

China cooling 12%

China's GDP growth slipped to 7.5% as the economic focus transitioned from exports to domestic growth. The course correction was felt across the region as the economic engine driving many of Asia's economies slowed.

Interest rates 11%

After nearly seven years of quantitative easing, hints that central banks in Europe and the U.S. may soon begin reversing policy have fueled concerns over the impact of rising interest rates on bond markets worldwide.

Faltering economic recovery 8%

The global economic crisis still casts a long shadow. Despite positive U.S. GDP growth for the second half of 2014 and positive growth in the U.K., it would seem that investors are concerned that economic gains could be easily lost.

Geopolitical events top risk concerns

In part, this outlook is likely to be driven by a heightened awareness of geopolitical and macroeconomic risks. When asked to rank the biggest risks facing the market, institutions place geopolitical risk at the top of the list followed by European economic stagnation and slowing growth in China. Rounding out the top five are rising interest rates and a faltering economic recovery.

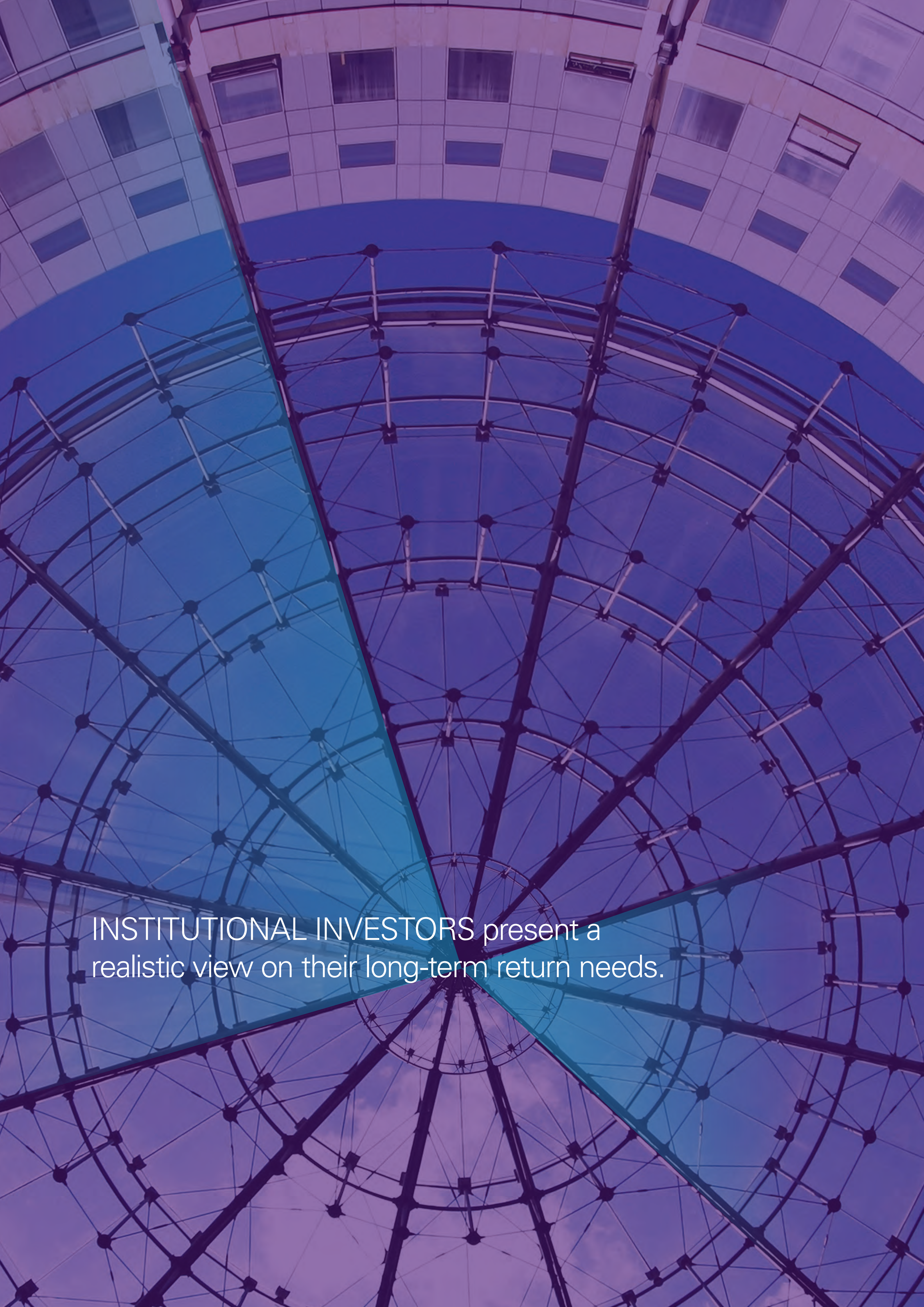
According to the survey, institutions will deploy a range of strategies to mitigate risk in their portfolios. Most frequently they say they will implement risk budgeting tactics (56%) or increase allocations to non-correlated asset classes (55%), while to a lesser degree risk management concerns are leading institutions to look at increasing their use of liquid alternative strategies such as global macro (23%).

Rising rates not raising concerns

Given the prospect of central banks dialing back on six-plus years of quantitative easing, two-thirds (67%) of the institutions we surveyed say they expect rising interest rates will pose a challenge. Overall, it would seem that institutions believe they are ready to take a rate hike in stride, as only 18% expect significant difficulty from the issue.

Given that today's low interest rate environment comes at the culmination of a 30-year period of declining interest rates, it would appear that institutions have had a long time to prepare for a reversal of course. Six in ten (61%) plan to respond by shortening bond durations in their portfolio, 46% say they will reduce overall fixed-income positions and 22% say they will hold on to large cash positions.

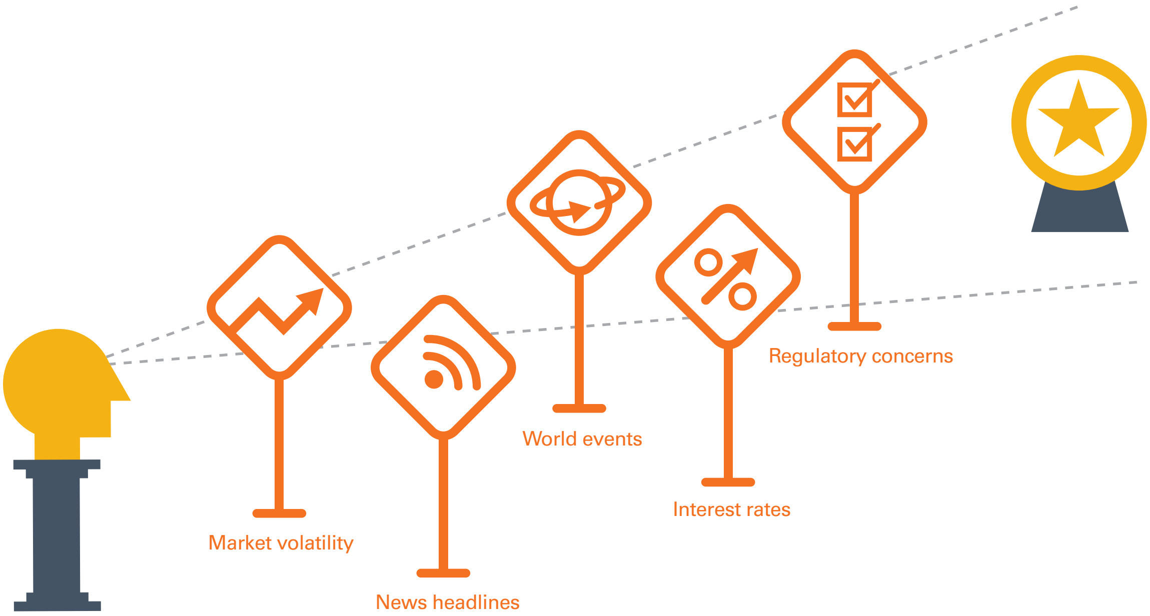
> "It would seem that institutions are ready to take a rate hike in stride, as only 18% expect significant difficulty from the issue.



INSTITUTIONAL INVESTORS present a realistic view on their long-term return needs.

SECTION TWO

Even long-term investors get distracted by short-term events



By virtue of their mission to manage future liabilities across 20, 30, 40 or more years, institutions are inherently long-term investors. But even as they take a long view, their field of vision can be blurred by short-term market movements, making it difficult to maintain asset allocation discipline.

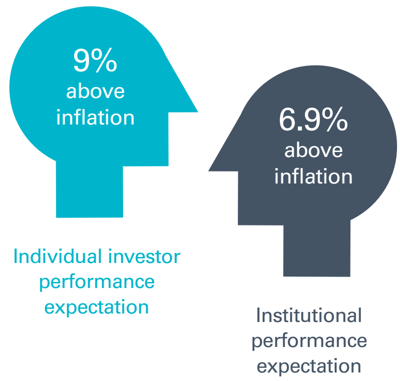
Realistic expectations on investment returns

Institutional investors present a realistic view on their long-term return needs. When asked what average annual returns above inflation they would need to meet their long-term goals, those decision-makers surveyed said 6.9%. Assuming an annual inflation rate of 4.2%, institutions expect to make just over 10% annually. Some regions demonstrate higher expectations as in Asia (8.4%) and the Middle East (8.2%).

This stands in significant contrast to the expectations of individual investors around the globe who told us they would need to achieve average returns of 9% above inflation and investors in the Middle East who expect 11.5% above inflation.[6] When asked, institutions say individual investors should expect returns of 6.46% above inflation. Respondents in our 2014 Global Survey of Financial Advisors[7] agree with this more conservative performance expectation, suggesting that individuals can expect 5.6%.

SETTING REALISTIC RETURN EXPECTATIONS

Individual investors could learn from the example set by institutional expectations.



Institutional investors suggest that individuals can realistically expect to achieve returns of 6.46% above inflation, while financial advisors say a more conservative 5.6% is more realistic.

6 Natixis Global Asset Management, Global Survey of Individual Investors, May 2014. Please see page 25 of the report for further details on survey methodology.

7 Natixis Global Asset Management, Global Survey of Financial Advisors, September 2014. Please see page 25 of the report for further details on survey methodology.

But is it enough?

Liabilities and longevity present significant challenges to institutional investors. As the average lifespan for individuals in the developed world continues to grow, so do the liabilities that many institutions must fulfill. Six in ten institutions say it will be difficult to meet their long-term liabilities, and 68% say their funding concerns are the direct result of the longevity risk presented by expanding lifespans.

In 1990, the average lifespan in the developed world was 73 years. By 2025, it's projected to be 81 years. This phenomenon presents significant challenges to institutions, and particularly pension schemes, as they see liabilities extend across multiple decades.

> "Many institutions say they still find the tools for liability management to be lacking.

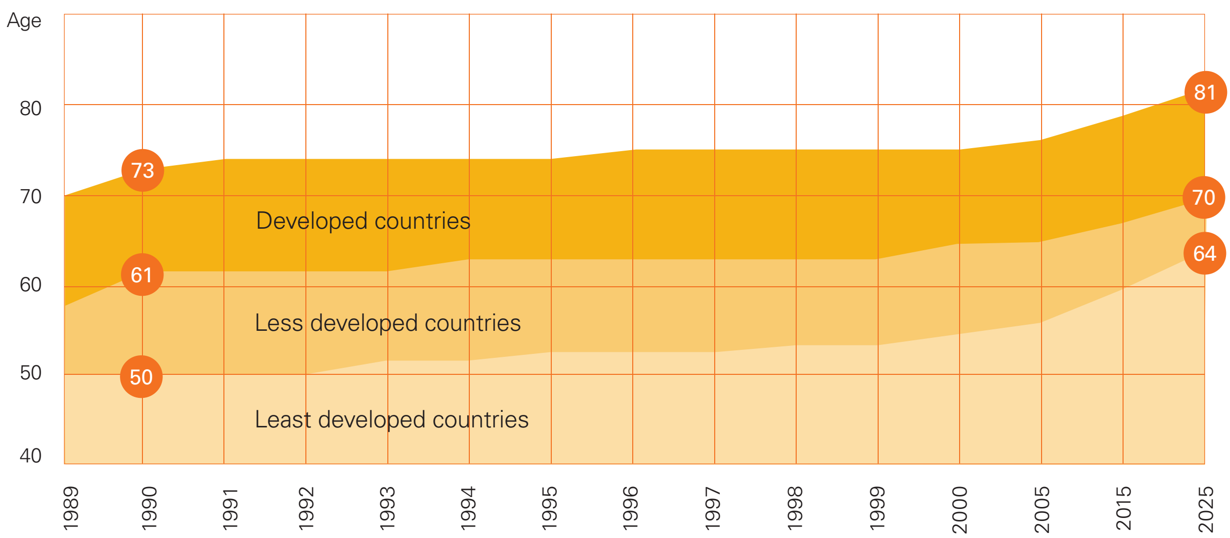
While institutional investors have been implementing strategies designed specifically for managing longevity risks for more than two decades, many say they still find the tools for liability management to be lacking. More than a third of those interviewed (36%) say they do not have the tools needed to manage their liabilities. Even more (59%) believe the industry has not been innovative in the development of solutions for liability-driven investing (LDI).[8]

This perceived lack of enthusiasm for current tools is a likely contributor to a surprising lack of implementation across the industry. We found that only 49% of institutions globally are incorporating asset liability matching strategies in their portfolios. The only survey segment with a majority of respondents implementing these strategies is insurance companies (59%), which is still not an overwhelming majority.

I'm O.K., you're not

Despite the limitations they find in today's tools for liability-driven investing, our respondents are highly confident in their ability to meet long-term obligations. When asked directly, 87% say they will meet their own long-term obligations. Their confidence does not extend to other institutions.

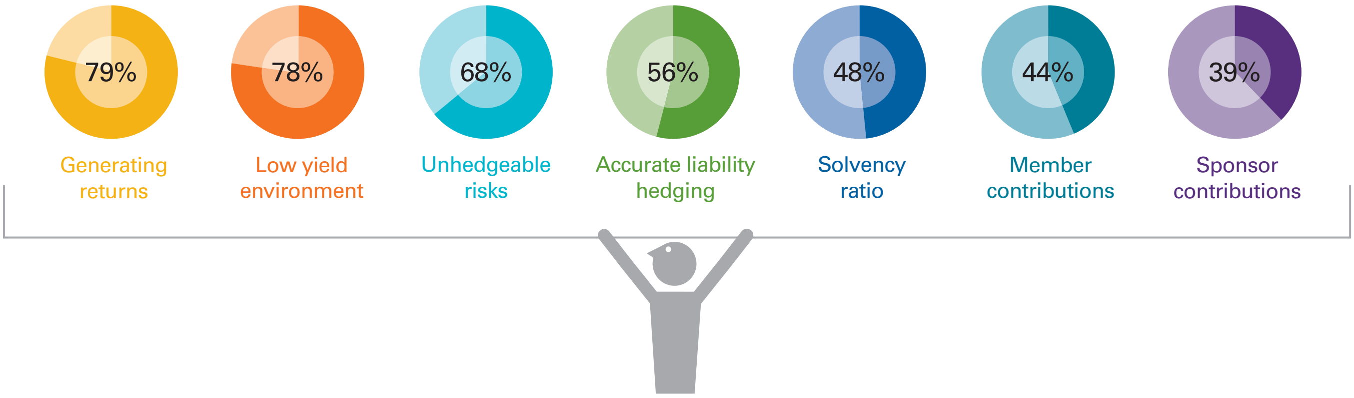
LIFE EXPECTANCY AT BIRTH



Source: U.S. Census Bureau, International Database, accessed December 3, 2014.

8 A form of investing in which the main goal is to gain sufficient assets to meet all liabilities, both current and future.

KEY CHALLENGES TO EFFECTIVE LIABILITY MANAGEMENT



More than half (52%) of those surveyed believe that other organizations will not be successful in meeting their obligations. These numbers are on par with what we saw in 2013 when 89% said they would be successful and 56% said others would not.

When asked what posed the biggest challenges in their management of liabilities, our survey respondents painted a picture of a complex and volatile investment environment. Topping their list of challenges is their ability to generate returns, followed closely by low investment yields. Regulations also pose significant challenges with institutions pointing to the need to address unhedgeable risks, accurately hedging liabilities, and meeting solvency ratios as their next biggest concerns.

Short-term performance pressures

Even when considering long-term liability needs, institutional investors are not immune to short-term performance pressures and risk concerns. More than half (51%) say they prioritize short-term performance goals over long-term obligations in their investment decisions. Further evidence of the powerful impact of short-term performance pressures are the 57% who say it is challenging to adhere to asset allocation targets during periods of volatility.

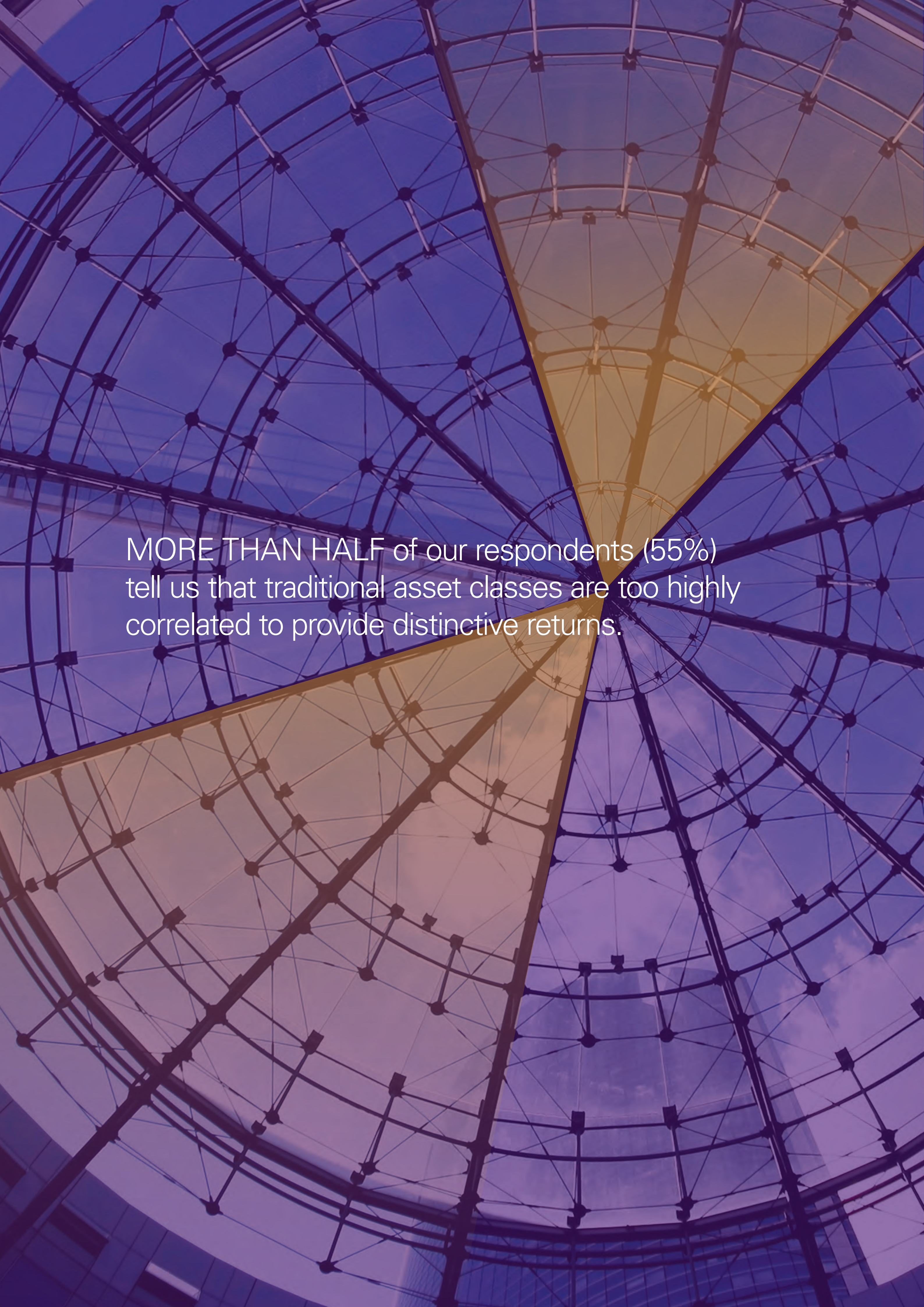
These facts may challenge the notion of institutions being the epitome of objective, unemotional, long-term investing. In reality, these decision makers face similar pressures to those felt by financial professionals in the retail world who must manage expectations of consistently outperforming markets on behalf of clients.

> “Topping their list of challenges is the institutions’ ability to generate returns, followed closely by low investment yields.

Performance measured against the markets first, goals second

Much has been made of the advantages of goals-based investing. Getting investors to take the focus off market performance and onto the progress toward accomplishing specific goals has become a critical focus across the investment industry.

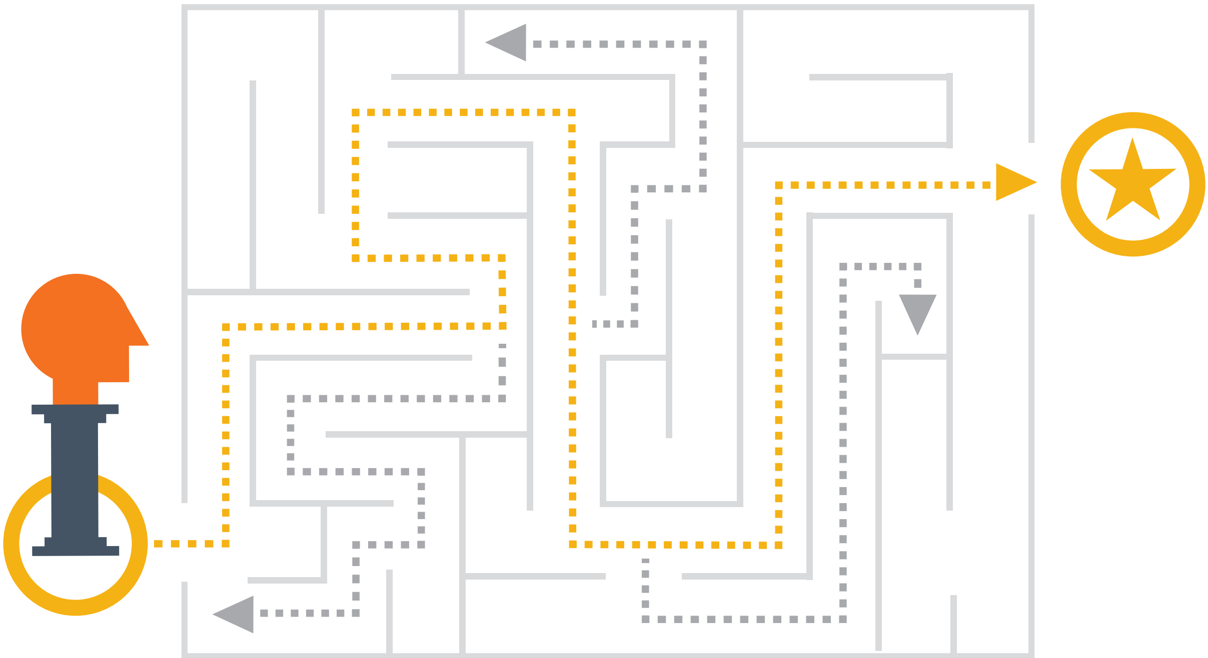
To date institutions have been held up as the example of this ideal in action but, based on our survey results, institutions may not yet be fully committed to the idea. We found the largest number of institutions (42%) say they measure investment performance relative to market benchmarks as their primary metric. Another 19% use customized benchmarks, while only 18% measure performance against their organization’s goals as their primary metric.



MORE THAN HALF of our respondents (55%) tell us that traditional asset classes are too highly correlated to provide distinctive returns.

SECTION THREE

The quest for alpha leads down new avenues



Facing growing long-term liabilities and a market that continues to present a one-two punch of highly correlated assets and low yields, institutional investors are looking beyond traditional investment strategies to pursue alpha.

Results are hard to come by

While equity markets around the globe have provided positive results over recent years, three-quarters of the institutions we surveyed tell us alpha is becoming harder to find as markets become more efficient. Despite their short-term performance pressures, nearly eight in ten (78%) say it is a challenge to take tactical advantage of movements in today's markets.

> "Three-quarters of the institutions we surveyed tell us alpha is becoming harder to find as markets become more efficient.

Under these circumstances, institutional investors are challenged to grow assets. More than half of our respondents (55%) tell us that traditional asset classes are too highly correlated to provide distinctive returns. In this environment, it is not surprising that close to two-thirds (64%) believe that smart beta[9] is a valid and effective approach to achieving better returns at reduced costs.

9 Beta measures the volatility of a security or a portfolio in comparison to the market as a whole.
Alternative investments involve specific risks that may be greater than those associated with traditional investments, and there is no assurance that any investment will meet its performance objectives or that losses will be avoided.

Portfolios need to change

The challenge of generating alpha under these conditions is leading institutional investors to implement alternative investments and add non-correlated asset classes to their portfolio strategies. In fact, six in ten (62%) of those surveyed believe they will need to replace traditional diversification and portfolio construction techniques with new approaches to achieve results.

For many, alternatives continue to hold a prominent role in addressing the high correlations that prevail in modern markets. A large number felt that alternatives will also help address performance needs in the short term. For 2015, 67% believe alternatives will outperform returns posted over the past twelve months.

An essential portfolio tool

Institutions were among the earliest adopters of alternative investments. In 2014 they continue to be proponents with 81% saying that alternatives are suitable investments for institutions. Six in ten surveyed say institutions should be investing in alternatives. Among our survey sample, Endowments and Foundations (85%) showed the strongest commitment to alternative investing.

Our respondents see the potential for both enhanced diversification and return generation. Almost two-thirds (65%) say alternatives are essential to managing risk. Seven in ten agree that they are a good source of portfolio diversification. And six in ten say they are a good source of return potential. Like the individual investors and financial advisors who participated in our 2014 global survey series, institutional respondents also see some of the challenges to alternatives: 59% believe they can be risky and 61% say they are complex. But these decision makers are pragmatic, with seven in ten saying illiquidity is a fact of life when investing in alternatives.

One area in which institutional investors see potential for alternatives is liability management. Seven in ten (71%) tell us alternatives are essential tools for managing liabilities and liquidity risk, while two-thirds (67%) believe they have a place in liability-driven investing.

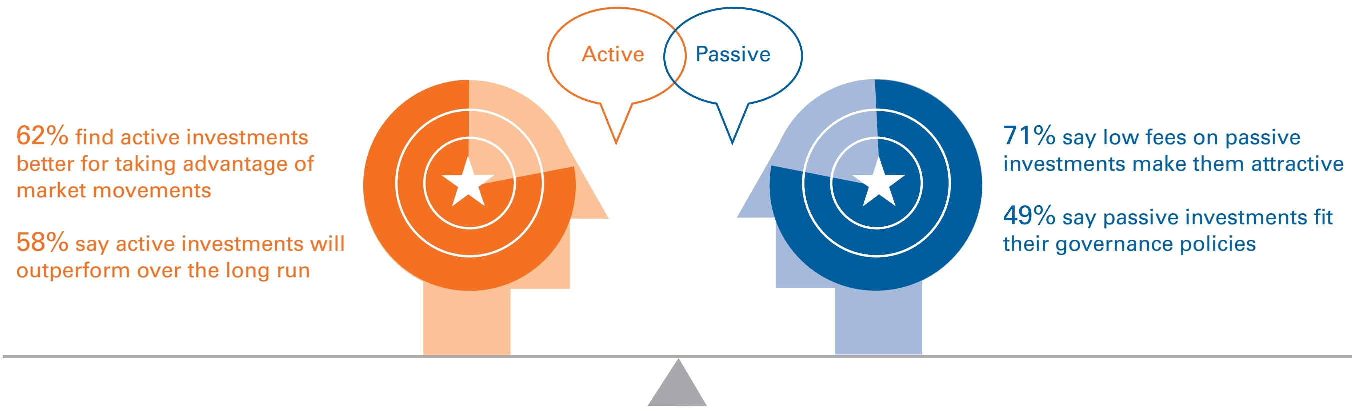
THE ESSENTIALS OF ALTERNATIVES

According to institutional investors, alternative investments have become essential portfolio tools that address key portfolio concerns.

	Institutional investors say
81%	alternatives are suitable investments for institutions
71%	alternatives are tools for managing liabilities and liquidity risk
70%	alternatives are a good source of diversification
67%	alternatives have a place in liability-driven investing
65%	alternatives are essential to diversifying risk
60%	that institutions should invest in these strategies
60%	alternatives are a good source of return potential

CLARITY ON THE ACTIVE VS. PASSIVE DEBATE

For institutions the choice of Active vs. Passive investing is not an either/or proposition.
In fact 79% of those surveyed say they are complementary components of their investment plan.



The value of ESG and SRI

Over the past two decades, many institutional portfolio managers have worked to align investment goals with the values of their organization by monitoring investments for positive policies on environmental, social and corporate governance (ESG). But to nearly half of those surveyed (48%), these strategies are public relations measures rather than a performance standard.

Despite this somewhat jaded view on ESG, almost the same number (45%) said they apply these screens to their investments. More than half (55%) say ESG measures help them mitigate idiosyncratic risks such as loss of assets from lawsuits, social discord, and environmental disasters. Shareholders' rights (38%), reporting and disclosure (37%) and environmental sustainability (36%) were the screens most frequently cited by respondents.

It is important to recognize a key distinction between these screens and socially responsible investment (SRI) strategies that may receive direct portfolio allocations. A majority of those surveyed (60%) believe SRI can provide alpha, and nearly half say it can provide long-term growth benefits as well. The biggest proponents of the growth potential of SRI can be found among Insurance Companies (74%) and Sovereign Wealth Funds (71%).

" A majority of those surveyed (60%) believe SRI can provide alpha, and nearly half say it can provide long-term growth benefits as well.

Implementing these strategies requires expertise, according to our respondents, with more than half (55%) saying they are best left to specialists.

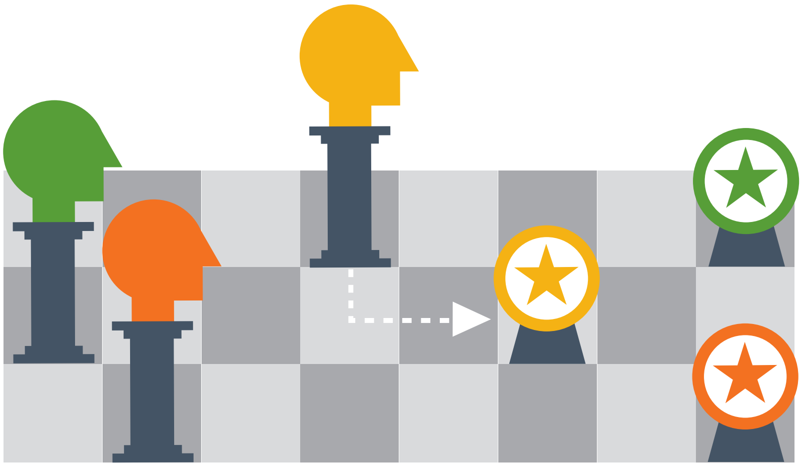
Active or Passive?

Looking at this much-debated topic, it would appear that for institutional investors this is not a yes or no question. Our respondents across the globe see value and applications for both types of investments and are striking a balance between the two approaches. Almost six in ten (58%) say they believe active investments will outperform passive strategies over the long run, and 62% say active investing is better suited to taking advantage of short-term market movements. Seven in ten (71%) say passive investments are popular because they offer low fees, and nearly half (49%) say they use them because they fit their governance policies.


RISK is ever present on the mind of institutional investors.

CONCLUSION

Setting a standard for better investment decisions



Institutional investors across the globe are under pressure to balance the need to meet long-term funding liabilities with short-term performance demands. What's emerged from the pressure, like a diamond from coal, is a more durable investment framework.

Risk is ever present on the mind of institutional investors. Whether it's the longevity risk presented by extended lifespans and an aging population or the immediate risks of geopolitical events, market volatility and the threat of rising interest rates, there is an overriding sentiment that risk is a critical starting point in the investment conversation.

The risk priority

At a time when institutional investors are critically aware of the threats presented by the world around them, they are identifying risk and taking appropriate steps to better manage it within their investment portfolios. More than half (56%) of the respondents report that they deploy risk budgeting strategies in this capacity. This practice of quantifying and actively tracking risk within a portfolio allows managers to make more informed allocation decisions.

Among our respondents its use is most prevalent among Sovereign Wealth Funds (73%), Foundations and Endowments (66%) and Public Pension Schemes (63%). The concept comes across clearly in the degree to which respondents say they will decrease allocations to risk assets in the year ahead.

New diversification strategies

Increased sensitivity to event risk and high correlations among traditional asset classes add up to a difficult and uncertain investment market. As a result, 80% of institutional investors say it is challenging to generate stable returns and 78% say it will be difficult to meet total return objectives. In light of these concerns institutions are looking more carefully at risk assets and adjusting allocations to better match

PUTTING RISK FIRST

More than half of those surveyed deploy risk budgeting techniques in their portfolios. The process allows them to identify and manage exposures across a wide spectrum of risks.

market opportunities and threats. This is particularly evident in projected increases to allocations to value-oriented equities, real estate and income-producing investments, as well as alternative investment strategies.

Alternatives, a portfolio essential

Large numbers of institutions (55%) are also increasing allocations to non-correlated asset classes as a risk management measure and 65% say they are essential to diversifying portfolio risk. Commitment to alternatives runs high, with 76% of institutions, including 91% of sovereign wealth funds and 85% of insurance companies, saying they believe that even individual investors should look beyond traditional asset classes and begin incorporating alternative investments.

> “65% of institutions say alternatives are essential to diversifying portfolio risk.

Given high correlations demonstrated among traditional asset classes over recent years, we see broad acceptance of alternative investments. Beyond their place in a growth portfolio, many of the decision-makers we spoke with also believe alternatives have a place in liability-driven investments, perhaps indicating the types of innovation that institutions say are lacking in LDI.

Getting smarter about traditional asset classes

Even with increasing focus on alternative investments, institutions are not turning their back on traditional asset classes such as equities. Instead, they are looking at new applications for these classes within portfolio construction. For example, on the equity side, 64% say smart beta is a valid and effective approach to meeting the dual goals of achieving better returns and reducing costs. Similarly, they are looking at active investments to enhance returns with 62% saying active strategies are better suited to take advantage of short-term market movements.

Toward a more consistent approach

One area where we look forward to seeing more evolution and growth is performance measurement. As noted earlier, the institutions with which we spoke still tend to measure performance against standard market benchmarks. As they look to better align a healthy appetite for short-term performance with increasing demands to shore up long-term liabilities, we think the use of more personalized benchmarks will come to the fore.

INSTITUTIONAL TIPS FOR INDIVIDUAL INVESTORS

With access to this unique group of sophisticated investors, we found it a perfect opportunity to ask for their best tips for individual investors. What they provided was a strategy for building a more durable portfolio.

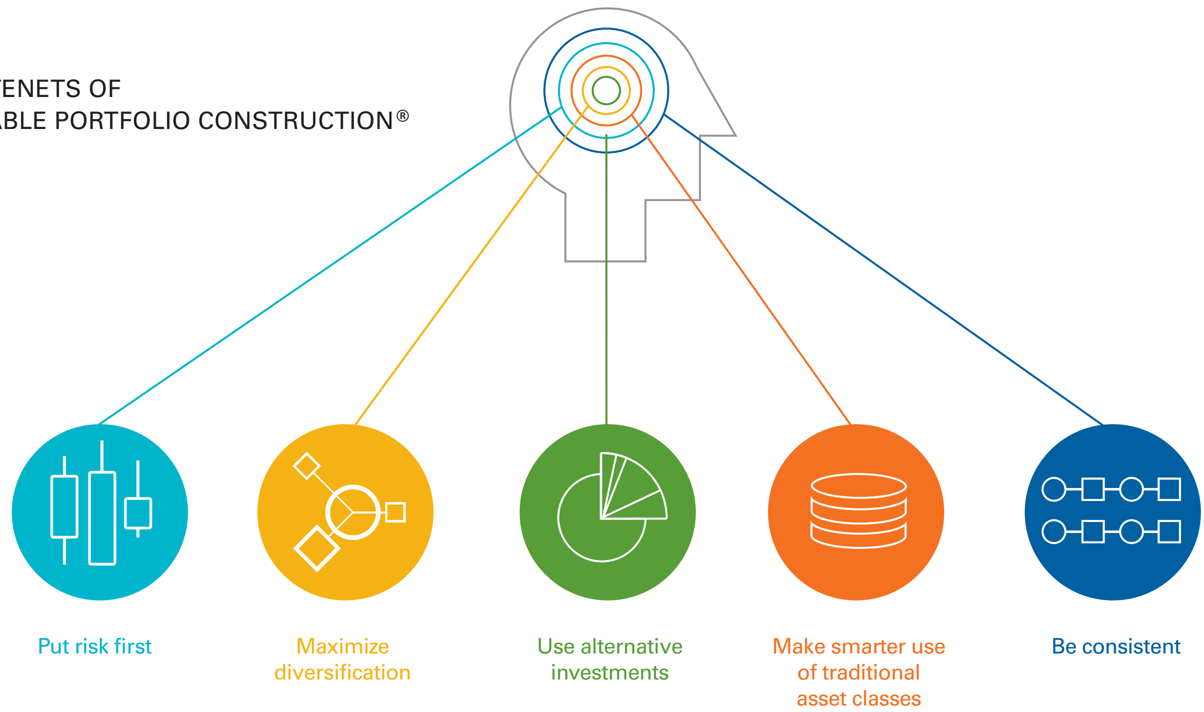
84%
Avoid emotional decisions

81%
Work with an advisor

76%
Incorporate alternative investments

63%
Set return targets that are independent of markets

61%
Make risk, not return, your primary metric



Toward more durable portfolios

In markets across the globe we have seen investors of all types challenged to meet the competing priorities of generating returns through short-term market cycles and funding long-term financial liabilities. In our view, meeting these modern market challenges demands a more consistent investment framework.

We believe **Durable Portfolio Construction**® can make a difference to individuals, advisors and institutions as they look to build portfolios that can help address risk concerns while also pursuing long-term asset growth. Our tenets for Durable Portfolio Construction include:

Put Risk First – Risk profiles for some indexes have been relatively stable in recent years, while returns have been widely varied. Targeting a consistent range of risk, rather than a potential range of returns, may lead to more predictable results.

Maximize Diversification – Considering the broadest possible range of asset classes and investment strategies such as long and short exposures to equities, fixed-income and commodities is one way to manage portfolio volatility.

Use Alternatives – Alternative investments may help lower correlations, temper volatility and offer new sources of return.

Make Smarter Use of Traditional Asset Classes – Applying new, efficient ways to capitalize on the long-term return potential of stocks and bonds can potentially enhance long-term returns or reduce short-term risks.

Be Consistent – Following a consistent investment philosophy is a critical first step to ensuring portfolio durability, but equally important is establishing a consistent, personal measure of investment performance to guide decisions and gauge progress.

PROGRAM OVERVIEW

About the Durable Portfolio Construction Research Center

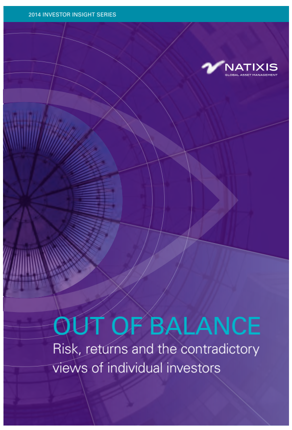
Investing can be complicated: Event risk is greater and more frequent. Volatility is persistent despite market gains. And investment products are more complex. These factors and others weigh on the psyche of investors and shape their attitudes and perceptions, which ultimately influence their investment decisions. Through the Durable Portfolio Construction Research Center, Natixis Global Asset Management 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.

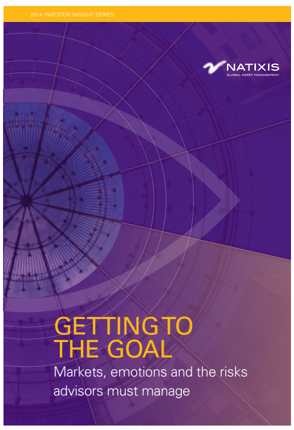
2014 research agenda

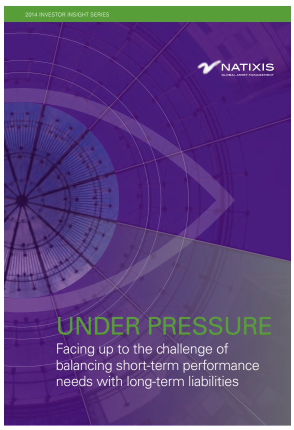
Our annual research program offers insights into the perceptions and motivations of individuals, institutions and financial advisors around the globe and looks at financial, economic and public policy factors that shape retirement globally with:

- Global Survey of Individual Investors – reaches out to 5,950 investors in 14 countries.
- Global Survey of Financial Advisors – reaches out to 1,800 advisors, consultants and decision-makers in 9 countries.
- Global Survey of Institutional Investors – reaches out to more than 600 investors, consultants and decision-makers in 27 countries.
- Natixis Global Retirement Index – provides insight into the environment for retirees in 150 countries based on 20 economic, regulatory and health factors.

The end result is a comprehensive look into the minds of investors – and the challenges they face as they pursue long-term investment goals.







About the surveys referenced in this paper

2014 Global Survey of Individual Investors – Natixis Global Asset Management commissioned CoreData Research to conduct the study of investors in 14 countries in order to better understand their attitudes toward portfolio construction, risk, advice, and saving; their market sentiments; and their perceptions on benchmarking investment performance.

A sample of 5,950 individual investors with a minimum net worth of US$200,000 (or Purchase Price Parity [PPP] equivalent) was obtained for the purposes of this study. Results are analyzed with segmentation from a range of perspectives.

2014 Global Survey of Financial Advisors – Natixis Global Asset Management commissioned CoreData Research to conduct an international study of financial advisors, with the aim of better understanding the contemporary attitudes and needs of this key collective of individuals to the financial services industry.

Data was gathered over a five-week period spanning June and July 2014. The survey was delivered through an online quantitative survey of approximately 40 questions and was hosted by CoreData Research. Globally, the study involved 1,800 financial advisors in nine countries and across four continents.

Building more durable portfolios

Natixis Global Asset Management is committed to helping investors and advisors build better portfolios that stand up to the challenges of modern markets. To learn more about our **Durable Portfolio Construction®** philosophy, visit durableportfolios.com.

This communication is for information only. Analyses of the survey referenced herein are as of December 2014. There can be no assurance that developments will transpire as may be forecasted in this material. This material may not be distributed, published, or reproduced, in whole or in part.

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