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Natixis Global Asset Management Survey: Faced with Market Volatility and Fearful of Losing Money, Investors Need Better Tools for Risk Management

With market volatility threatening retirement savings and a never-ending stream of negative news about the economy, nearly half of American investors fear losing money due to market volatility, according to an investor survey released by Natixis Global Asset Management, underscoring the need for durable portfolios.

The Natixis U.S. Investor Insights Survey found that almost 47 percent of investors worry about losing money due to market volatility, potentially limiting what they invest in the market. Yet a significant portion of investors – about four in ten – are not interested in alternative products and strategies that could potentially diversify portfolio returns.

“Our goal is to build a stable of alternative investments that help manage risk. At the end of the day, investors know they need to invest, but they are searching for ways to protect their principal. They need better tools to manage risk and lessen volatility,” said John T. Hailer, president and chief executive officer, Natixis Global Asset Management – U.S. & Asia. Announcing the survey results at a news conference in New York, Hailer added, “Our survey results show just how hard the market volatility of the past decade has hit investors. They also underscore how hard the financial services industry must work to educate investors about ways to diversify their portfolio by including alternatives exposure.”

Hailer said that portfolio construction now demands a broader set of tools to better manage risk. That means moving beyond traditional cash, bonds and long-only investing to strategies that continue to use equities but also employ active management and products such as alternative investments that limit volatility or provide returns uncorrelated to the markets, creating what Hailer terms “durable portfolios.”

“We need to think of an investment portfolio as something that holds up in all kinds of investment climates,” Hailer said. “We value durable cars and durable furniture. We also should value durable investment portfolios.”

The need for durable portfolios is accentuated by other findings of the U.S. Investor Insights Survey, which concluded that, three years after the financial crisis, 80 percent of investors believe the crisis continues to change the investment landscape and 66 percent say they have changed their expectations about future investment returns.

The survey also shows that while investors recognize the importance of understanding risk and diversification, few understand alternative investments, which can help stabilize a portfolio and diversify returns throughout periods of market turbulence.

- Only half (49 percent) of U.S. investors said they understood their portfolio’s risk “moderately” or “very well,” compared to only a small percentage of investors (4 percent) who said they don’t.
- Seven in 10 said they understood alternative investments “only a little” or “not well at all,” and only one in 25 said they understood them “very well.” More than half (53%) say they don’t understand how they work, and more than 40 percent even admit to having no idea of what alternatives are.

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- Even among high-net-worth investors, who compose the bulk of those eligible to invest in many alternative products, just seven percent say they understand alternatives “very well,” and one in three (36.5%) say they don’t understand these instruments.

According to the Natixis survey, a majority of investors (63%) say they will invest only in products with which they are familiar, and two-thirds (69%) say they need to learn more about alternatives before investing in them. Nearly half (44.9%) said the greatest barrier to considering them for their portfolio was a lack of “enough information about them.” A significant number of investors are simply not willing to make any allocation to alternative investments, including more than a quarter of emerging high-net-worth investors (with \$500,000 – \$1 million in investable assets) and nearly a quarter (24 percent) of high-net-worth investors.

“Alternative investments should be understood as something that can be predictable and stable and used to help manage volatility, especially in today’s markets,” added Hailer. “Despite a growing acceptance of the need for smarter portfolio construction, widespread fears about the markets have left a huge void for someone to explain these products and restore confidence. Investors need trusted guidance from financial advisors who can explain why alternative investments can be a key tool in building durable portfolios and how they can act as natural shock absorbers to market volatility.”

The Natixis Global Asset Management U.S. Investor Insights Survey was conducted by CoreData Research and surveyed 463 American adults to better understand their attitudes, behavior and sentiment in today’s investment environment. Two surveys were conducted, in May and July 2011.

About Natixis Global Asset Management

Natixis Global Asset Management is one of the 15 largest asset managers in the world based on assets under management.¹ Its affiliated asset management companies provide investment products that seek to enhance and protect the wealth and retirement assets of both institutional and individual investor clients. Its proprietary distribution network helps package and deliver its affiliates’ products around the world. Natixis Global Asset Management brings together the expertise of multiple specialized investment managers based in Europe, the United States and Asia to offer a wide spectrum of equity, fixed-income and alternative investment strategies.

Headquartered in Paris and Boston, Natixis Global Asset Management’s assets under management totaled \$773 billion (€533 billion) as of June 30, 2011. Natixis Global Asset Management is part of Natixis. Listed on the Paris Stock Exchange, Natixis is a subsidiary of BPCE, the second-largest banking group in France. Natixis Global Asset Management’s affiliated investment management firms and distribution and service groups include Absolute Asia Asset Management; AEW Capital Management; AEW Europe; AlphaSimplex Group; Aurora Investment Management; Capital Growth Management; Caspian Capital Management; Darius Capital Partners; Gateway Investment Advisers; H2O Asset Management; Hansberger Global Investors; Harris Associates; Loomis, Sayles & Company; Natixis Asset Management; Natixis Global Associates; Natixis Multimanager; Ossiam; Reich & Tang Asset Management; Snyder Capital Management; and Vaughan Nelson Investment Management.

¹ *Cerulli Quantitative Update: Global Markets 2011, based on December 31, 2010 AUM of \$713 billion.*

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