

Illusion of Safety? Natixis Survey Finds Many Canadian Investors Don't Understand Risks of Low-Cost Index Funds

- *Investors think index funds are less risky, despite volatile market performance*
- *Biggest fears for portfolio in next year: recession, change in oil prices*
- *Investors looking for new ways to diversify their portfolios and manage risks*

TORONTO, June 2, 2016 – Nearly two-thirds of Canadian investors say passive investments are a less expensive way to invest, but even after volatile stock price declines in the past year, roughly six in ten believe they aren't as risky as other investments, according to a study released today by Natixis Global Asset Management Canada, which hosted a Durable Portfolio Research Symposium for investment professionals this week in Toronto.

The survey of 300 individual investors in Canada suggests that investors carry mistaken beliefs about index funds, attributing to them positive qualities they don't actually possess. For example, investors told Natixis that index mutual funds and exchange-traded funds (ETFs) offer better diversification than other investments (63%) and help them access the best opportunities in the market (63%). Another 64% say index funds can help minimize losses.

However, investors expecting lower risk may have been surprised in the first quarter of 2016 when the S&P/TSX Composite Index plummeted 1,167 points. The index bottomed out on January 20, having fallen 9% since trading began in January. The market did rebound, finishing the quarter 3.7% ahead, but tracking the index would have resulted in a hair-raising ride. And while the first quarter might be seen as an anomaly, volatility in markets is not.

"It is imperative for investors to understand the risks in their portfolios. The misperceptions captured in this research highlight the need for more education," said John Hailer, CEO of Natixis Global Asset Management for the Americas and Asia. "Index funds have a place in portfolios, but they expose investors to both the gains and losses of the market, which is especially important to recognize as markets return to heightened levels of volatility."

Professional investors see the role for passive investing differently. Recent surveys of both institutional investors and financial advisors by Natixis showed they preferred active strategies to take advantage of market movements, generate alpha and provide risk-adjusted returns, while viewing passive investing primarily as a way to save on management fees.

Concern about oil prices real, but dropping

While 63% of Canadians are satisfied with their current financial situation, many worry that a recession could unravel their investments in the next 12 months. Just over half of investors (51%) say they're worried about a global economic slowdown or a domestic recession. And 39% say moves in interest rates could hurt their investments.

But fewer investors are concerned about oil prices than they were a year ago. Forty percent say they are anxious about how oil prices will affect their portfolios, down from 54% of investors in the 2015 Natixis survey.

Such changes can turn markets volatile and put investors' emotions to the test. According to the survey, when market shocks occur, 65% say they feel helpless when trying to protect their portfolio.

Desire for new investment strategies

The survey found 79% of investors want new strategies that can help them better insulate their portfolio from volatile markets, and 83% would like new approaches that help them better manage risk. Three-quarters want strategies that are less tied to the broad markets.

Some 45% of investors surveyed own alternative investments, such as private equity, real estate or hedge fund strategies. Of those who do not, the primary reason is a lack of education of what alternatives are or how they work.

The survey also found many investors express an interest in assets invested according to environmental, social or governance (ESG) criteria.

Some 75% say it's important to them to invest in companies that reflect their values, are ethically run or have a positive social impact. Of those working with advisors, though, only 47% have talked with them about ESG investing.

"Canadians clearly want to look beyond traditional strategies to diversify their portfolios, manage risk, and invest in companies they are proud to own," said Abe Goenka, CEO of Natixis Global Asset Management Canada. "However, it is also clear they would benefit from professional advice and education to help them understand their options and make decisions that support their goals."**The value of financial advice**

Investors value financial advice. Sixty-three percent say investors who get advice are more likely to reach their financial objectives than those who don't, and 62% think advice is worth the fees paid.

The study also found that, of all the factors influencing their financial decisions, 43% of Canadians say professional advice is the most important, followed by online research (21%). Beyond investment performance, 41% of investors would value getting proactive advice from advisors on what they should do next.

"Investors value financial advice that helps them navigate today's increasingly complex global markets," Hailer said. "It is imperative the financial industry is relentless in our efforts to educate investors and help them meet their long-term financial goals."

About the survey

Natixis surveyed 300 individual investors in Canada with a minimum of \$258,000 (US\$200,000) in investable assets. The online survey was conducted in February 2016 and is part of a larger global study of 7,100 investors in 21 countries from Asia, Europe, the Americas and the Middle East. The findings are published in a new whitepaper, "Help Wanted: How investor behavior is rewriting the job description for financial professionals." To download a copy and hear John Hailer discuss the results of the survey, visit <http://durableportfolios.com>.

About Natixis Global Asset Management

Natixis Global Asset Management serves thoughtful investment professionals with more insightful ways to understand and manage risk. Through our Durable Portfolio Construction[®] approach, we help them construct more strategic portfolios that seek to produce better outcomes in today's unpredictable markets. We draw from deep investor and industry insights and partner closely with our clients to put objective data behind the discussion.

Natixis is ranked among the world's largest asset management firms.¹Uniting over 20 specialized investment managers globally (\$884.9 billion AUM²), we bring a diverse range of solutions tailored to meet every strategic challenge. From insight to action, Natixis helps our clients better serve their own with more durable portfolios.

Headquartered in Paris and Boston, Natixis Global Asset Management, S.A.'s assets under management totaled \$884.9 billion (€776.4 billion) as of March 31, 2016.² Natixis Global Asset Management, S.A. 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.A.'s affiliated investment management firms and distribution and service groups include Active Investment Advisors,³ AEW Capital Management; AEW Europe; AlphaSimplex Group; Axeltis; Darius Capital Partners; DNCA Investments;⁴ Dorval Finance;⁵ Emerise;⁶ Gateway Investment Advisers; H2O Asset Management;⁵ Harris Associates; IDFC Asset Management Company; Loomis, Sayles & Company; Managed Portfolio Advisors;³ McDonnell Investment Management; Mirova;⁵ Natixis Asset Management; Ossiam; Seeyond;⁷ Vaughan Nelson Investment Management; Vega Investment Managers; and Natixis Global Asset Management Private Equity, which includes Seventure Partners, Naxicap Partners, Alliance Entrepreneurs, Euro Private Equity, Caspian Private Equity and Eagle Asia Partners. Visit ngam.natixis.com for more information

More about John Hailer, CEO of the Americas and Asia, Natixis Global Asset Management

As President and Chief Executive Officer of Natixis Global Asset Management, [John Hailer](#) is responsible for distribution strategies worldwide and oversees the business activities of the firm's asset management affiliates in the Americas and Asia. He has been a key spokesperson for the [Durable Portfolio Construction Research Center](#) and has worked to position Natixis as a global solutions provider for clients worldwide.

¹ Cerulli Quantitative Update: Global Markets 2015 ranked Natixis Global Asset Management, S.A. as the 17th largest asset manager in the world based on assets under management as of December 31, 2014.

² Net asset value as of March 31, 2016. Assets under management (AUM) may include assets for which non-regulatory AUM services are provided. Non-regulatory AUM includes assets which do not fall within the SEC's definition of 'regulatory AUM' in Form ADV, Part 1.

³ A division of NGAM Advisors, L.P.

⁴ A brand of DNCA Finance.

⁵ A subsidiary of Natixis Asset Management.

⁶ A brand of Natixis Asset Management and Natixis Asset Management Asia Limited, based in Singapore and Paris.

⁷ A brand of Natixis Asset Management.

Commission, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their value change frequently and past performance may not be repeated.

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Press Contact:

Ted Meyer
Natixis Global Asset Management
Tel: 617-449-2507
Ted.Meyer@ngam.natixis.com

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