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NEWS RELEASE

A Cross-Asset Investment Outlook for 2025 from Natixis Affiliated Investment Managers

- ***Portfolio Managers, Strategists and Executives from Natixis Investment Managers, AEW Capital Management, Flexstone Partners, Gateway Investment Advisers, Harris | Oakmark, Loomis Sayles, Mirova, and Vaughan Nelson Investment Management Provide 2025 Market Outlooks***
- ***Managers Anticipate More Volatility and Investment Opportunities in 2025***

BOSTON, January 8, 2025 – During 2024, the US economic backdrop shifted as inflation eased, the labor market cooled and the Fed began bringing down interest rates. The new year ushers in a new administration with policy changes on the horizon. Despite uncertainty about what those changes ultimately look like and how they may affect the economy, the market's mood is optimistic based on expectations of continued growth bolstered by resilient consumer consumption.

We asked investment professionals from Natixis Investment Managers and its affiliated investment managers to predict where markets are headed this year and received views from across asset classes including private real estate, undervalued stocks, bonds and options writing strategies – as well as insight into private equity, ETFs, and retirement security trends. Here is what they expect in 2025:

2025 Commercial RE Outlook: Seizing Opportunities at the Best Entry Point in a Decade
by Michael Acton, Head of Research & Strategy North America, AEW Capital Management
Following two years of steady valuation decline, largely the result of monetary tightening by the Federal Reserve, the U.S. commercial property market is entering 2025 at the most attractive entry point for investors in more than ten years. Average property yields are the highest since 2014 and inflation adjusted property values are the lowest since the end of the financial crisis. More importantly, the average discount rate applied to the valuation of properties held by the sector's large open ended core funds is greater than the average actuarial rate reported by public pension funds for the first time since 2010. Put simply, the go forward return on core property is greater than pension plan required returns.

This does not mean that all is well for the entire real estate market. Most sectors of the property market are experiencing cyclical peaks in existing loan maturities in step with cyclical lows in property valuations. So far, the most visible dislocations are in office properties and seniors housing, but quickly growing in multifamily and, eventually likely in some parts of the warehouse market. The resulting capital structure stress is quickly revealing under-capitalized "weak hand" owners and creating significant opportunities for new debt and equity investment.

The past two years have been historically anomalous for property investors. For the first time, values fell steadily for two years with no accompanying recession. As such, most property sectors are not positioned for cyclical recovery in operating fundamentals. One glaring exception to this is seniors housing, the property sector that suffered the most during the lockdowns of the pandemic period is now recovering the fastest, very much exhibiting all the signs of cyclical rebound and expected to show the strongest growth in net operating income over the next five years.

Is the Future of Investing Private?
by Eric Deram, Managing Partner, Flexstone Partners
In terms of macro drivers, interest rates have always been the key driver of private equity. Over the last two years, when interest rates increased steeply, we saw a deep downturn in private equity activity. Now we expect interest rates to continue to decrease, but still remain higher than over the past few years.

As a result, we see two implications for private assets and private equity in general: One is a rebound of activity, which we've seen over the last quarter or so in terms of deal flow and general M&A activity.

The second one, which is a little bit counterintuitive, is performance. We expect a continued decline in rates, but they will remain higher than those of the previous decade. High rates can be a necessary evil for private equity as they force investors to be more disciplined, and this discipline invariably translates into better performance.

Of course, private equity is not immune to volatility and periods of recession, such as we have experienced over the last two years. But the long-term outlook remains very positive. Indeed, there are some fantastic investment opportunities not least because of the energy transition and more generally technological innovations that will help deal with climate change.

Similarly, individual investors' interest in private equity is also continuing to grow. The Eltif 2 label is expected to support the democratization of private assets in Europe, with the creation of semi-liquid evergreen funds. There are several issues that need to be considered carefully. There’s liquidity for one: despite the emergence of semi-liquid funds, these investment strategies remain fundamentally illiquid and therefore not necessarily advisable to everyone directly – except, through pension schemes.

So, is the future of investing private? I would argue that answer is yes because the world is private. Wherever you look, 80% plus of companies are in private hands and investors need private equity to finance that economy. Looking ahead, evolving regulations, energy transition, and growing interest from individual investors position private equity as the ideal asset class to lead the way forward in 2025 and beyond. In short, private equity has a bright future ahead.

Tailwinds for Options Writing Strategies Likely to Persist in 2025
by Joseph Ferrara, Investment Strategist at Gateway Investment Advisers, LLC
In 2024, we continued to experience higher short-term interest rates when compared with the prior decade, an environment that is likely to persist with short-term rates unlikely to decline to levels seen during post-crisis quantitative easing. Even with the Fed now shifting to easing mode, short-term rates are only expected to drop to a range of 3.5%-4.0% towards the end of 2026, based on Fed Funds Futures contracts at the end of October 2024. The average yield for 3-Month U.S. Treasury Bills since 1950 is 4.06%, suggesting rates have simply reverted to the mean.

Fiscal policy changes have also contributed to stock market volatility, which has risen well above levels witnessed during extensive monetary policy easing efforts post-Great Financial Crisis. The Volatility Risk Premium (VRP), defined as the difference between implied and realized volatility, exists due to consistently mispriced volatility in S&P 500® Index options.

Historically, implied volatility has generally been higher than realized and rightly so – the future is much less clear than the past. In fact, since January of 1990, the VRP has been positive 89% of the time with a monthly average of 4.1%. From January 2010 to December 2019, implied volatility, as measured by

the Cboe® Volatility Index (the VIX®), averaged 16.86. Nearly halfway through the current decade, from January 2020 through November 2024, the VIX® has averaged 21.45. The VIX® average since 1990 is 19.47. Volatility is expected to persist into 2025 as fiscal policy transitions to a new administration.

History suggests that both interest rates and volatility are now in a more typical range and closer to historical averages. With all other things equal, higher positive interest rates and heightened volatility support greater cash flow generation potential for low-volatility options writing strategies, such as those managed by Gateway.

Unusual Opportunity for a Diversified Portfolio of Low PE Stocks
by Bill Nygren, Chief Investment Officer-US and Portfolio Manager, Harris | Oakmark
It's an unusually attractive time to be a value investor today because we're starting with such a wide spread in the valuations between the handful of companies that have driven the S&P 500, mostly large-cap technology companies, and everything else.

For example, today the S&P 500 sells at a price-earnings (PE) multiple in the low 20s, which is about twice as high as the PE level that we have in Harris | Oakmark large-cap strategies. That spread is unusually wide—and we think tilts the odds in the favor of the value investor.

Because the S&P has been so concentrated in large-cap technology companies, one of the nice things for a value investor is that cheap stocks are spread out across most of the other industries. As a result, there's an unusual opportunity to put together a very well-diversified portfolio in low PE stocks across lots of industries. It's not just bank stocks and oil stocks that look cheap but consumer durables, health care, and media companies as well. In fact, stocks available at low PEs are distributed across most industries outside of technology.

So, while the overall market is at all-time highs, it's been driven there by about 20 large-cap technology companies. The rest of the market is priced nothing like that. And, as a value investor, it's almost like you can buy the rest of the market at pre-bull market prices.

Peering Through the Noise: Positioning for Volatility in 2025
by Matt Eagan, CFA, EVP, Portfolio Manager and Head of the Full Discretion Team, Loomis, Sayles & Company
Two words come to mind when thinking about 2025: volatility and transactional. We see many paradoxes embedded in the Trump's agenda that are hard to untangle and could lead to bouts of volatility. Extending tax cuts could stimulate consumption but also worsen the fiscal deficit. Immigration control could tighten labor markets but also raise wages. Tariffs could spark a trade war that could simultaneously curb demand and raise prices. We think it will pay to peer through the noise and focus on Trump's goals and constraints. His actions might have more bark than bite, but we warn against complacency.

China is limping into 2025 nursing weak domestic consumption and a burst property bubble. Protectionism is a key threat. A full-blown trade war could potentially lead China to be a powerful disinflationary force to the rest of the world. The US and China could reach a grand bargain that defuses key fracture points between these rivals. More likely, the two engage in some trade skirmishes that lead to transactions. We expect more stimulus in 2025, but a bazooka is not likely unless a major trade war erupts.

Our portfolio positioning is guided by our secular and cyclical themes: demographics, security, and the

need for massive investments related to electrification and climate. These forces will pressure government budgets, stoke inflation, and keep real rate structurally higher. Cyclically, we think US inflation is bottoming and the economy is down-shifting to a soft landing. We see the policy rate landing around 3.5%-4.0% by the end of 2025. The longer end of the curve should be anchored around its current level given the structural features of this economy.

The credit cycle remains firmly in the expansion/late cycle phase. Credit fundamentals remain buoyant, and we find it hard to foresee a material increase in credit losses. We don't deny the skinniness of credit risk premiums, but these sort of low spread environments can persist for a long time. We think credit spreads will be a range trade in 2025 and we still see the BBB and BBB quality segments as offering the best risk/reward.

US Stocks Likely Up and Bonds Sideways in 2025
by Jack Janasiewicz, Lead Strategist and Portfolio Manager, Natixis Investment Managers Solutions
In 2024, we saw several interesting shifts in the economic backdrop including declining inflation, a cooling labor market, and resilient consumer consumption supported by rising real wages. While the Federal Reserve has maintained a relatively restrictive rate regime to manage inflation, we saw lower rates this Fall as the Fed tried to keep pace with normalizing inflation. Investments in AI and productivity gains were also notable, and the labor markets have entered a “don’t leave” phase where if you have a job, it’s relatively secure as layoffs are rare.

Earnings growth and multiple expansion were the biggest drivers of returns for the US equity market during 2024. While some may argue that valuations are at stretched levels, we think these valuations may be warranted reflecting the fact that US corporate margins are at historical highs and investors are willing to pay up for higher quality companies with stronger margins. What’s more, risk appetite does not appear stretched as many investors seem content to sit in money market funds earning 5%, unwilling to jump into equities which would fuel even higher prices.

As we enter the New Year, the labor market appears to be in statis as inflation (ex-shelter) continues to head lower, helping to push real wages higher. This results in more buying power for the US consumer. Because consumer consumption drives most of the growth in the US, it’s a very healthy place to be.

Looking ahead to 2025, our outlook remains positive with expectations of still slowing inflation and an easing labor market. Investment strategies will likely favor US equities with a balanced investment approach with using Treasuries to mitigate risk. We anticipate that further investments in AI will continue to boost productivity and economic growth. The stock market is expected to continue its upward trend, while the bond market is expected to earn its coupon.

Addressing 4 Key Risks to US Retirement Security
by Liana Magner, Head of US Retirement and Institutional for Natixis Investment Managers
As outlined in the Natixis Investment Managers 2024 Global Retirement Index study, four significant retirement risks face US individuals today: interest rates, inflation, public debt and investors themselves. The good news for 2025 is that some of these risks may abate, including interest rates, which are headed down, and possibly inflation which has been moderating. On the flip side, uncertainty remains as a new administration takes over.

What does this mean for 401(k) retirement plans in the US? Let’s look at the key risks and opportunities for plan sponsors and advisors as well as plan participants to address these risks. First, take interest

rates. With rates decreasing, participants and their advisors should consider whether they are holding too much in cash or sidelining more than needed. Retirement is a journey, rather than an event requiring a long-term approach to investing, which incorporates exposure to a diversified portfolio of stocks and bonds. If they need retirement income more urgently, there are now available income-oriented options to consider, both guaranteed and not.

Second, with inflation tamed but not beaten, participants should be prepared to save more and invest wisely. Employers should ask themselves whether the plan they offer is fit for purpose in terms of plan design features as well as investment options offered. Does the plan offer auto features? Does the plan offer a range of investment options, including actively managed portfolios which can take advantage of a bifurcation in stock performance, and tools to educate and drive employees to engage and participate? Relatable investments such as domestic stock funds can help meet participant preferences, as these are among the most popular investment options after target date funds.

While the level of public debt is not something employers or participants can control, growing concerns about relying on public and private pensions are evident in our long-running survey which showed that over three-quarters of individuals believe it is increasingly their responsibility to fund retirement on their own. Yet frequently individuals are their own worst enemies with unrealistic investment return expectations. Beyond providing education, advice and tools, employers can ensure that their plans offer professionally managed portfolios including multi-manager diversified options and the inclusion of alternative asset classes.

As individuals increasingly take charge of their retirement planning, financial service providers must become more proactive in supporting them. It's crucial to offer fit-for-purpose personalized solutions that address both the current landscape and individuals' specific retirement needs.

Three Trends for ETF Asset Growth in 2025
by Nicholas Elward, Head of Institutional Product and ETFs, Natixis Investment Managers
2024's strong economic backdrop was characterized by falling inflation, lower interest rates, and improved corporate fundamentals. With the S&P 500® Index returning over 20% in each of the last two years, cryptocurrency posting another outstanding year of returns, and strong recent investor interest in derivative income ETFs, some question whether ETFs that focus on these areas can continue to lead the ETF industry in 2025. We believe the answer is yes.

The US economy withstood the post-Covid inflationary shock and, by all accounts, has avoided a recessionary period. The election of Donald Trump portends the potential for strong US equity market performance due to his announced goals of reduced taxes, lighter regulation, and a desire for peace in Israel and Ukraine. As a result, we expect investors will look to invest in US equity ETFs. While headwinds, such as a return to higher inflation if Trump's proposed tariffs are imposed, may emerge, this will likely not be felt in the US economy immediately. Regardless, we believe increased bifurcation in individual company performance may favor fundamental, bottom-up analysis from active managers.

2024 ushered-in the SEC's approval of spot Bitcoin ETFs and subsequently the ability to trade options on these vehicles. These events have created excitement in the cryptocurrency market, driving prices to new highs. The support that incoming-President Trump has voiced for crypto has contributed to pushing assets in ETFs that invest in crypto higher. As a result, all signs point toward more positive developments for cryptocurrency ETFs in 2025.

The last trend offers something for risk-aware investors. Over the last few years, we have seen over $80 billion flow into actively managed Derivative Income ETFs. These products have captured investors' attention by providing hedged exposure to the equity market, while also paying attractive monthly income generated by options or other derivative instruments products. Derivative income ETFs can provide a diversified income stream relative to traditional fixed income ETFs, which may be particularly appealing to investors looking to support retirement spending needs.

While nothing is for certain, as we look ahead to 2025 the set up for financial markets and the ETF industry seems very positive indeed.

A Positive Outlook for Equities Despite Continuing Uncertainty in 2025
by Jens Peers, CIO and Portfolio Manager, Mirova US
2024 was a year of economic and geopolitical uncertainty, and we expect that to continue in 2025. The US election and decisive win of Donald Trump provided more certainty on the outlook for the US economy, and we expect US and Asia to be the drivers of economic growth in 2025. Europe may face headwinds in the context of the Trump agenda and trade policy uncertainty. Germany's industrial sector continues to struggle, while France grapples with political turmoil.

Geopolitical tensions, particularly in the Middle East and Ukraine, pose additional risks to market stability. The potential resurgence of inflation looms on the horizon, driven by Trump's inflationary policies specifically around tariffs and immigration. Although the implementation and inflationary effect of these policies may take time to flow through to the real economy, we continue to work under the assumption of higher inflation, and therefore interest rates, for longer. In this context, we may see a strengthening of the U.S. dollar, benefiting European companies with substantial U.S. revenue exposure. In Asia, we see significant growth potential in India in the context of friendshoring and nearshoring. China is expected to stimulate its local economy, which should benefit infrastructure and commodity-related sectors.

We remain positive on the outlook for equities in 2025. In the U.S., equity valuations are reflecting a relatively positive economic scenario already, while in Europe, valuations on average are much lower, reflecting a more negative scenario. The German elections in February could be a trigger for economic reform, boosting valuations in Europe. If we see an end of the Russia-Ukraine conflict, that could also support economic growth in Europe.

Despite market fluctuations and policy changes, we maintain conviction in several long-term growth opportunities that we believe will be well supported in 2025 including:

- Growing demand for generative AI and automation driving increased energy needs, necessitating advancements in renewable energy and storage solutions.
- Health and unmet medical needs, including innovative solutions in diabetes and obesity care, oncology, and immunology.
- Anticipated regulatory focus on PFAS in water supplies will create opportunities for companies specializing in water quality and safety.

Positive Backdrop for US Small Cap Security Selection
by Chris Wallis, Chief Executive Officer and Chief Investment Officer, Vaughan Nelson Investment Management

We expect an acceleration in economic growth in the US in the first half of 2025. At the same time, there will be a modest increase in inflationary conditions. That doesn't mean inflation accelerating back to mid to high single digits, but just moving away from the Fed's target.

While the market has become used to narrative investing - such as AI, large caps, and energy - moving forward, it will be more nuanced and become more security specific. Many investors are seeking undervalued laggards, but we don't think big pockets of undervaluation exist today.

US small caps are relatively less expensive than large caps but fairly valued on an absolute basis. The biggest impact in 2025 will be any material shifts in US Fiscal/Monetary policy and the potential for capital controls to increase outside the United States.

All investing involves risk including the risk of loss.

Past market experience is no guarantee of future results.

Markets are extremely fluid and change frequently.

Any investment that has the possibility for profits also has the possibility of losses, including the loss of principal.

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Equity securities are volatile and can decline significantly in response to broad market and economic conditions. Fixed income securities may carry one or more of the following risks: credit, interest rate (as interest rates rise bond prices usually fall), inflation and liquidity.

Options: An option is a contract giving the buyer the right - but not the obligation - to buy (in the case of a call) or sell (in the case of a put) the underlying asset at a specific price on or before a certain date. Investors use options for income, to speculate, and to hedge risk.

Options may be used for hedging purposes, but also entail risks related to liquidity, market conditions and credit that may increase volatility. The value of the fund's positions in options may fluctuate in response to changes in the value of the underlying asset. Selling call options may limit returns in a rising market.

An exchange-traded fund, or ETF, is a marketable security that tracks an index, commodity, bond, or a basket of assets like an index fund. ETFs trade like common stock on a stock exchange and experience price fluctuations throughout the day as they are bought and sold. Short-term fixed income ETFs invest in fixed income securities with durations between one and five years.

Unlike passive investments, there are no indexes that an active investment attempts to track or replicate. Thus, the

ability of an active investment to achieve its objectives will depend on the effectiveness of the investment manager.

Sustainable investing focuses on investments in companies that relate to certain sustainable development themes and demonstrate adherence to environmental, social and governance (ESG) practices; therefore, the universe of investments may be limited and investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria. This could have a negative impact on an investor's overall performance depending on whether such investments are in or out of favor.

Diversification does not guarantee a profit or protect against a loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Asset allocation does not ensure a profit or protect against loss.

ETF General Risk: ETFs trade like stocks, are subject to investment risk, and will fluctuate in market value. Unlike mutual funds, ETF shares are not individually redeemable directly with the Fund and are bought and sold on the secondary market at market price, which may be higher or lower than the ETF's net asset value (NAV). Transactions in shares of ETFs will result in brokerage commissions, which will reduce returns. Active ETF: Unlike typical exchange-traded funds, there are no indexes that the Fund attempts to track or replicate. Thus, the ability of the Fund to achieve its objectives will depend on the effectiveness of the portfolio manager. There is no assurance that the investment process will consistently lead to successful investing. Fixed Income Securities Risk: Fixed income securities may carry one or more of the following risks: credit, interest rate (as interest rates rise bond prices usually fall), inflation, and liquidity. Below Investment Grade Securities Risk: Below investment grade fixed income securities may be subject to greater risks (including the risk of default) than other fixed income securities. Foreign and Emerging Market Securities Risk: Foreign and emerging market securities may be subject to greater political, economic, environmental, credit, currency, and information risks. Foreign securities may be subject to higher volatility than US securities, due to varying degrees of regulation and limited liquidity. These risks are magnified in emerging markets. Interest Rate Risk: Interest rate risk is a major risk to all bondholders. As rates rise, existing bonds that offer a lower rate of return decline in value because newly issued bonds that pay higher rates are more attractive to investors.

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About Natixis Investment Managers
Natixis Investment Managers' multi-affiliate approach connects clients to the independent thinking and focused expertise of more than 15 active managers. Ranked among the world's largest asset managers[1] with more than $1.4 trillion assets under management[2] (€1.2 trillion), Natixis Investment Managers delivers a diverse range of solutions across asset classes, styles, and vehicles, including innovative environmental, social, and governance (ESG) strategies and products dedicated to advancing sustainable finance. The firm partners with clients in order to understand their unique needs and provide insights and investment solutions tailored to their long-term goals.

Headquartered in Paris and Boston, Natixis Investment Managers is part of the Global Financial Services division of Groupe BPCE, the second-largest banking group in France through the Banque Populaire and Caisse d'Epargne retail networks. Natixis Investment Managers' affiliated investment management firms include AEW; DNCA Investments;[3] Dorval Asset Management; Flexstone Partners; Gateway Investment Advisers; Harris | Oakmark; Investors Mutual Limited; Loomis, Sayles & Company; Mirova; MV Credit; Naxicap Partners; Ossiam; Ostrum Asset Management; Seventure Partners; Thematics Asset Management; Vauban Infrastructure Partners; Vaughan Nelson Investment Management; and WCM Investment Management. Additionally, investment solutions

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[1] Survey respondents ranked by Investment & Pensions Europe/Top 500 Asset Managers 2024 ranked Natixis Investment Managers as the 19th largest asset manager in the world based on assets under management as of December 31, 2023.
[2] Assets under management (AUM) of current affiliated entities measured as of September 30, 2024, are $1,427.2 billion (€1,279.0 billion). AUM, as reported, may include notional assets, assets serviced, gross assets, assets of minority-owned affiliated entities and other types of nonregulatory AUM managed or serviced by firms affiliated with Natixis Investment Managers.
[3] A brand of DNCA Finance.

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