NATIXIS
GLOBAL ASSET MANAGEMENT

GETTING TO THE GOAL

Markets, emotions and the risks advisors must manage

2014 INVESTOR INSIGHT SERIES

GETTING TO THE GOAL

Markets, emotions and the risks advisors must manage

Global Survey of Financial Advisors

EXECUTIVE SUMMARY

Markets, emotions and the risks advisors must manage

Financial advisors expect to see 16% growth in their business in 2014. But they are aware of the key threats to their success: 84% say volatile markets can derail their business, 83% also say clients who react emotionally to the markets can also interrupt the growth curve. This contrasts with what investors believe about themselves: When we asked participants in our recent survey of individual investors if putting their emotions aside could better enable them to meet their financial goals, only 6.4% of individual investors said "yes."

In light of these differences, our 2014 Global Survey of Financial Advisors[1] identifies three key trends shaping today's advisory practice:

1. **Advisors are managing market and behavioral risks by implementing goals-based investment strategies.**
   Almost seven in ten advisors globally (69%) say they encourage clients to have a target return that is independent of the market.

2. **Advisors are helping clients to more clearly define retirement goals and expectations on retirement income.**
   Advisors globally report that the services their clients want the most from them are retirement planning (70%) and stable income-producing products (68%).

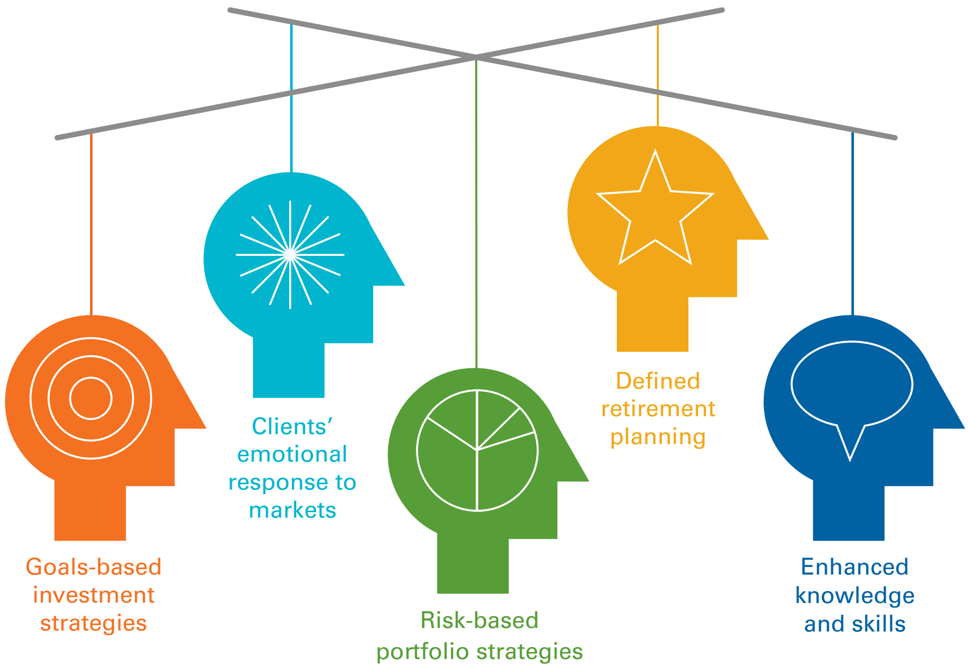
3. **Advisors are implementing risk-based portfolio strategies to protect client assets while pursuing the growth clients need.**
   Fewer advisors globally think the traditional 60/40 portfolio is right for clients with a moderate risk profile (only 38% agreed with this in 2014 compared to 48% in 2013).

Meeting these new challenges calls for new skills and expanded offerings from advisors around the world. Those who adapt are poised not only to better serve their clients, but also to build a more durable business for themselves. Read on to learn more.

1 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.

GIVEN THAT MARKET EVENTS ARE NOT WITHIN THEIR CONTROL, advisors are wise to recognize that client behavior can present significant challenges to managing their practice.

Markets, emotions and the risks advisors must manage



Buoyed by a year of double-digit returns, financial advisors around the globe are bullish on business prospects in 2014, projecting an average of 16% annual growth based on market gains and new client assets. After experiencing annual returns of 33% for the S&P 500, 28% for Spain's IBEX and 59% for Japan's Nikkei in 2013, advisors may have good reason for optimism.

While many advisors are confident about their business prospects, they recognize two factors that could disrupt the growth curve: markets and emotion.

When asked directly what presented the greatest challenge to their success, eight out of ten (84%) advisors globally pointed to volatile markets. Even with the CBOE Volatility index at relatively low levels in recent years, it's clear that the lessons of the past market downturn have left a lasting impression. So, it would appear, have the lessons on client management learned during this period. Among our respondents, eight in ten (83%) say clients reacting emotionally to the markets pose significant challenges to their business success.

Given that market events are not within their control, advisors are wise to recognize that client behavior can present challenges in managing their practice. But managing emotional risk may be easier said than done, especially in light of a possible blind spot for investors – the potential negative effect that irrational decisions can have on their investment program.

> “Eight in ten advisors globally say clients reacting emotionally to the markets pose significant challenges to their business success.

> Eight in ten advisors globally say they believe clients will be happy if they achieve their goal over one year even if they underperform the market.

Our 2014 Global Survey of Individual Investors showed that few investors[1] were able to make the connection between their behavior and their investment success. When asked if putting their emotions aside could better enable them to meet their financial goals, only 6.4% of the nearly 6,000 respondents answered "yes."

This disconnect may be one of the biggest hurdles advisors face as they build and grow business with a stable client base. It appears that advisors are well aware of what needs to be done and are beginning to take the necessary steps to shore up their practices. Our research identifies three key trends that are shaping today's advisory practice:

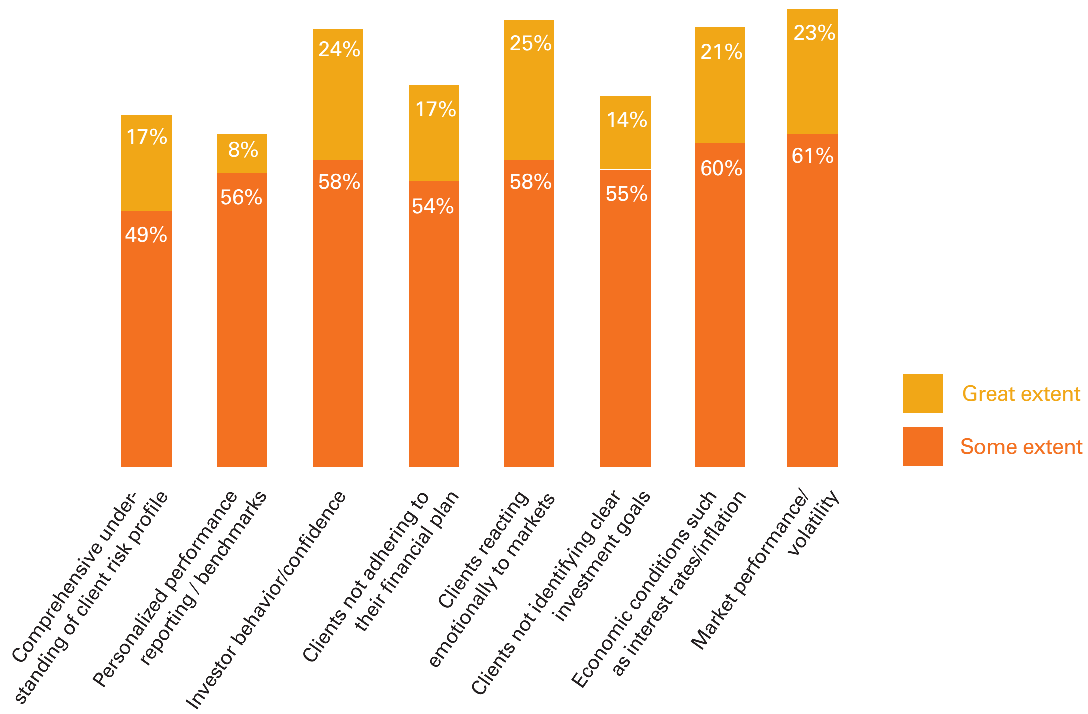
- Managing market and behavioral risks by implementing goals-based investment strategies to help clients achieve better outcomes
- Helping clients to more clearly define retirement goals and expectations on retirement income
- Implementing risk-based portfolio strategies designed to protect client assets while pursuing the growth necessary to meet client goals

Broadly we have found that advisors worldwide recognize the implications these trends hold for their business. It would seem the greatest challenge they may face is bringing clients along in the adoption of these practices. Success will depend on coaching clients through the process and helping them overcome emotional barriers that can impede their success.

ADVISORS SEE CHALLENGES TO BUSINESS SUCCESS

Advisors globally see volatility and the emotional reactions of clients as key challenges

Factors posing challenges over the next five years



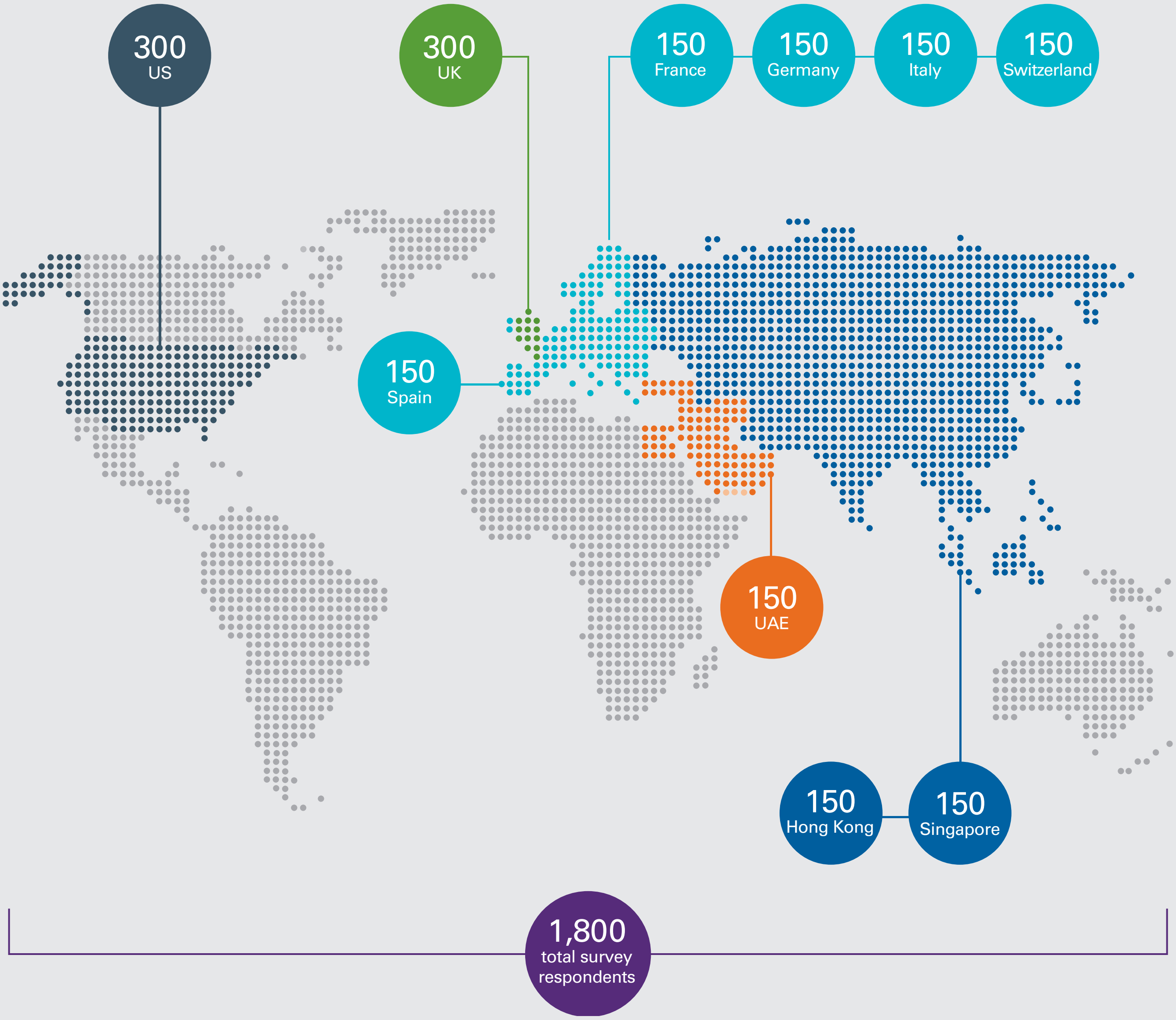
1 Natixis Global Asset Management, Global Survey of Individual Investors, May 2014.

2014 Global Survey of Financial Advisors

ABOUT THE SURVEY

Natixis Global Asset Management commissioned Core Data 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.



CLOSE TO SEVEN IN TEN (69%) advisors globally say they encourage clients to have a target return that is independent of the market.

SECTION ONE

Mitigating emotional risk with goals-based investing

It's easy to understand why clients are often compelled to make emotional investment decisions. Every day, investors around the globe are bombarded with a steady flow of news, information and opinion on the economy, the markets, and their investments. But this information is provided with little context to help individuals determine how these events will affect them personally.

As a result, clients can frequently internalize the news and act on instinct, either buying into a market rally at its peak or selling off assets when the market is at its trough. This emotional cycle is one reason there is growing attention on the practice of goals-based investing. In its simplest form, this approach aims to replace broad market performance as a portfolio benchmark with a more personal context for evaluating investments: the progress one is making toward established investment goals.

MEASURING INVESTMENT SUCCESS

Moving clients from a market-based portfolio to a personal goals benchmark

Agreement in theory, not practice

Both clients and advisors say they subscribe to this approach – at least in theory. Nearly eight in ten advisors globally (78%) say they recommend that clients set specific goals for their investments, and close to seven in ten (69%) say they encourage clients to have a target return that is independent of the market. Investors are open to this idea, with 67% of those interviewed for our individual survey[1] reporting that they are willing to set an independent target return as well.

Both advisors and clients recognize that this approach will also require a new view on investment performance. We found 77% of advisors globally say they believe clients will be happy if they achieve their goal over one year even if they underperform the market. When asked for their view, 76% of individual investors globally agreed with this statement. This mindset is a far cry from the perception many may hold about beating market benchmarks as the primary performance measure for individual investors.

With both investors and their advisors willing to make the move to goals-based investing, one could assume that the transition should be relatively easy. But the hard truth is that going from agreement in theory to acceptance in practice will take a concentrated effort from both parties.

A realistic look at goals

When asked to identify the top investment goals for their clients, advisors around the globe were consistent in their response. Retirement income (22%), saving for retirement (20%), and financial independence (18%) were the top three answers. No other goals among the 13 presented even registered a double-digit rate of response.

1 Natixis Global Asset Management, Global Survey of Individual Investors, May 2014.

Investors, on the other hand, may not have the same clarity and sense of purpose. When asked, almost 60% of investors worldwide said they have no financial goals, nearly 70% said they have no plan, and close to 80% said they go on gut instinct when making investment decisions. What makes this more worrisome is how 73% of investors can say they are confident that their portfolio is based on their personal goals, when more than half report they have no goals in the first place. Somewhere investors may be losing sight of what they are trying to accomplish with their investments.

> "The emotional conflict about risk and return is even more pervasive than clients believe.

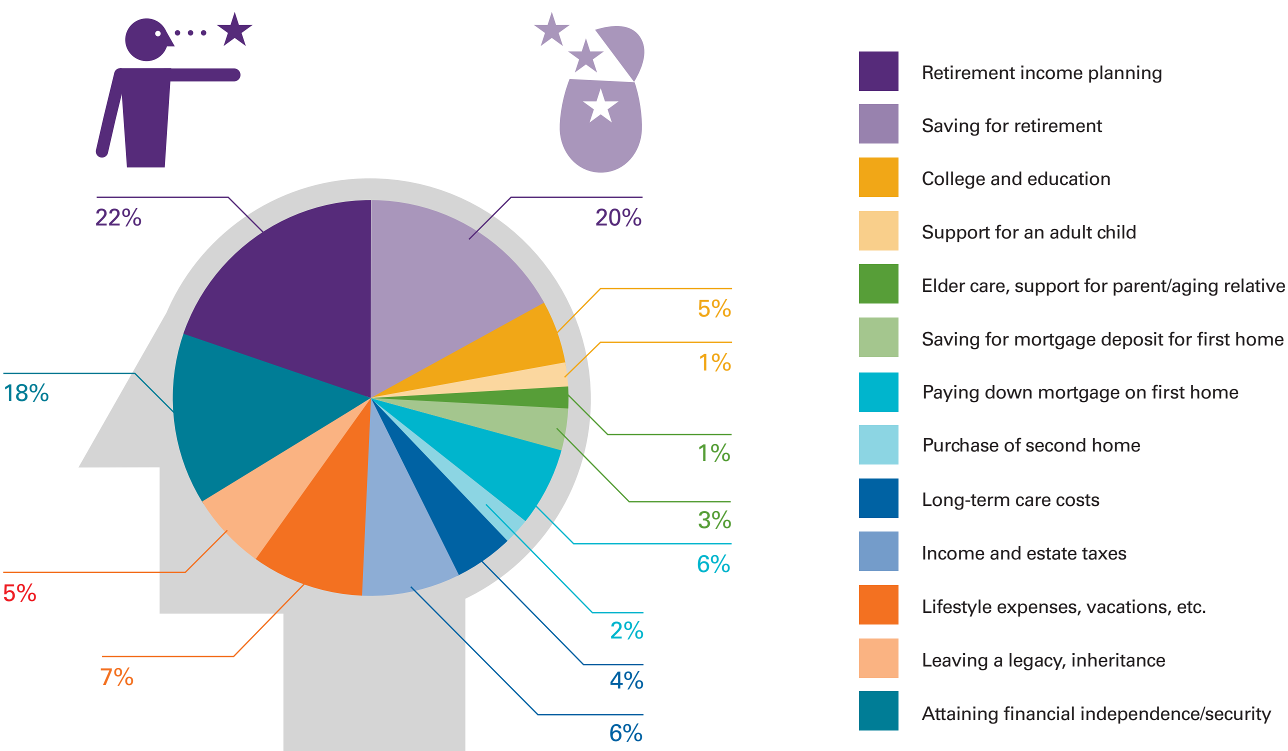
Advisors recognize the importance of setting goals to an investor's success. In fact, 69% of those surveyed report that they see clients' not setting clear investment goals as a challenge to their own business success. The first step to gaining acceptance of goals-based investing may be as simple as revisiting goals with clients to help refine their vision and define what success looks like.

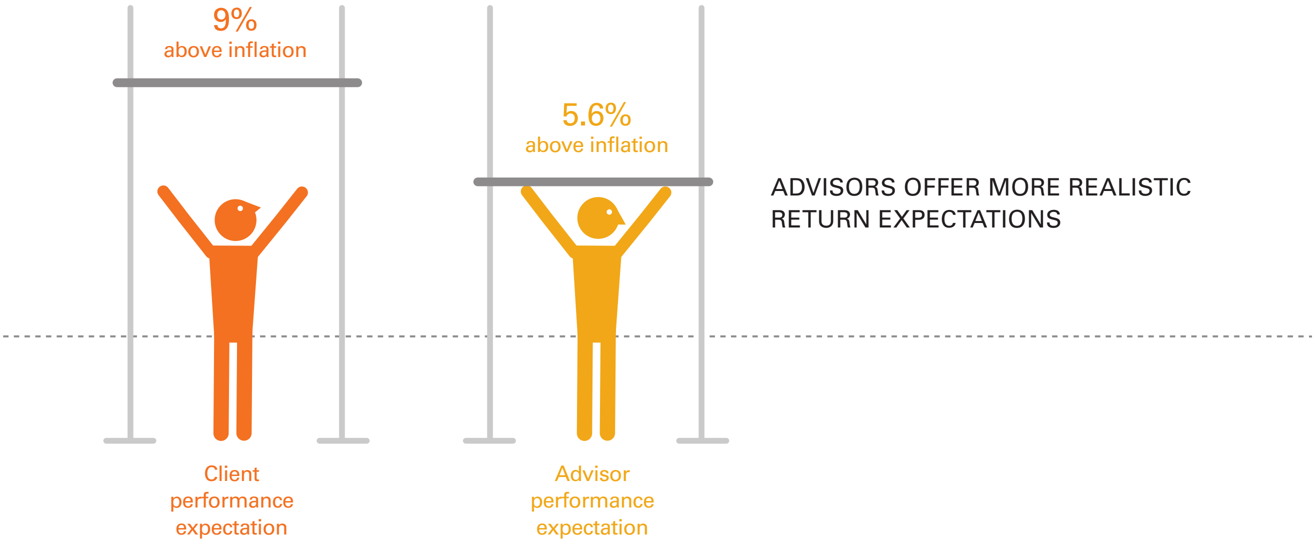
Goals and returns

This lack of clarity may be one reason that there is such a wide disparity on how advisors and clients view investment return objectives. Among those surveyed, 45% report that they do not believe clients know the annual investment return needed to meet their goals. It would seem that this bears out when looking at client views on performance.

When asked what level of return above inflation they would need to achieve their investment goals, on average investors say 9%. Factoring in an average inflation rate of 4.2% (like that experienced in the U.S. over the past 50 years), investors are expecting returns of 13.2%; high expectations considering the long-term average of the MSCI comes in at 9.93%.

RETIREMENT PLANNING AND INCOME ARE TOP GOALS FOR CLIENTS GLOBALLY





ADVISORS OFFER MORE REALISTIC RETURN EXPECTATIONS

Advisors appear to have a better grasp on performance, citing 5.6% above inflation as the average return that will keep clients on track. Nonetheless, this more conservative number still adds up to a return of nearly 10% after inflation. This level of return would still require taking on considerable levels of risk – something investors say they are not yet ready to do.

Risk brings investing into perspective

Equally important to client return assumptions are the risk tolerances that individuals and advisors set in the pursuit of financial goals. As noted in our 2014 survey of individual investors, many investors around the globe are still feeling the sting of the financial crisis. Seven in ten investors say they are conflicted between obtaining return and preserving capital, and only 46% of those surveyed say they are willing to take on additional investment risk.

The emotional conflict about risk and return may be even more pervasive than clients believe, according to financial advisors. In their estimation 85% of investment clients worldwide are struggling with the conflict between pursuing returns and preserving capital. This may be why we see such large numbers of investors worldwide setting basic measures of investment success, including not losing principal (23%) and experiencing all gains and no losses (26%).

From their unique vantage point, 76% of advisors globally believe their clients are willing to take on more investment risk, but the question is just how much. A large majority of advisors globally (74%) report their clients are willing to take only minimal investment risk in order to make up for past losses.

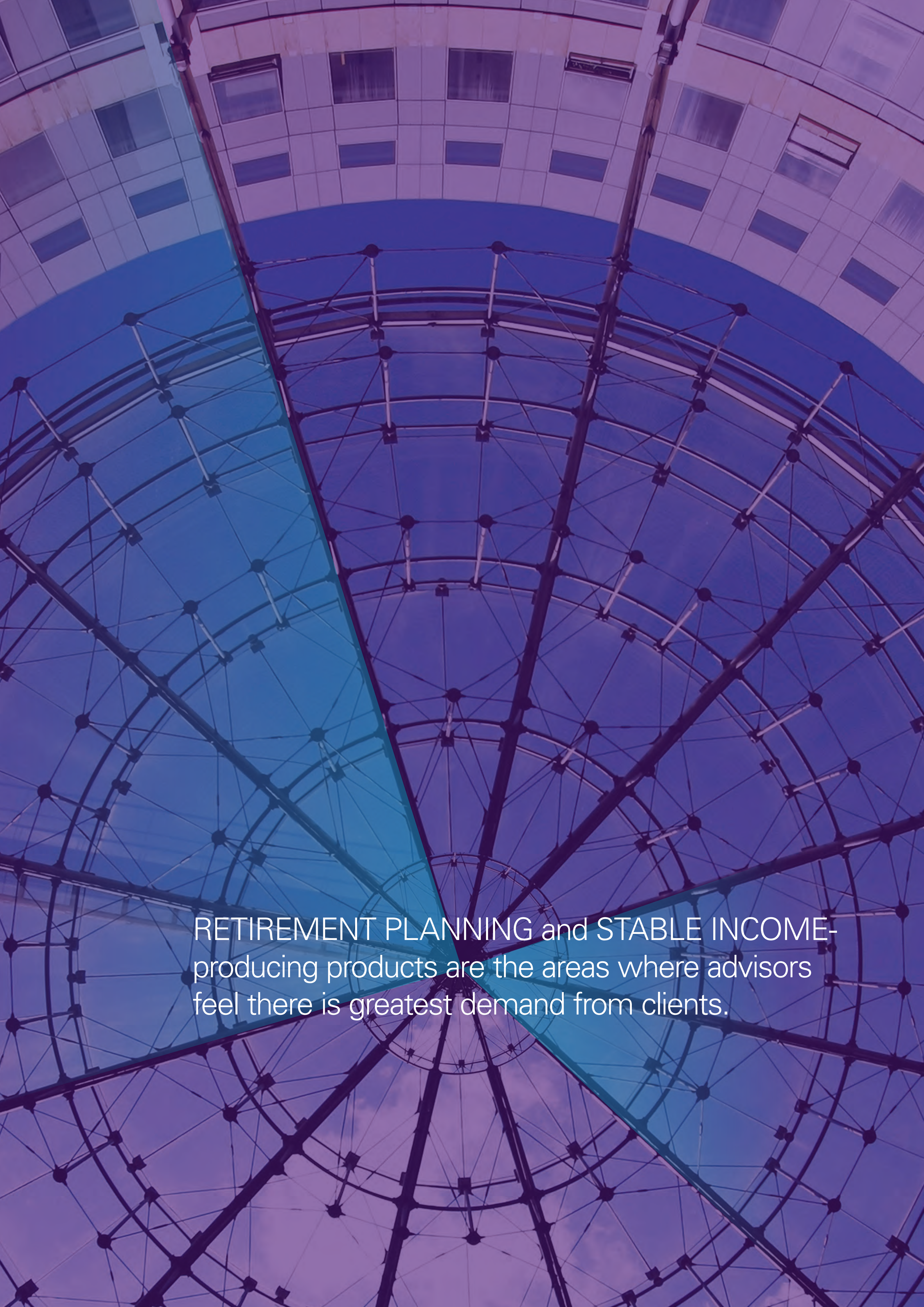
Clearer conversations on goals, risk and investing

Getting to agreement in theory is an important first step toward implementation of goals-based investing practices. But getting to acceptance of goals-oriented investment strategies in practice will require some basic steps forward. Recognizing that goals need to be better defined, advisors have the opportunity to take the part of planner, talk to their clients about their goals and help them clearly define what it is they are hoping to accomplish with their investments and how much it will take to be successful.

THE THING ABOUT GOALS IS YOU HAVE TO HAVE THEM

73%
of investors say their portfolio is based on goals

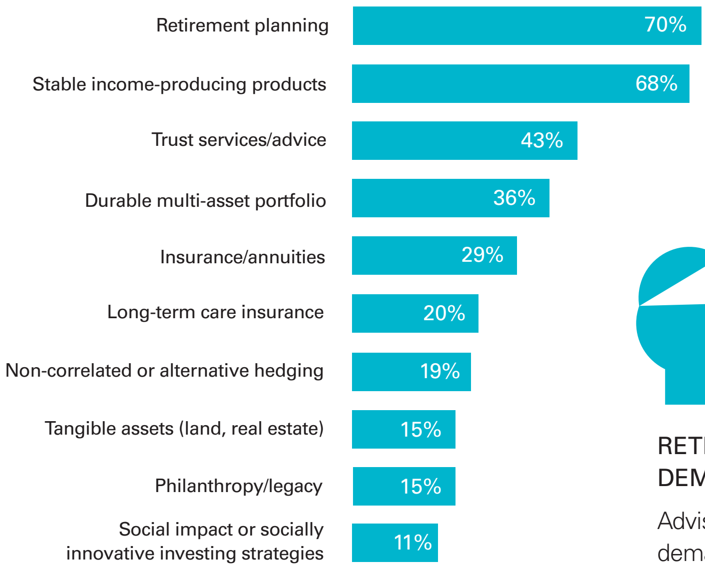
Nearly
60%
of investors say they have not set financial goals



RETIREMENT PLANNING and STABLE INCOME-producing products are the areas where advisors feel there is greatest demand from clients.

SECTION TWO

Answering the big questions on retirement and income



RETIREMENT AT THE TOP OF CLIENT DEMAND FOR ADVISORY SERVICES

Advisors globally report the highest client demand is for retirement-related services

In an era where fewer individuals have access to private pensions and public fiscal constraints are putting the squeeze on government retirement benefits, the responsibility of funding retirement is falling squarely on the shoulders of individuals. As investors around the world look to ease the burden, financial advisors are stepping forward to help clients set clearer goals and establish more specific plans for both accumulating retirement assets and turning their savings into a reliable income source in retirement.

Advisors are clearly feeling the demand for help with retirement services. When asked what products and services clients want from them, advisors' top answers are "retirement planning" at 70% and "access to stable income products" at 68%.

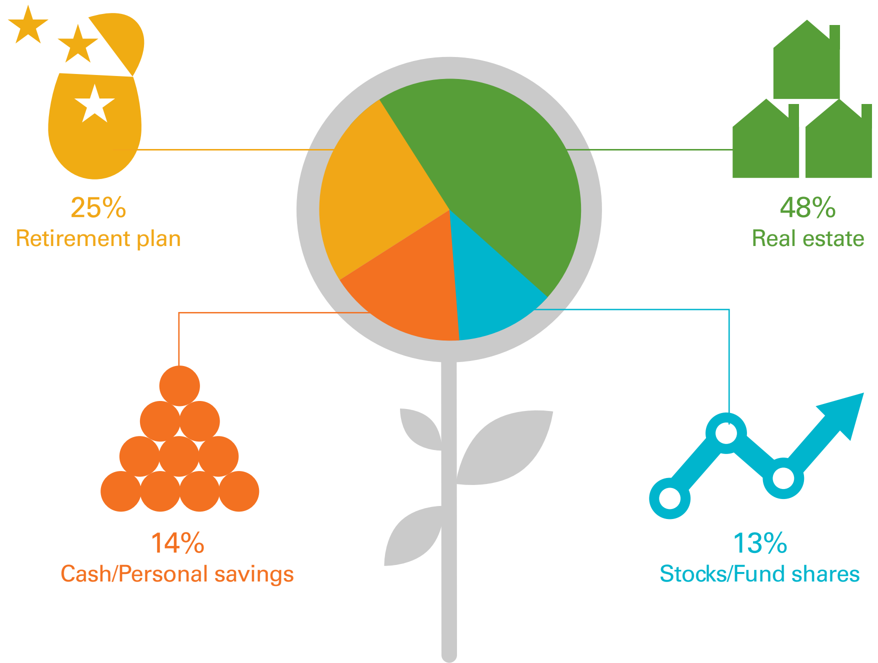
Getting the goals right

"Retirement" is a vast subject that poses many fundamental questions. How much do I need to save in order to retire? What will I need to maintain my lifestyle after I retire? And even the basic question, At what age do I want to retire? Globally, individuals are finding it difficult to come up with the answers.

Our 2014 investor survey showed that 69% of investors worldwide want to retire by age 65, and 25% say they expect to retire by age 60. Generally, they are not confident that their savings and investment approach will get them there. In fact, only 22% of those surveyed said they were confident that their current investment approach would help them succeed.

> "72% of advisors globally say clients understand their retirement savings goals.

ADVISORS GLOBALLY RANK MOST IMPORTANT CLIENT ASSETS



Investors' lack of confidence in their overall success may lie in their inability to address basic planning questions on their own. Just 16% of individual investors had a strong appreciation for their income needs in retirement, while 37% had little or no idea of their retirement income goal. But advisors give investors more credit in this area, with 72% saying that clients understand their retirement savings goals either well or fairly well and 68% saying their clients understand their retirement income goals.

> "Many advisors believe generating sufficient income for retired clients can be challenging, but most say they are up to the job.

Setting clear, realistic goals for retirement saving and income generation is an area where advisors can focus their communications with clients. One of the key subjects to address is clients' participation in defined benefit and/or defined contribution plans.

Retirement plans a key point of discussion

With pension plans on the wane, defined contribution plans such as the 401(k) plan in the U.S., the Kiwi Saver in New Zealand and Australia's superannuation retirement system are becoming the cornerstone in the savings plans of millions of individuals worldwide. Advisors recognize the importance of this asset, but surprisingly still believe that real estate is more important in clients' financial plans.

When asked to rank the most important asset for their clients, 48% of advisors globally placed real estate at the top of the list, while only 25% put retirement plan assets in the top position. In part this discrepancy may be a geographical issue. In the U.K., where defined contribution plans are relatively new and property values are high, 66% of advisors place real estate at the top of their list. In the U.S., where defined contribution plans have been in place for a generation of workers, 47% rank retirement plans as the top asset.

As plan participation matures, asset priorities may be changing. Our recent study of 401(k) participants in the U.S. revealed that after nearly 40 years, defined contribution savings are now beginning to eclipse real estate as the highest-value asset many individuals hold in the U.S. This is based on an average account balance of $262,000 as compared to the median home value in the U.S. of $212,000.[1]

Regardless of whether advisors place retirement plan savings as the most important or second most important, a majority make this asset a focal point in retirement planning with clients. Most advisors (85%) generally speak with clients about their contribution level in defined contribution plans, while 82% say they are aware of all retirement plan assets including both defined contribution and defined benefit plans.

Providing this level of input on an asset that they do not directly manage provides a valuable service to clients. Our U.S. 401(k) study[2] concluded that an advisor's input is a vital part of successful plan participation. We also found that investors with advisors are more likely to contribute more to their plan, with 67% saying they have already increased contributions, compared to 54% of those without advisors. Saving more is the critical step toward a successful retirement.

From accumulation to distribution

For many advisors and clients, much of the retirement planning discussion with clients has traditionally focused on accumulating the assets needed to fund retirement. Now as a large part of the population in developed countries is maturing and entering retirement, the focus is turning to a new set of planning issues: generating a steady income stream, managing the effects of drawdowns, protecting assets from inflation and other risks that take on a new look in retirement.

Advisors are split in their views on how difficult it is to meet this new set of challenges. Overall, advisors believe generating sufficient income for retired clients can be challenging as 45% of advisors globally report that it is difficult or extremely difficult. Individually, a vast majority of advisors tell us that they are up to the job with 91% reporting that they are moderately to extremely confident that they can achieve this objective for clients.

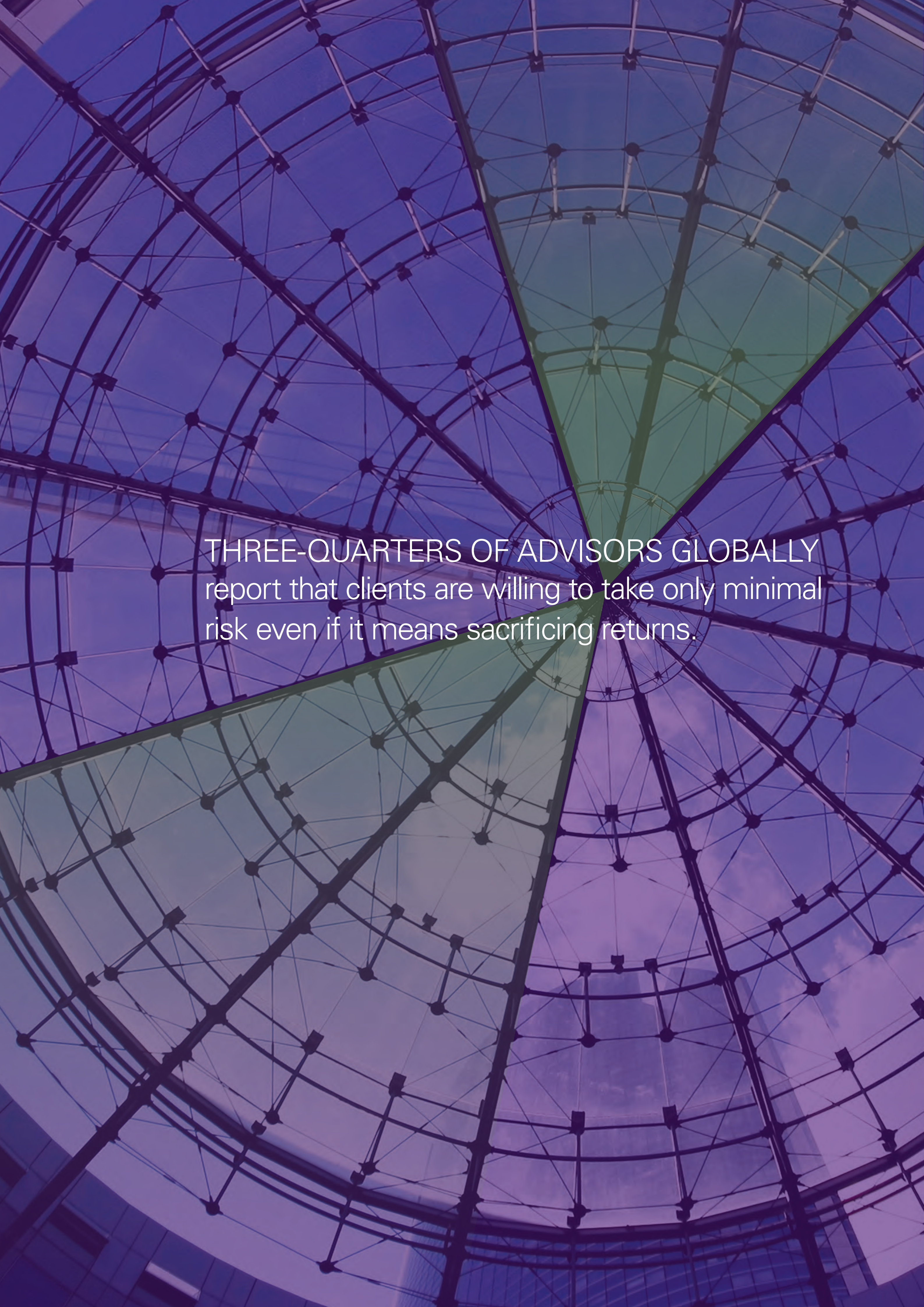
One area where advisors are less confident is managing drawdowns in client assets when markets are volatile. Investing looks much different to clients taking income in retirement. Where they once may have seen a market downturn as an opportunity to buy underpriced assets, those taking distributions could be, in effect, selling assets at a discount in order to generate income when markets are on the decline. As a result, they feel the effects of these events in two ways. First, they must dip into their capital in order to generate income, and second, they have less time to recover what they've lost.

When asked about the difficulty of managing assets for clients in retirement under this circumstance, 43% of advisors globally find it difficult to accommodate drawdowns while keeping client portfolios growing. One-third of those surveyed tell us they want to learn more about strategies for meeting those competing needs.

Overall, advisors see that retirement presents a new perspective on risk and new demands from their clients on investing. They are interested in gaining a stronger hold on investment strategies that can help them better address clients' changing needs. Retirement is just one example of how advisors are implementing risk-based portfolio strategies designed to protect client assets while pursuing the growth necessary to meet long-term goals.

FUNDAMENTAL QUESTIONS ON RETIREMENT

1 Source: National Association of Realtors 8/12/14. **2** Natixis Global Asset Management, U.S. Survey of 401(k) Participants, August 2014.



THREE-QUARTERS OF ADVISORS GLOBALLY report that clients are willing to take only minimal risk even if it means sacrificing returns.

SECTION THREE

Risk, portfolio construction and alternative investments

As advisors and investors shift focus to goal-oriented investment approaches, a new perspective on risk and portfolio construction is emerging. Advisors are questioning conventional thinking on asset allocation and beginning to pursue new portfolio strategies that can better help their clients pursue the returns needed to achieve critical financial goals while also seeking to protect current assets from a loss.

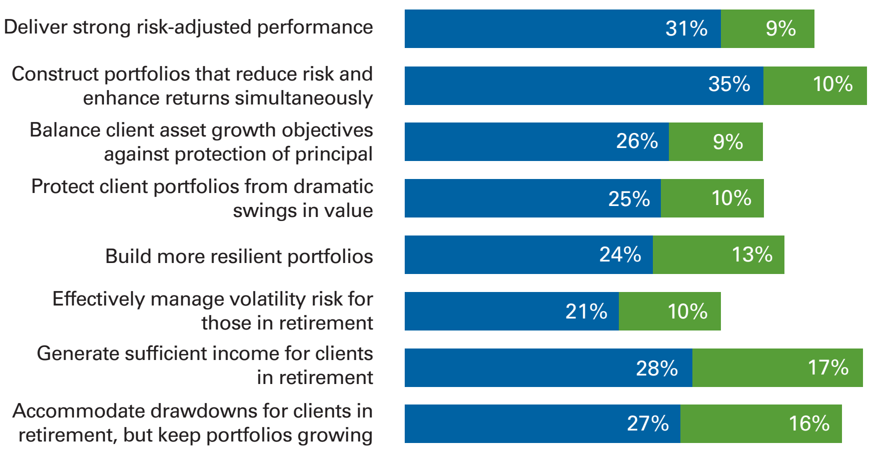
This type of discussion has generally introduced alternative investments[1] to the equation, but some advisors are hesitant. Many find it difficult to implement alternative strategies in client portfolios, citing product complexity and a general lack of client knowledge as deterrents to widespread implementation. Advisors are finding that even with these challenges many of their clients are willing to consider alternatives. The real opportunity in this area may be to change the conversation from what alternatives are to where they fit in a portfolio plan.

> "Risk has taken a prominent position in the minds of clients in the post-crisis markets.

Risk comes into focus

Risk has taken a prominent position in the minds of investors in the post-crisis markets. But 43% of advisors globally believe their clients lack an understanding of the risks involved in pursuing their goals. Fortunately, investors are opening up about their perceptions of risk; 70% of advisors globally report their clients are more interested in discussing risk than ever before. Advisors are finding that they must consider this new mindset carefully in constructing client portfolios.

Three-quarters of advisors globally report that their clients are willing to take only minimal risk even if it means sacrificing returns – sentiment that two-thirds of investors agree with. Globally, 70% of investors say they are conflicted between obtaining



ADVISORS GLOBALLY SEE DIFFICULTIES IN MEETING CLIENT PORTFOLIO NEEDS

Key challenges advisors globally must balance in building client portfolios

Difficult   Extremely difficult

1 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. 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.

return and preserving capital. Further still, fewer than half (44%) of investors also report they are eager to make up for past losses even if it means taking on additional risk; 56% of advisors believe this is true for their clients.

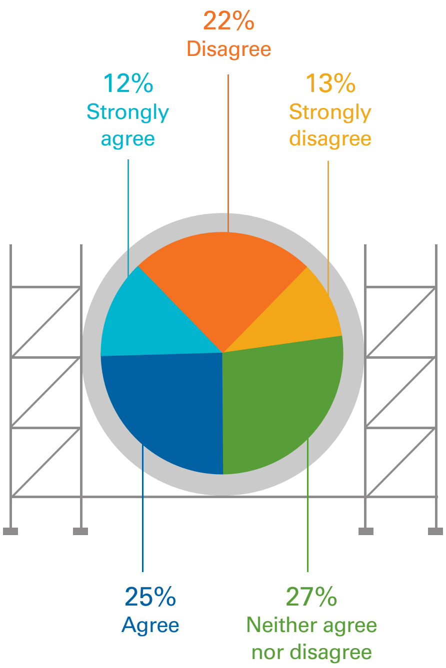
Advisors also find balancing risk and return to be challenging. In managing client assets, 45% of advisors globally say it is difficult or extremely difficult to construct portfolios that can reduce risk and enhance returns simultaneously. This ranks at the same level as building portfolios that can generate sufficient income for clients in retirement, and it reflects the wide and varied challenges advisors must be able to address.

It is from this new vantage point on risk that advisors must now view portfolio construction, and it is leading many to question conventional investment wisdom.

Advisors question conventional portfolio strategies

QUESTIONING THE 60/40 PORTFOLIO

Large numbers of advisors globally believe the traditional 60/40 portfolio is no longer the best way to pursue returns and manage risk for clients.



Traditional investment thinking has considered a portfolio composed of 60% equities and 40% fixed-income as an appropriate strategy for investors with a moderate risk tolerance. It appears that fewer advisors adhere to this rule of thumb in 2014. Where 48% said this strategy was appropriate for moderate risk clients in 2013, only 38% now see this as the right solution.

In one more example of how contemporary portfolio thinking is diverging from long-held assumptions, large numbers of advisors (54%) and clients (58%) question the merits of a buy-and-hold investment strategy altogether.

New views emerging, but not yet taking hold

Even as large numbers of advisors say traditional portfolio construction techniques are not well suited to today's investor, there is some debate about how to go forward. In recent years, the industry has broadened access to alternative investments, especially through new, liquid product structures designed to enhance risk management in client portfolios. But today, only a small number of advisors are regularly integrating alternative investments in client portfolios.

Globally, 29% of financial advisors say they regularly implement alternatives for clients, while 57% use them infrequently and 14% claim they never use alternatives at all. One reason why only a third of advisors have made alternatives a regular part of client portfolios may be the perceived complexity of the products. When asked, 29% of advisors say that alternatives are too complicated to explain to clients, and 72% say their clients have very little understanding of alternative investments.

Investors, it would appear, believe they have a better grasp of alternatives with 38% saying their knowledge of alternative investments is strong to very strong. Even so, a high percentage of advisors globally (51%) think their clients believe that alternative investments are "too risky."

Alternative definitions

This misconception may be emblematic of a larger communications problem. Alternative investments[1] is a wide-ranging category that can include hedge funds, long-short strategies, commodities, private equity, Treasury inflation-protected

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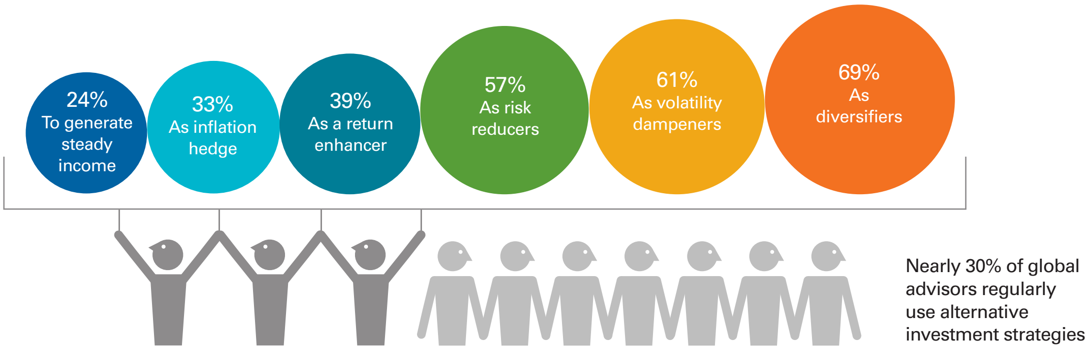
WHY ADVISORS IMPLEMENT ALTERNATIVE INVESTMENTS

Advisors globally identify why they implement alternatives in client portfolios



securities, and in some definitions, real estate and other hard assets such as art. This lack of clear definition can certainly be causing miscommunications between advisors and investors.

When asked, 73% of advisors globally say they have discussed alternatives with their clients. Asked the same question, 54% of investors say they have never discussed alternatives with their advisor. A significant number (42%) of investors also tell us they invest in alternatives, and one in five say they are going to increase their allocations to alternative mutual funds in the next 12 months.

It is important to point out this potential miscommunication, not to admonish advisors or clients, but to illustrate how the perceived complexity of the products and the lack of a clear definition of what constitutes an alternative may be keeping alternatives from being used more widely.

A new route on alternatives

From our view it may be time to change the dialogue on alternative investments and focus on their role as portfolio construction tools. This discussion needs to go beyond the product structure, the investment strategy and the underlying assets to consider how alternative investments are implemented within a portfolio. Here we are beginning to see progress. When asked how they implement alternatives, advisors' top three answers were as "diversifiers" (69%), as "volatility dampeners" (61%) and as "risk reducers" (57%).

> "73% of advisors say they have discussed alternatives with their clients. Yet 54% of investors say they have never discussed alternatives with their advisor.

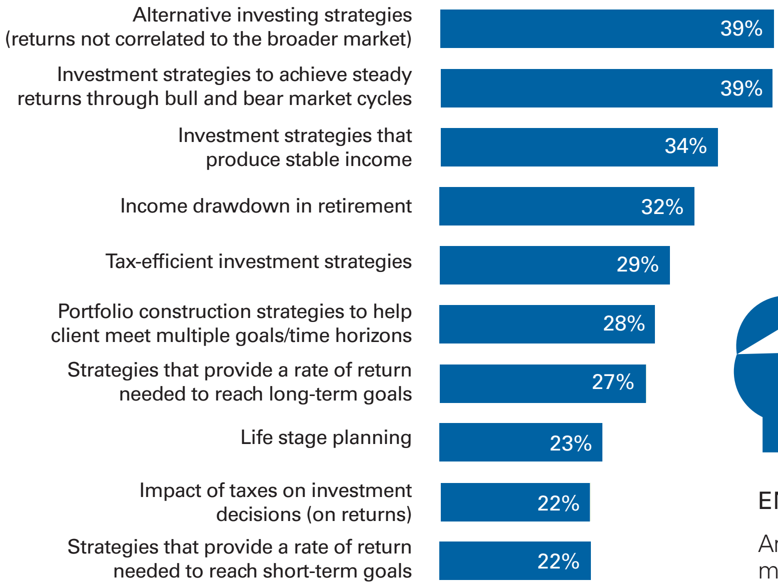
Gaining greater understanding and agreement in this area looks to be a critical first step toward gaining broad acceptance of alternative investments. As clients focus on goals and take a more risk-oriented investment approach, they are opening up to alternatives, with 73% saying that if their advisor recommended alternatives, they would consider them for their portfolio.

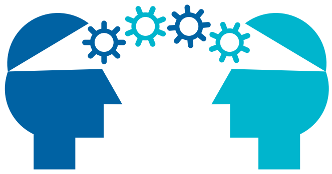
Still, investors have questions about alternatives, with 82% saying they would need to know more before investing. A significant number of advisors agree that further discussion on alternatives is needed, with one-third of those surveyed saying they would need to learn more about alternatives before investing clients' assets.

As the practice of goals-oriented investing gains greater acceptance, it appears that investors and advisors are taking a more risk-conscious approach to investing and portfolio construction. As part of that evolution, alternative investments are coming to the forefront of the discussion and present an opportunity for advisors to provide specific solutions to the risks in client portfolios.

ADVISORS WORLDWIDE are aware of the need to enhance their knowledge and skills to better meet the changing needs of clients.

New skills, deeper knowledge needed to build a more durable business





ENHANCING KNOWLEDGE AND SKILLS

Areas where advisors globally would like more information

Advisors are acutely aware of their role as risk managers in 2014. Not only are they addressing the market and investment risks traditionally associated with portfolio construction, but they are also bringing emotional risk into focus as they help clients adopt new, goals-oriented investment strategies.

Adding complexity to practice management today is the need to deliver enhanced risk management through both alternative investments and more sophisticated portfolio strategies that help clients to better balance risk concerns with return expectations. The same is true for the large numbers of clients reaching retirement age who are now turning to their advisor for assistance with retirement income.

New skills for a new era

Advisors worldwide are aware of the need to enhance their knowledge and skills to better meet the changing needs of clients. Topping the list of subjects that advisors are looking to deepen their knowledge of are alternative investments and strategies for delivering consistent returns across market cycles. Some 39% of advisors globally agree that they could use more information in both areas.

> “Client management requires the greatest time investment for financial advisors.

High levels of interest in these subjects are very much in line with client apprehensions about risk and market volatility. Increasing knowledge in this area may serve advisors well as they look to implement goals-oriented investment strategies with clients, which will likely require risk-conscious portfolio construction techniques.

Ranking behind alternatives and steady return generation on advisors' list are investment strategies that provide stable income (34%) and income drawdown in retirement (32%). Enhancing these skills will serve advisors well as they respond to a fundamental change in the advice business. Traditionally, advisor-client relationships have been focused on the accumulation of assets; now, with growing demand for retirement income planning services, advisors will need to address a new set of concerns as clients take distributions.

> "Advisors worldwide are aware of the need to enhance their knowledge and skills to better meet the changing needs of clients.

It is important to note another area where the influence of goals-oriented investing is beginning to be felt. When asked to choose areas where they would like to enhance their knowledge, 28% of advisors globally select portfolio construction strategies to help clients meet multiple goals and time horizons. As the industry moves from agreement in theory to agreement in practice, it will be critical to provide advisors with tools and resources needed to address this new investment framework.

A day in the life

Perhaps one of the biggest challenges facing advisors as they look to acquire new investment skills is time management. Running an advisory practice is a multifaceted endeavor, and portfolio construction is just one of myriad areas that advisors manage daily. Those we surveyed report that client management requires the greatest time investment for financial advisors. Interactions ranging from face-to-face meeting to responding to phone calls to reading and sending e-mail take up 37% of the advisor's day.

After working directly with clients, advisors say they devote 15% of their time to managing client investments. This is where the implementation of team-based service models that dedicate staff to investment management and client services is helping to make larger practices more efficient.

THE DEMANDS OF PRACTICE MANAGEMENT

Investment management is only part of the picture in managing today's advisory practice

Ranking behind alternatives and steady return generation on advisors' list are investment strategies that provide stable income (34%) and income drawdown in retirement (32%). Enhancing these skills will serve advisors well as they respond to a fundamental change in the advice business. Traditionally, advisor-client relationships have been focused on the accumulation of assets; now, with growing demand for retirement income planning services, advisors will need to address a new set of concerns as clients take distributions.

"Advisors worldwide are aware of the need to enhance their knowledge and skills to better meet the changing needs of clients.

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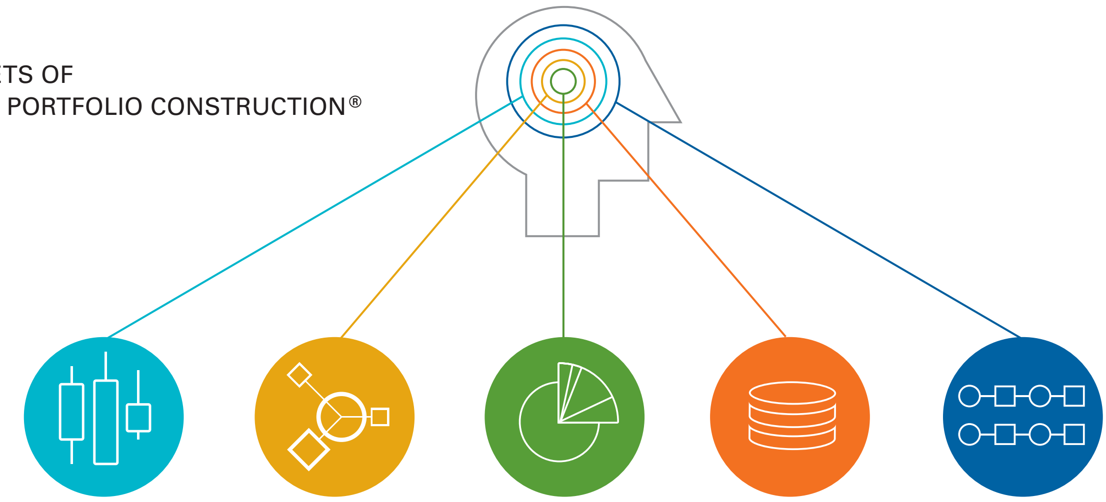
FIVE TENETS OF
DURABLE PORTFOLIO CONSTRUCTION®



In addition, 13% of time is spent on general administrative tasks that come with running any business and 10% of time is spent managing the regulatory and compliance requirements that are unique to the investment business. Add to this the time needed to market the business and prospect for new clients and it is not surprising that advisors can only find 4% of time for education on new investment and portfolio techniques.

Durable portfolios: the basis of a durable business

We believe helping clients meet their long-term goals in this new era will require a more consistent investment philosophy.

With **Durable Portfolio Construction**®, we have identified five key strategies that we believe can make a difference to clients and advisors alike as they look to build goals-based portfolios that can help address risk management concerns while also pursuing long-term asset growth.

> "With **Durable Portfolio Construction**®, we have identified five key strategies that we believe can make a difference to clients and advisors as they look to build goals-based portfolios.

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.

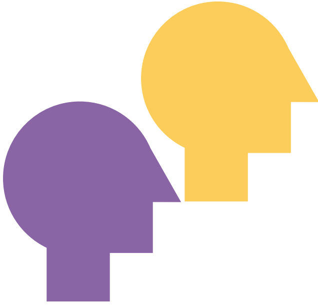
Maximize Diversification – Considering the broadest possible range of asset classes and investment strategies such as long and short exposures to equities, fixed-income and commodities is one way to manage portfolio volatility.

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 short-term risks.

Be Consistent – Following a consistent investment philosophy is a critical first step to ensuring portfolio durability.

We believe these core strategies can serve advisors well as they look to help clients meet long-term goals.



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 that 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

- **Natixis Global Asset Management Global Investor Insights Survey** – reaches out to more than 5,000 investors in 14 countries.
- **Global Survey of Institutional Investors** – reaches out to more than 500 investors, consultants and decision makers in 19 countries.
- **Global Survey of Financial Advisors** – reaches out to 1,300 advisors, consultants and decision makers in 9 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 success.

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 Survey of 401(k) Plan Participants – Natixis Global Asset Management commissioned CoreData Research to conduct a study of 401(k) plan participants. Conducted in May 2014, the survey sample included 899 active plan participants who were at least 18 years of age with a minimum income level of $15,000.

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

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