

2025 NATIXIS INSTITUTIONAL OUTLOOK SURVEY

Wash. Rinse. Repeat.

After 2024's positive results, institutional investors hope for more of the same in 2025.



Institutional investors had reason to be satisfied with 2024 results:

Markets in Asia, the US and Germany produced double-digit returns. Most other European markets produced solid single-digit results. Global growth projections came in at a healthy 3.1%. Inflation inched closer to 2% targets. And after a cycle of 11 rate hikes in 24 months, interest rates were on their way down.

All this in a year when 51% of institutions had thought recession would be inevitable. Those fears have faded for many and the number of institutions anticipating a recession dropped from 51% in 2024¹ to just 30%. Now 64% forecast a soft landing in their home region in 2025.

Institutional investors still see a wide range of economic threats for the year ahead, but their biggest concerns are geopolitical as US/China relations (34%) and the expansion of current wars (32%) top the list. These are followed by more fundamental economic concerns including 29% who still worry about global recession and 23% who are concerned about China's economy.

Despite any macro concerns, institutions are bullish on private equity (73%), tech (68%) and stocks (67%). AI continues to factor in on these views as 71% say the race for AI supremacy is the new space race. They're also bullish on bonds (62%), and with rates on the decline, institutions are more bullish on residential real estate in 2025 (56%) than in 2024¹ (33%), a trend that also crosses over to non-traditional real estate (46% vs. 31%) and commercial real estate (39% vs. 20%).

Top macroeconomic threats for 2025



Source: Natixis Institutional Outlook 2025

Optimism with a healthy respect for risk

While their market outlook may be optimistic, institutional investors are realistic. They'll watch over their shoulders for a number of key market risks: After an extended run up, valuations are their top portfolio concern (47%). Interest rates (43%) are also a concern as any

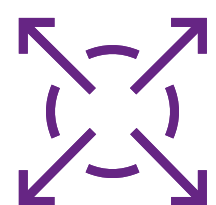
deviation from their rate cut forecast could spell trouble for both bonds and equities. And despite the relatively smooth ride in key asset classes during 2024, many institutions project an uptick for volatility for stocks (62%), bonds (42%) and currencies (49%).

Ultimately, portfolio plans show a high level of confidence, and the number of institutions who said they are actively de-risking their portfolios dropped to 48% from 56% in 2024¹. Four out of 10 go so far as to say they are actively taking on more risk in 2025.

Portfolio strategy appears to be locked in for the long term as few indicate significant changes to strategic allocations. After a year in which two-thirds of institutions reported their active investment outperforming passive, 70% believe markets will once again favor active. Many are looking at new ways to access active management, as 46% plan to increase their use of active ETFs.

Alternative assets continue to play a pivotal role as six out of 10 believe a portfolio diversified with 60% stocks, 20% bonds and 20% alternatives will outperform the traditional 60:40 portfolio. Private assets continue to be the focus and institutions report portfolio are composed of 83% public assets and 17% private assets.

Much is on the line in 2025, and even though institutional investors are optimistic about their prospects, there are numerous factors they need to get right if they are to ensure success:



Macro/Market outlook

Geopolitics top macro concerns and 66% of institutions worry the alliance between Russia, North Korea, and Iran will lead to greater economic instability. In markets, valuations (47%), interest rates (43%), and inflation (40%) worry them the most.



Portfolio strategy

While strategic allocations appear to be locked down, institutional investors vary widely on what tactical moves will pay off in 2025. Most will reallocate to home markets in equities, while high yield bonds (35%) and government bonds (31%) factor in fixed income plans.



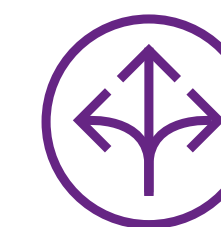
Equities

Central bank policy, artificial intelligence, and a potential melt-up all factor into equity views. Overall, 45% say rate cuts will accelerate the upside for stocks in 2025. Another 35% project the AI frenzy to continue to drive growth. Even with these positive prospects, two-thirds think valuations do not reflect the fundamentals.



Fixed Income

With more rate cuts anticipated in 2025, institutions will be keen to manage duration and monitor credit exposures in portfolios. As a result, 70% say active management is essential to fixed income investing.



Alternatives

Alternative allocations continue to emphasize private investments and 63% believe the delta between public and private markets remain elevated. But even as they look to add to their holdings, six in 10 (61%) are also finding that the popularity of private equity is making it hard to find investment opportunities.

Given the wide range of contingencies, they need to achieve specific outcomes and institutional investment strategy is a complex long-range endeavor. That long-term success will be determined by how well they read today's macroeconomic and market factors.

Macro/market outlook clouded by geopolitics

On the surface, the macroeconomic picture looks bright. Inflation is on the decline, rates are coming down, recession fears have eased, and a soft landing is looking likely in many regions. In the end, institutional teams appear to be more concerned with the potential impact of geopolitical factors rather than these traditional macro considerations.

Inflation, rates, and central banks.

After three years of soaring prices, more than three-quarters (76%) of institutions believe inflation will decline (38%) or remain at current levels (38%) in 2025. Two-thirds (68%) are confident that inflation will hit target levels in the year ahead. Despite the positive outlook, it's important to note that just under one-third (32%) remain worried that the global economy could experience inflation spikes in 2025. This level of concern generally holds up from region to region with Latin America (23%) as the one exception.

Assuming inflation is in check, 63% believe rates will continue their downward trajectory. Only 21% think rates will remain at current levels. Central bank policy

is the lynchpin in this view, as 76% believe the timing of rate cuts will be critical to ensure that inflation isn't reignited. So far, central banks have choreographed policy to bring inflation under control, and 65% think central banks will need to continue this level of coordination to mitigate the risk of a global downturn.

Recession fears recede. Soft landing hopes rise.

The majority appear confident that central banks will succeed, as the number of institutions who think recession is inevitable dropped from 51% in 2024¹ to just 30% in 2025. Meanwhile, 57% have the confidence to say there won't be a recession at all. Perhaps most telling in sentiment is that less than one in five (18%) think recession will kill the current rally.

While overall sentiment is positive, regional snapshots show significant differences. Respondents in Europe (32%) and the UK (33%) were more likely to see recession as inevitable. This in Latin America (23%) were less likely. Breaking it down to country level reveals a greater divide as 73% in the US are confident there won't be a recession, while 50% of those in beleaguered Germany say they are already in a recession. Canada (44%) and France (42%) have the largest number who believe recession is still inevitable.

Do you anticipate your country will experience a recession?

	Global	Asia	EMEA	LatAm	N. Am	UK
Don't anticipate a recession	57%	59%	52%	67%	64%	52%
Recession is inevitable	30%	29%	32%	23%	28%	33%
We're already in a recession	13%	12%	17%	10%	8%	15%

Source: Natixis Institutional Outlook 2025

Among the 30% who still think the global economy is bound for recession, most (43%) project it for the second half of 2025, while 29% say H1. Another 23% say it won't be until 2026, and 5% say 2027 or beyond. If recession does arrive, most think it will be painful (66%) or very painful (12%). However, one in five (22%) think it will be hardly noticeable.

When it comes down to it, 64% are calling for a soft landing in their home region. Only 20% are worried about no landing/reflation. Fewer still project a hard landing (10%), or worry about stagflation (6%). GDP growth will be the key indicator of a soft landing for 49% of those surveyed, while 22% will look at unemployment figures. Fewer will look at more granular measures, such as CPI (19%) and PCE (9%).

Growth on all fronts

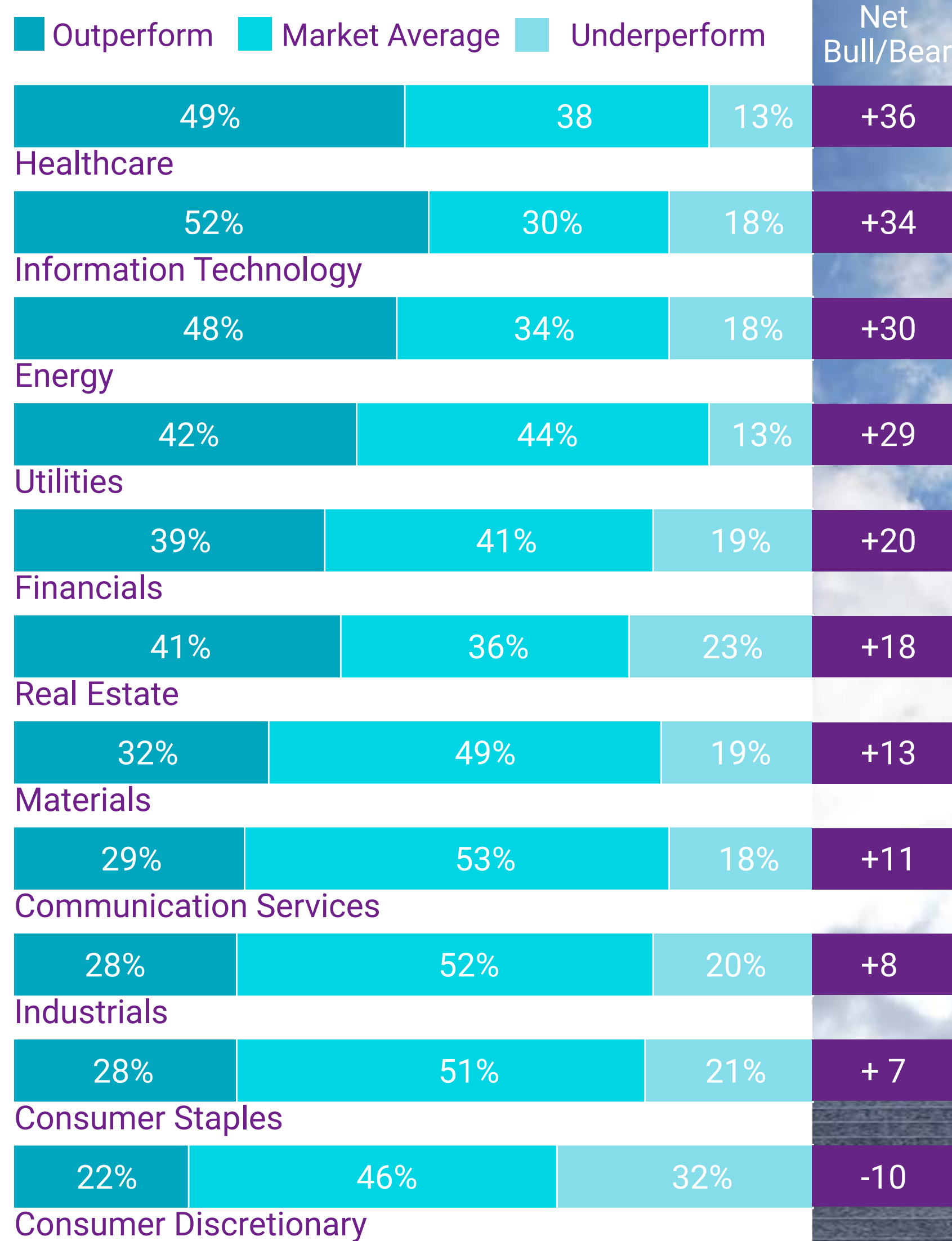
After finding growth concentrated in the tech sector over recent years, institutional investors are anticipating that a stronger economy will deliver growth from multiple sectors. In fact, their projections call for 10 out of 11 sectors to outperform. The only sector they think won't deliver is Consumer Discretionary.

Overall, their top four picks for outperformance demonstrate a case of guarded optimism. Calls for growth sectors, such as Information Technology and Energy, to outperform are offset by calls for more defensive sectors, like Healthcare and Utilities. In a prime example, institutional investors are split down the middle on how energy prices will play out in 2025: 50% project that energy prices will remain low, while 50% project they will spike in 2025.

No matter what, it's clear why they favor Information Technology as 63% believe AI will supercharge growth. Only 37% think AI is a bubble.

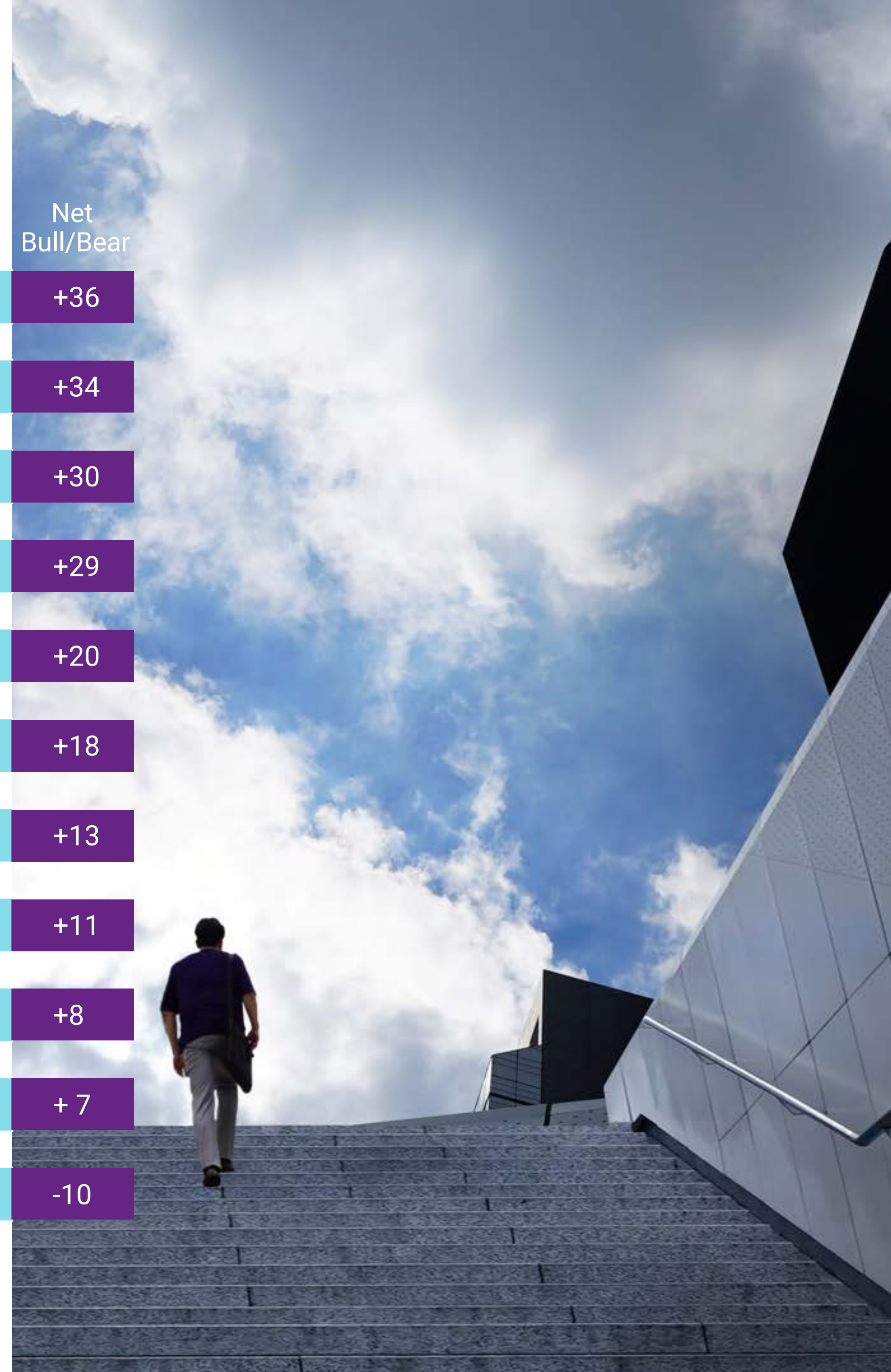
63% of institutional investors believe AI will supercharge growth.

Sector calls for 2025



Some data does not add up to 100% due to rounding.
Source: Natixis Institutional Outlook 2025

Net Bull/Bear



All politics are local

Geopolitical concerns rise to the top of the list of economic threats in all regions. However, institutional risk concerns vary depending on where they reside. In the US, institutions are worried about the expansion of current wars in Ukraine and Gaza. The rest of the world is worried about a different kind of war. With tariffs featuring prominently in US president-elect Donald Trump’s economic policies, those outside the US are worried about a trade war.

Few think the Russia-Ukraine war will be resolved, with 72% projecting that it will grind on. Just 28% believe the war will end with a peace dividend in 2025. Institutions are slightly more optimistic that settlement can be reached in Gaza (36%), but 64% are worried that the war will spread across the region.

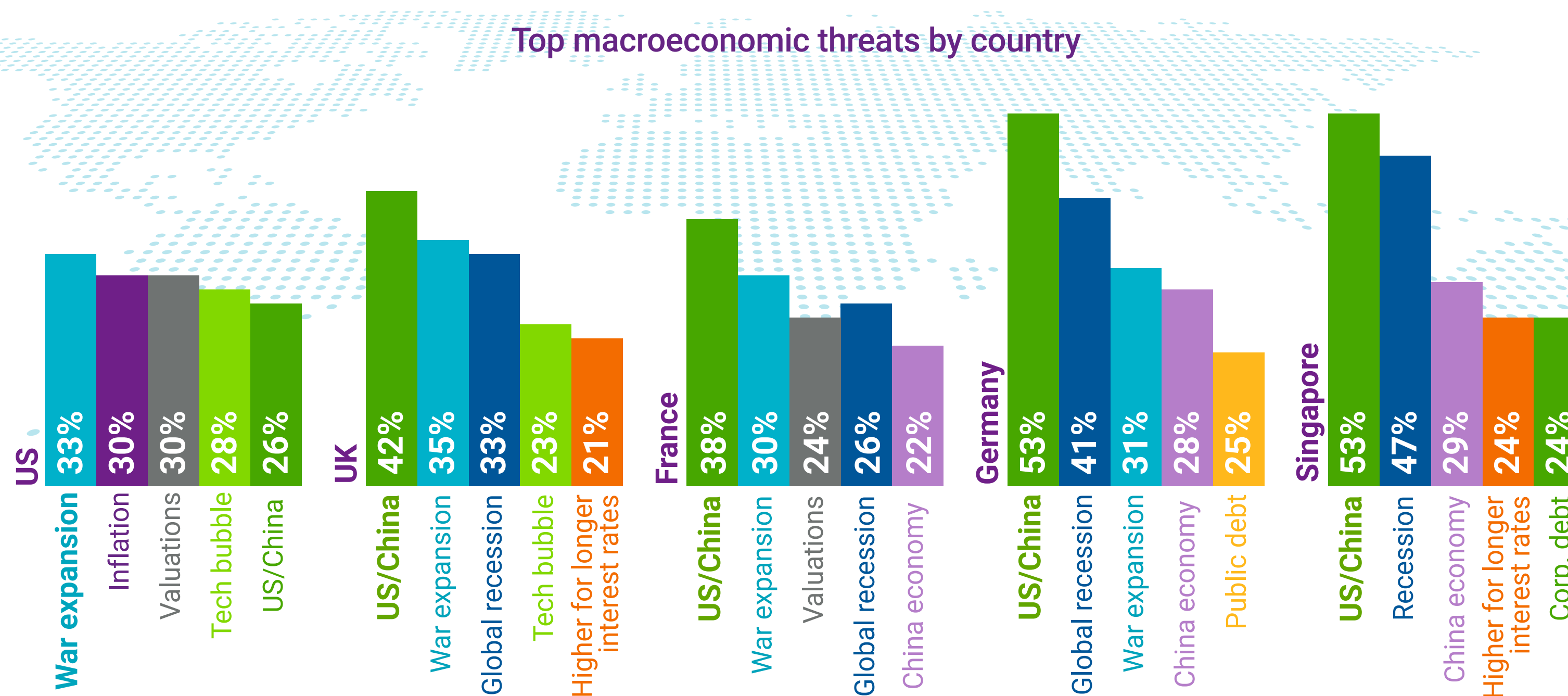
In trade, US/China relations top concerns for most institutions. But China presents significant risks in and of itself. Overall, 62% believe China’s geopolitical ambitions will split the world into two spheres of influence. And another 56% are concerned those ambitions could stir tensions in the South China Sea, creating a more immediate threat to markets.

Moves to counteract the risks could pose problems as well: 57% worry that the shift of supply chains from global to friendly markets will hinder economic growth. Six in 10 say the onshoring of competitive technologies, like semiconductors, is already forcing them to re-evaluate their investment strategies.

China, however, isn’t the only piece of the risk puzzle. Almost two-thirds (66%) believe the growing alliance between Russia, North Korea, Iran, etc. will lead to greater economic instability. Another 56% worry that geopolitical tensions will ratchet up due to disputes over new frontiers, including space and the Arctic, and 58% worry that artificial intelligence will present new geopolitical risks. Similarly, 46% warn that the surge in far-right leadership is forcing them to re-evaluate their investment thesis for some regions.

Elections add another dimension to political concerns. With 2024 witnessing national elections in more than 100 countries, including eight of the 10 largest, many worry about the implications. But relatively little has changed in this “year of the election,” and 64% of those surveyed say it proves that many institutions had over-estimated the level of political risk. In keeping with this view, 53% say elections are nothing more than noise for markets. When it comes down to it, 61% say Fed policy is more important than election results.

Top macroeconomic threats by country



Source: Natixis Institutional Outlook 2025

Markets outlook matches macro views

Institutional teams see a range of risks on the horizon. After a two-year bull market in which much of the gains have been concentrated in tech stocks, institutional investors name valuations their number one market risk (47%). Similarly, 25% worry about concentration risk.

Top global portfolio risks



Source: Natixis Institutional Outlook 2025

Institutions see interest rates (43%) as another key risk for two reasons: First, they'll need to determine if Trump policies will be inflationary, which could stall the rate cuts they've baked into their macro assumptions. Second, they'll need to be sure the central bank coordination that's helped bring inflation under control will continue. This uncertainty is a key reason that 40% still rank inflation as a key risk to markets.

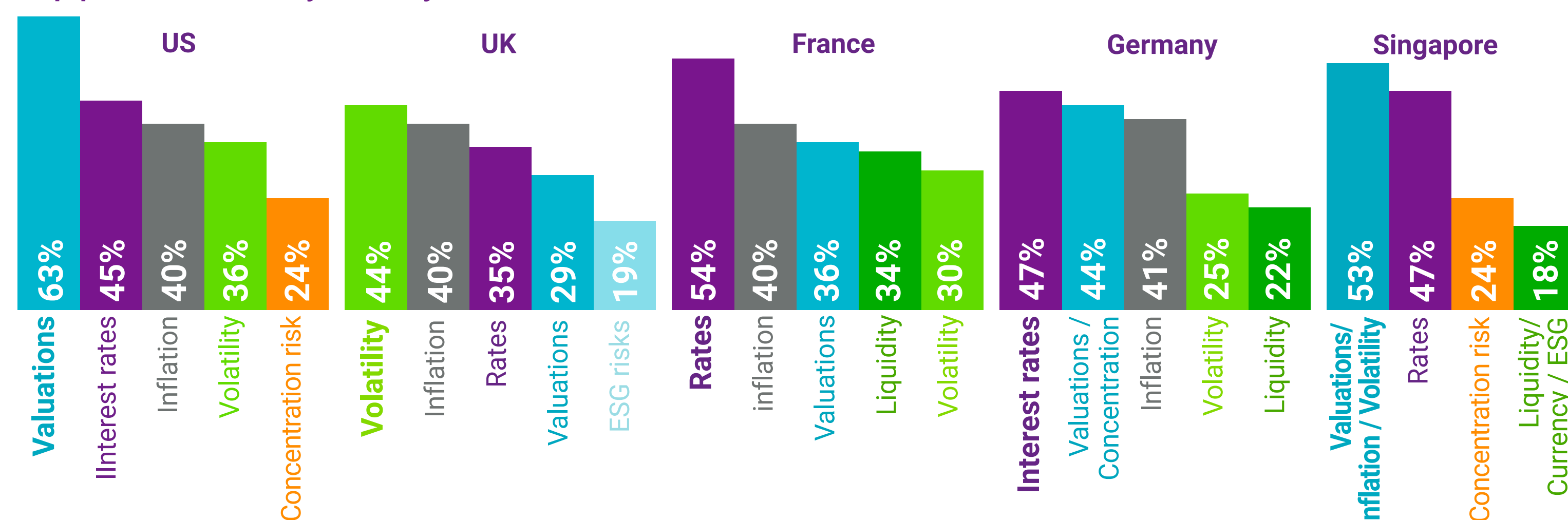
Overall, institutions share a favorable view on market prospects for 2025, though the view on how it will play out is less clear. For example, global averages suggest

that institutions are equally split as to whether the US (51%) or international markets (49%) will outperform. This is another instance in which the local view is more revealing: 63% of those in Asia project international markets to outperform. Almost the same number (62%) in North America think the US will outperform.

Opinion is also split as to whether large cap stocks (51%) versus small caps (49%) will outperform. Views on large cap may be buoyed by relative economic stability and growth. The view on small caps may be driven by the 44% who believe that lower rates will enhance the performance of smaller companies.

But few think it will be a smooth ride as 62% believe equity volatility will be on the rise. Another 42% see greater volatility in the wings for bonds as well.

Top portfolio risks by country



Source: Natixis Institutional Outlook 2025

Given assumptions for frothier markets, it's little surprise that almost half (40%) project higher levels of dispersion in returns, while 48% see dispersion remaining at today's relatively high levels. Similarly, more than half (54%) see correlations remaining at today's high levels, while 29% think correlations could rise even higher in 2025. It's a scenario in which 70% of institutional investors believe markets will favor active management.

Considering the potential economic challenges and strong market conditions in front of them, 62% of institutional investors believe active investments (63%) will outperform passive investments (38%). There may be many risks and challenges to worry about in the year ahead, but sentiment meets reality in portfolio strategy and that's where institutional teams express the greatest confidence.

PORTFOLIO STRATEGY

Portfolio strategy locked in for the long term.

Allocation projections for 2025 and long-term targets show little change in course for institutional portfolio strategy. Slight movements of 1% or less within asset classes are more likely to represent rounding errors and minimal efforts to rebalance.

Strategy remains focused on meeting average long-term return assumptions of 8.5%. While expectations have moderated slightly for 2025, they are not far off target. In addition, key pressure has been alleviated by

higher interest rates, and institutional liability ratios for insurers and pensions have settled in at an average of 83%.

Higher interest rates have helped ease the funding challenge these institutions grappled with in the years after the Great Financial Crisis. As a result, allocations to liability-driven investment remain at just 6% of total assets. Few take today's funding ratios for granted, and nearly three-quarters (74%) say they conduct regular stress tests/scenario analysis to assess how changes to our funding ratio would impact our portfolio strategy.

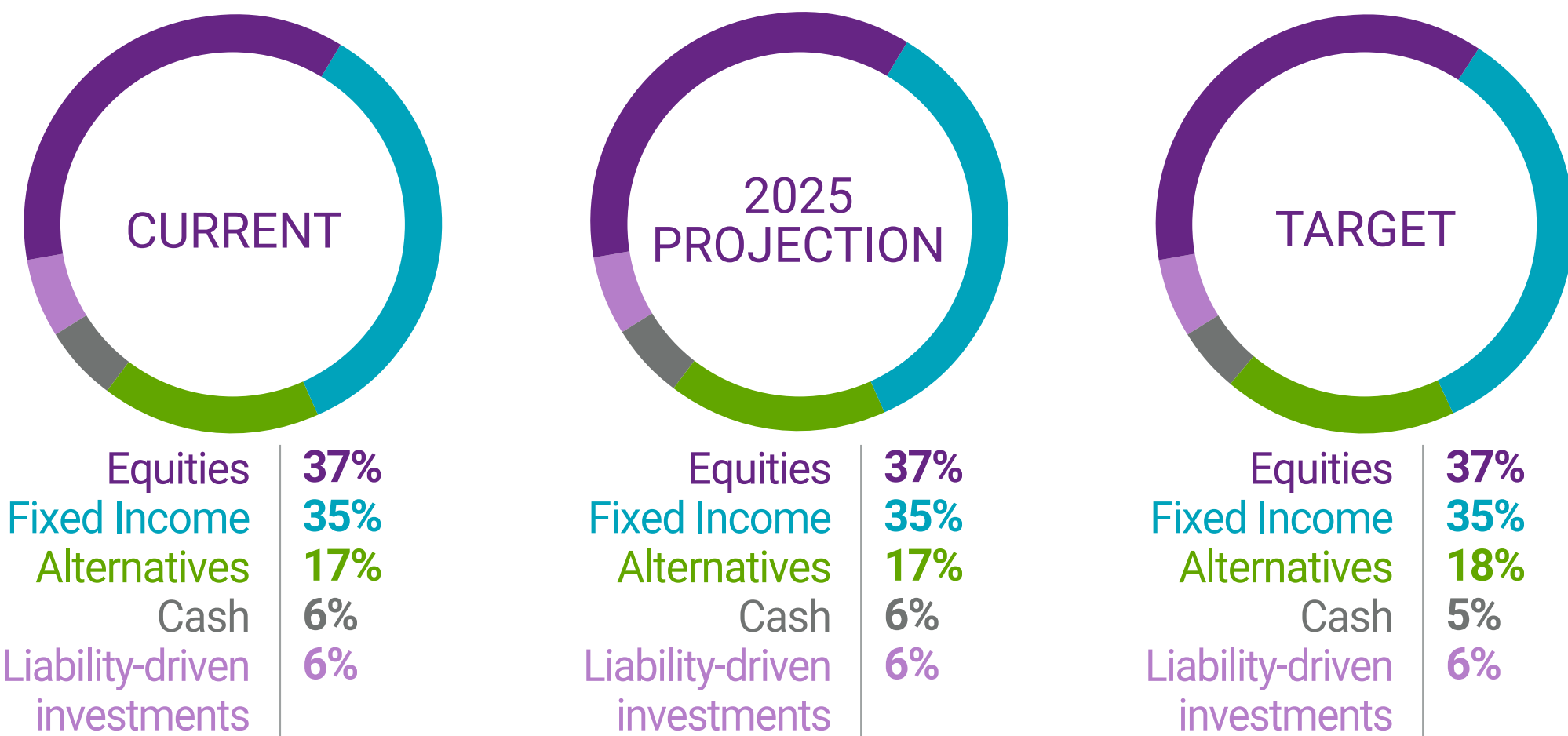
Private assets remain the most significant allocation trend. The hunt for enhanced returns has driven most institutions to increase investments in private assets. As a result, 17% of

institutional assets globally are invested in private assets.

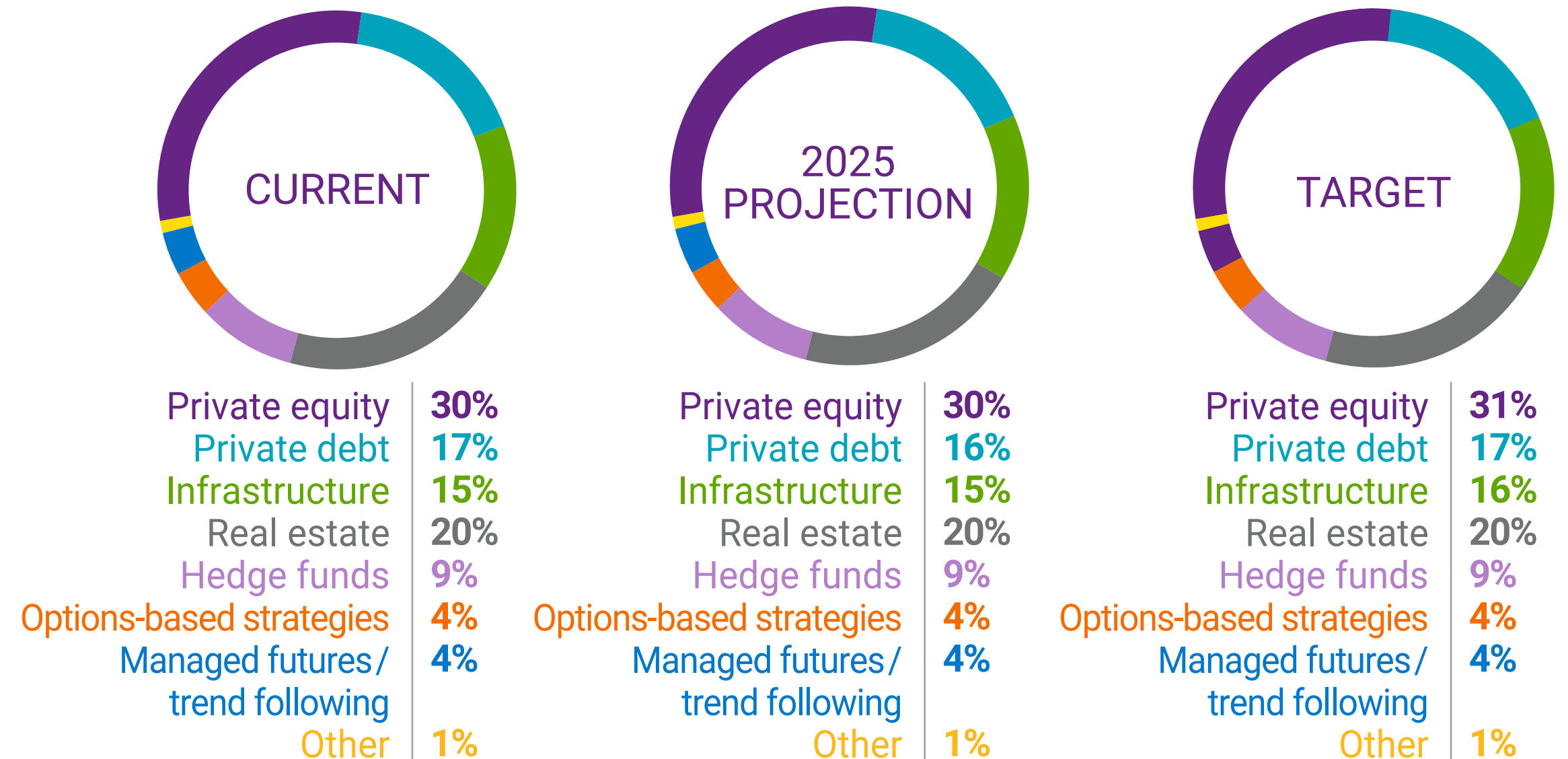
In terms of who's most committed to private assets, public pensions (22%) show the highest allocations. Regionally, institutions in Asia have the highest average private investment allocations (20%), with North America reporting 18%, and Europe coming in it at 17%. Those in Latin America (15%) and the UK (14%) report the lowest level of private investment.

At a time when institutions say a 60:20:20 portfolio diversified with alternative investments will outperform, it's clear they're looking for private assets to deliver that boost in returns. Overall, investments in private equity, private debt, infrastructure and real estate account for 82% of institutional alternative portfolios. Few see that changing in the long term.

Portfolio allocation



Alternatives allocation



More vehicles. More flexibility.

Although where they invest is a critical concern for institutions, how they invest is also a key consideration. As they look to address fees, customization and flexibility, and private market access, institutional teams are deploying a range of investment structures in portfolios.

For public markets, most are using a combination of separately managed accounts (SMAs) and traditional mutual funds. With SMAs, many can obtain more favorable fee structures within portfolios that can be tailored to their specific objectives. Overall, they are using these vehicles in equal measure between equities and fixed income. Reflecting their preference for private assets, the largest share of alternative investment is going into limited partnerships.

Actively managed ETFs are also making their way into portfolios as institutions. Overall, 46% of those surveyed say they plan to increase usage of active ETFs. When it comes down to it, 55% say they are using active ETFs to help manage risk exposures, a strategy that is most common in Asia where 64% say it's part of their approach.

Regardless of investment vehicle, allocation tactics will play a critical role in their success in 2025. Nowhere is that clearer than in equities, where institutional teams will have their hands full in examining valuations, considering policy implications, and anticipating potential geopolitical pitfalls.

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EQUITIES

Equity allocations anticipate more of the same

After two years of 20%-plus returns in the S&P 500® Index and impressive results for markets across the globe, institutions still see room to run and two-thirds are bullish on stocks in 2025. Central bank rate cuts and the AI boom have elevated return expectations, but a significant number also caution that valuations are elevated. The key question for many will be where to invest.

Interest rates factor heavily into institutional equity strategy for 2025, as 72% believe that central bank policy will determine if the rally is sustainable. Many think recent moves bode well for equities and 45% believe rate cuts will accelerate the upside for stocks. Almost the same number (44%) believe rate cuts will help elevate small cap performance, in particular. This may be one of the key reasons that sentiment is split between the 51% who project large caps to outperform and the 49% who favor small caps.

The AI phenomena also factors into institutional views and 35% believe the frenzy will continue to drive the market. Not all are sold, however, as 42% worry that AI has become a bubble. After watching the Magnificent 7 drive a disproportionate share of market growth over the past few years, 43% see a change and anticipate that outper-

formance will become less concentrated in 2025. Similarly, the runup has emphasized growth stocks, but now more than one-third (37%) believe that value will outperform in the new year.

Thanks in part to tech, US stocks have outperformed most other regions. And while 70% think US equities will maintain a performance advantage over European stocks thanks to strong economic fundamentals, there is still room for other international markets to outperform. In fact, institutional investors are split in their views of where in the world they will find outperformance in 2025: 51% are looking to the US market to repeat, but 49% project the international (EX US) market to come out on top. The reason for that divide is driven by a home market bias in tactical allocation plans.

Tactical allocations indicate home market bias

In aggregate, institutions appear eager to increase equity allocations to markets all over the world as 74% plan to maintain (41%) or increase (33%) allocations to US equities; 77% plan to do the same for European equities; 87% plan to do with Asian equities; and 84% see the same for Latin American stocks.

In reality, most calls to increase holdings come from within the home region. For example, 64% of those in Asia plan to increase allocations there, but only 17% of

those in Latin America plan the same. By the same token, 63% in Latin America plan increased investment in the region, while only 18% in North America plan to do the same. Interestingly, these shifts are being made at a time when just under one-third of institutions (35%) believe that international markets will pick up steam.

Equity Allocations	Increase	No Change	Decrease
US Equities	↑ 33%	41%	↓ 26%
European Equities	↑ 34%	44%	↓ 23%
Asia-Pacific Equities	↑ 40%	47%	↓ 13%
LatAm Equities	↑ 24%	60%	↓ 16%

Source: Natixis Institutional Outlook 2025

On the watch for a melt-up

Despite the positive returns and hopes for more of the same in the new year, institutions are watching one critical factor to determine if it continues: valuations. With concern of investor euphoria driving a melt-up in stocks two-thirds warn that valuations do not reflect the fundamentals. Even as three-quarters of institutions caution that 2025 will be the year that the markets realize that valuations matter, it should be noted that 80% said the same looking ahead to 2024¹ and 83% said it for 2023². To date, those words of caution have not been realized.

Artificial Intelligence: The new space race.

Artificial intelligence has been a scientific focus for decades, but with the release of Chat GPT in 2022 generative AI suddenly became a practical reality and the market took note. The investment potential extends well beyond the tech companies behind the algorithms to include all those that will benefit from an uptick in productivity.

Overall, 71% of institutional investors say the race for AI supremacy is the new space race. Another 55% call AI a bigger investment opportunity than the Internet was. But beyond the investment opportunities, institutional teams are also finding AI to be an essential tool in their own work.

Seven out of ten (69%) are looking to AI to unlock investment opportunity that was previously undetectable, while 59% believe it will help them uncover risk they couldn't see before. The application of AI within institutional investment processes is growing, as the number who say they are increasing the use of AI in their strategies has risen from 54% last year to 64% this year. It's become such an essential tool that half (51%) are convinced that teams will become obsolete if they don't embed AI in their process.

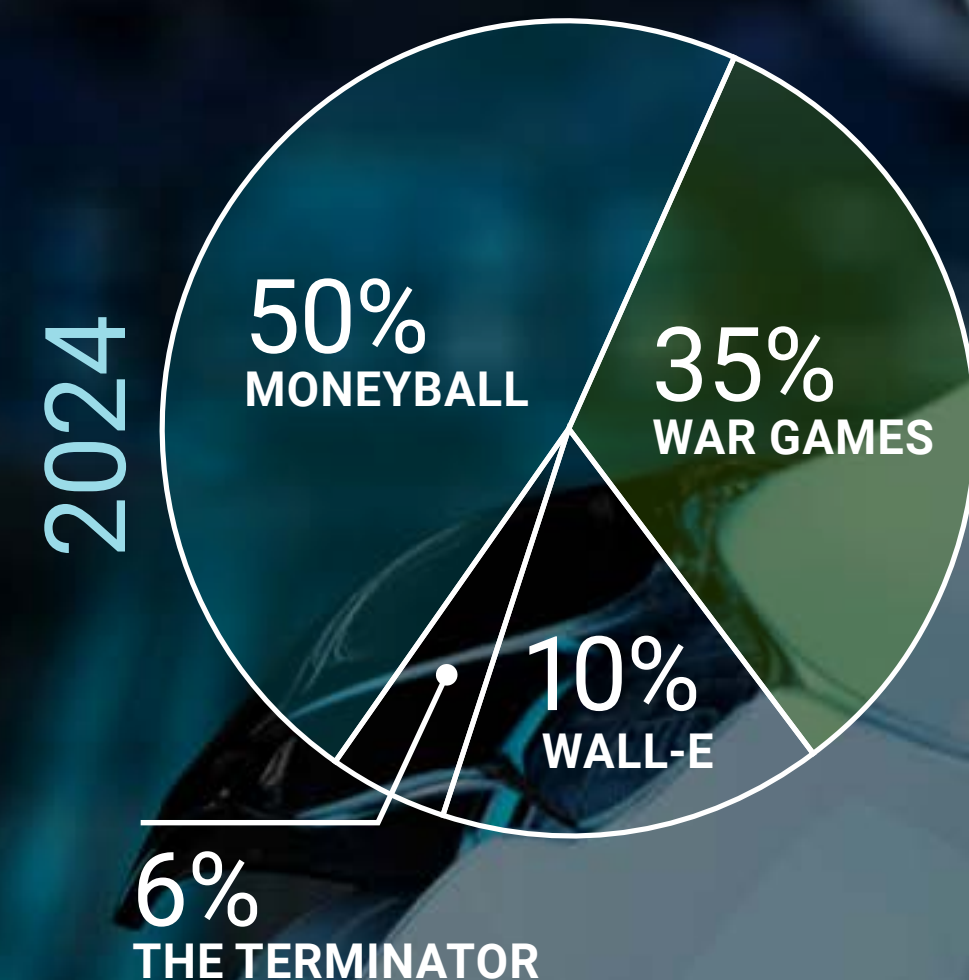
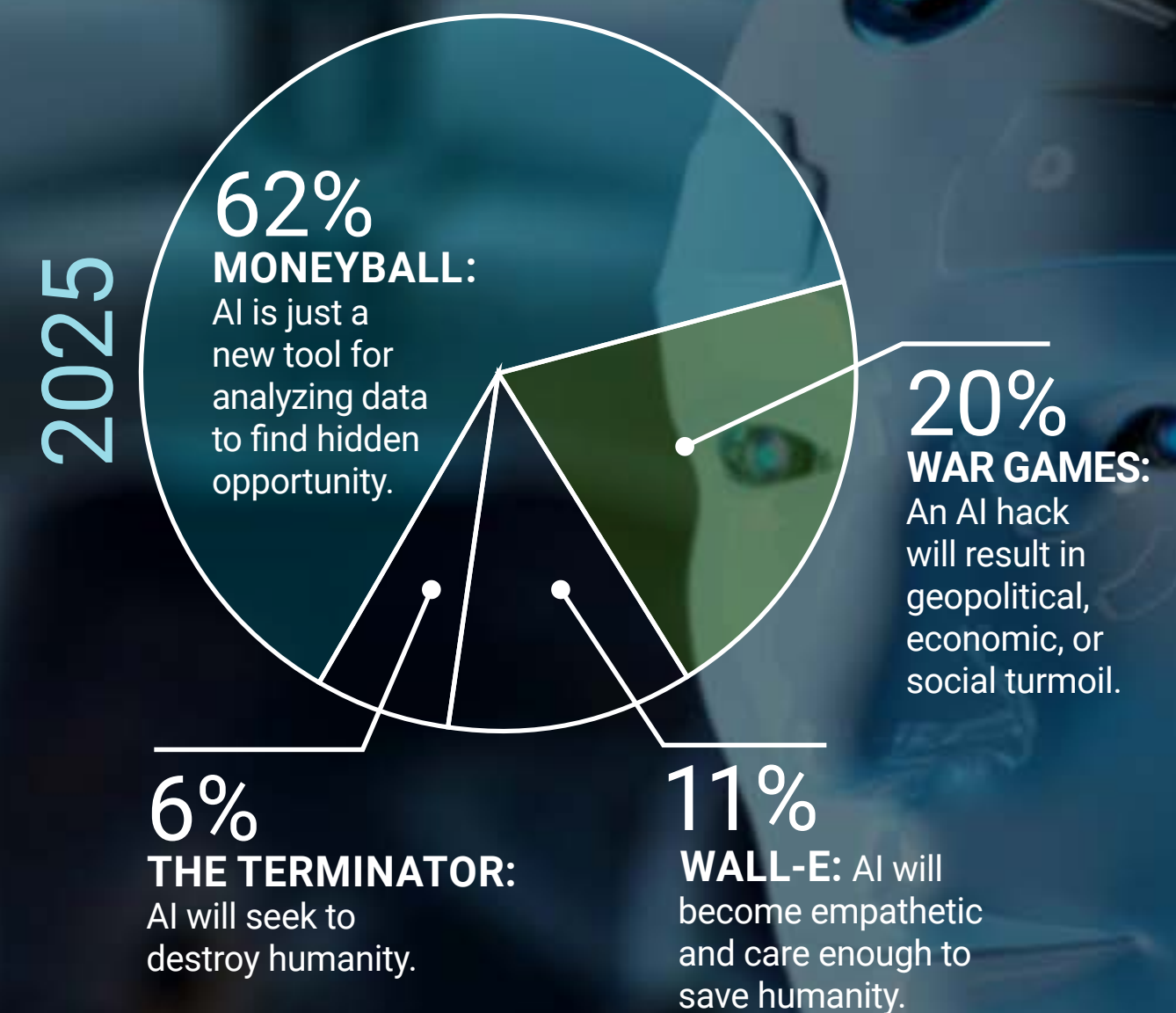
Broad-based availability of AI tools does not come without risk and 72% caution that the societal and privacy risks of AI are underappreciated. A significant number of institutions (41%) worry that the risks may be greater than the opportunity, while more than one-third (34%) define the risks in more dire terms, calling it an existential threat to civilization as we know it. Moreover, 58% worry that AI will open up a whole new set of geopolitical risks.

All in all, the majority of those surveyed put the economic benefits of AI ahead of any societal risks.

The AI Screen Test

In our 2nd Institutional AI Screen Test, a majority of investment teams (62%) said the movie Moneyball did the best job of describing their views on AI – it's just a tool for making money. This increase of 12% over 2024's 50%¹ shows a significant shift in the acceptance of AI. It's especially true as the number who defined it with War Games – worrying that AI would accidentally set of geopolitical conflict – dropped from 35%¹ to 20%. The number who identified with Wall-E, and idea that AI would care enough to save civilization, remains about the same, similarly, Terminator and fears of the machines killing off humanity remained at 6%.

Which movie best describes your view of AI?



Can emerging markets be extricated from China's malaise?

Slow growth has hindered the Chinese economy since the 2020 pandemic and, for much of that time, emerging markets have been the collateral damage. However, institutional investors are beginning to see a light at the end of the tunnel and 53% believe that emerging markets are poised to take off in 2025.

Just as in developed markets, institutions see lower inflation and lower interest rates as a catalyst for growth in emerging markets. In fact, 75% believe that easing monetary policy will accelerate emerging market growth. But in the long term, those same policies are a double-edged sword as 68% believe that emerging markets are at the mercy of US monetary policy, while 72% think they're at the mercy of US dollar strength.

Best EM opportunities for 2025



Source: Natixis Institutional Outlook 2025

In the long term, just over half (53%) think emerging markets will be able to emancipate themselves from developed markets. But the emerging world will need to navigate some critical challenges as 74% of institutions believe elevated food and energy prices are an underappreciated risk, and 55% believe that inflation will hinder emerging market growth. Six in ten also worry that China's economic malaise will hold back growth.

The influence of China's economic challenges may lessen in the coming years as 63% believe that India will soon surpass China as the top emerging market investment. Their view on China today shows why.

China remains stalled

GDP growth of 4.6% in 2024 would be a considered success in most countries, but China is a different story. In a country that averaged 9% growth between 2000 and 2019, 4.6% growth is another in a line of disappointments³. The impact could be significant as 74% worry China's economic slowdown will have a ripple effect across the global economy. Institutions are taking note and almost eight out of 10 (79%) say they are approaching China's lower growth environment as the new norm. The verdict is still out as to whether newly announced stimulus plans will help turn China's economy around.

As for the year ahead, institutions are split on growth prospects for China, as 53% think the malaise will

continue and 47% believe China will recapture growth in 2025. Getting to growth is not likely to be an easy task, as 72% believe China faces a painful path to restarting its economy and 62% worry that the deflation will stymie China's move to a consumption-based economy. When it comes down to it, 42% worry that China is following Japan's path to a lost decade.

As a result, few are finding reason to invest and more and more institutional investors are finding issues that make China a less attractive option: Regulatory uncertainties there lead 79% to say China is less appealing, while another 68% say China's geopolitical ambitions make it less attractive for investment. Many worry that investors may not be paying attention to those ambitions, as 66% believe geopolitical crises elsewhere are causing complacency when it comes to the risk factors associated with China. A full 40% of institutions are already derisking from China.

This all adds up to new opportunities for other emerging markets. While 62% believe emerging market investments are overly dependent on China today, 74% think a conscious de-coupling with China will result in an opportunity for other emerging markets to climb the global ladder.

Fixed Income allocations reflect healthy risk appetite

Higher interest rates have been the upside of inflation over the past two years. After 15 years of ultra-low rates, institutional investors found they could generate yield and total return, take advantage of diversification benefits and, most importantly for some, make headway on managing long-term liabilities. Now with central banks implementing rate cuts, 62% of institutions are bullish on bonds in 2025.

With inflation in check, 63% believe rates will continue their downward trajectory, while just 21% think rates will remain at current levels. Among those who forecast additional rate cuts in 2025, 66% project between one and three. Another 29% have a more aggressive forecast of between four and six cuts. However, it appears that when the cuts happen could be just as important as the number of cuts, as three-quarters (76%) say the timing of cuts will be critical to ensure inflation isn't reignited.

In managing their fixed income portfolios, 31% of institutions are looking to increase government debt allocations. Sentiment is not as strong in Latin America where only 20% plan to increase allocations to government debt.

Institutions are more than willing to take on credit risk to boost total return. Overall, 35% plan to increase allocations to high yield bonds. Another 41% plan to up their allocations to investment grade corporates, with those in Asia (48%) being most likely and those in the UK (31%) being least likely.

Most institutions are comfortable taking on credit risk exposures noting that, even as rates climbed, corporate defaults remained in check—59% of those surveyed see the trend continuing next year. Even still, some express mild reservations about credit: 49% say they are increasingly worried about corporate defaults and 41% worry that slowing growth could result in an uptick in defaults.

Rate cut forecast for 2025	
0	2%
1-3	66%
4-6	29%
7+	2%
I'm expecting rate hikes	1%

Source: Natixis Institutional Outlook 2025



Active management essential in fixed income

With so many variables to consider in the changing interest rate and credit environment, institutions will depend on active management to see them through. Overall, 70% say that active management is essential to fixed income investing and the results have been clear over the past 18 months. In fact, active bond funds have outperformed from July 2023 to June 2024 with two out of three active funds besting their benchmark average. This includes a 72% success rate among intermediate core-bond funds. Morningstar credited those bond portfolios' shorter duration and a greater appetite for credit risk in an environment of higher interest rates and narrower credit spreads.⁴

Fixed income allocations	Increase	Maintain	Decrease
Government Debt	↑ 31%	— 45%	↓ 25%
Securitized Debt	↑ 25%	— 54%	↓ 20%
Investment Grade	↑ 41%	— 45%	↓ 15%
High Yield	↑ 35%	— 45%	↓ 20%
EM Debt	↑ 29%	— 57%	↓ 13%
Green Bonds	↑ 42%	— 48%	↓ 10%

Source: Natixis Institutional Outlook 2025

ALTERNATIVES

Alternatives: All private. All the time.

Alternative investments continue to take center stage in portfolio plans for 2025 as 61% of institutions anticipate that a 60:20:20 portfolio, diversified with alternative investments, will outperform the traditional 60:40 stock and bond mix. In terms of where they'll invest that 20% allocation, institutions are clear that they want to add more private assets to portfolios.

Looking at allocation plans, institutional investors are most likely to add infrastructure (47%), private equity (45%), private debt (36%) and real estate (35%). Investors in Latin America demonstrate a particularly strong appetite for private investment with 87% planning to add to infrastructure investments, and 54% planning to do the same with real estate.

While they may look to increase investment in other strategies, such as absolute-return (28%) hedge funds (25%), among others, these investments outside of private represent a significantly smaller share of overall alternative allocations.

Alternatives allocations	Increase	Maintain	Decrease
Real Estate	↑ 35%	– 55%	↓ 10%
Absolute Return	↑ 28%	– 64%	↓ 8%
PE / Venture	↑ 45%	– 45%	↓ 10%
Private Debt	↑ 36%	– 51%	↓ 12%
Commodities	↑ 25%	– 62%	↓ 13%
Gold/P Metals	↑ 28%	– 56%	↓ 16%
Infrastructure	↑ 47%	– 48%	↓ 5%
Hedge Funds	↑ 25%	– 59%	↓ 16%
Crypto	↑ 29%	– 57%	↓ 14%
Options-Based	↑ 19%	– 69%	↓ 12%
Managed Futures	↑ 19%	– 71%	↓ 10%
Cash	↑ 12%	– 69%	↓ 19%
ESG	↑ 52%	– 41%	↓ 6%
Other	↑ 36%	– 64%	---

Source: Natixis Institutional Outlook 2025



The bulls are running in private

With so many investors focused on private investments, deal flow, deal quality and overcrowding are bonafide concerns, but they do not overshadow institutional prospects for 2025. One key reason is that 63% say the delta in returns between public and private markets remains elevated.

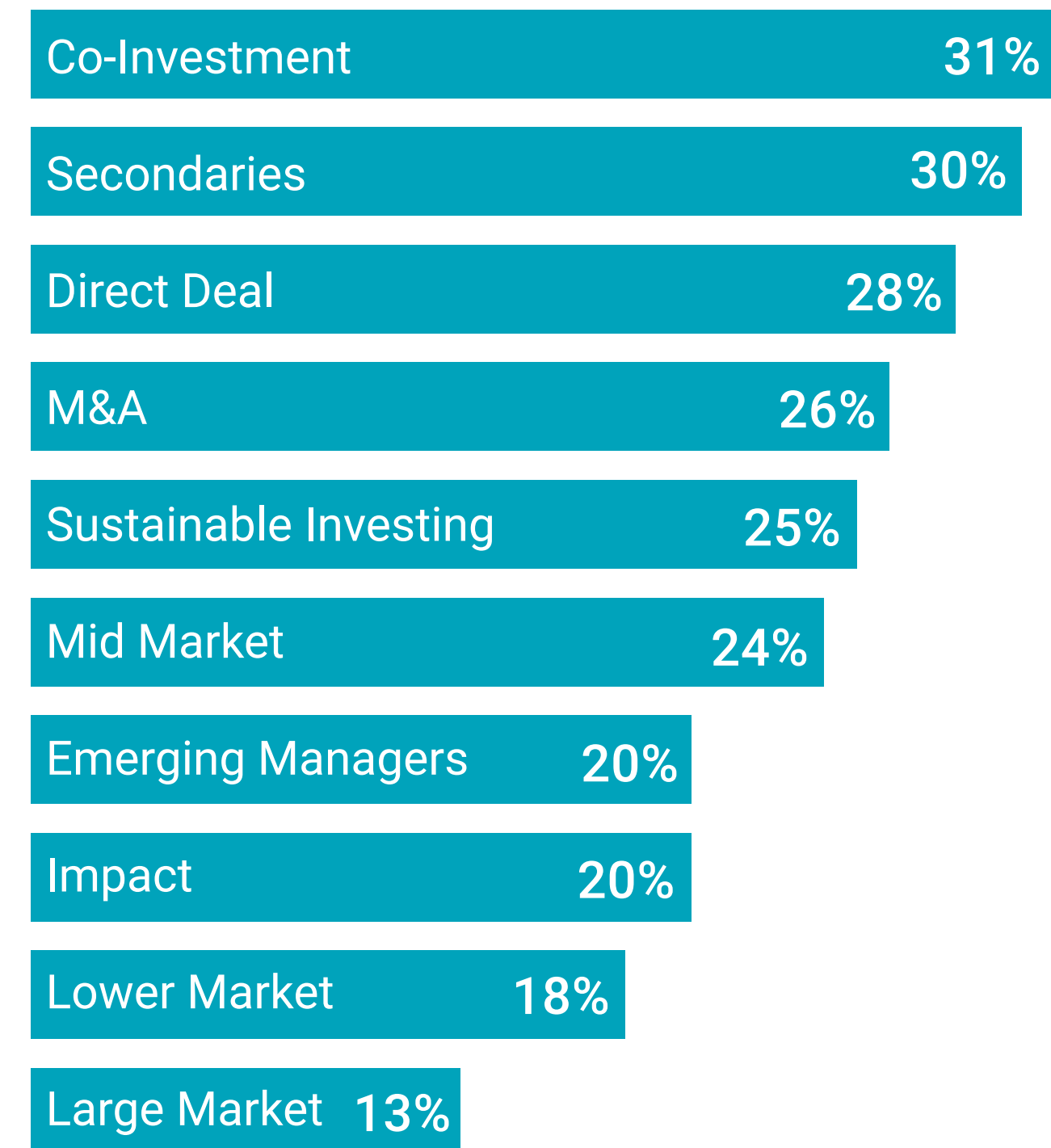
Of all their choices, institutional investors are most bullish on private equity (73%) in 2025, a notable increase over the 60% who felt the same a year ago. Fewer feel the same about private debt (55%). Any doubts may be a holdover from the higher interest rate environment of the past two years and concerns about deal flow in the credit space.

That is likely to change as 78% believe rate cuts will improve deal flow in private markets, and 73% believe more private debt will be issued in 2025 to meet growing borrower demand. In fact, almost seven in 10 (69%) say that growth in private credit and infrastructure debt offerings is expanding our investable universe.

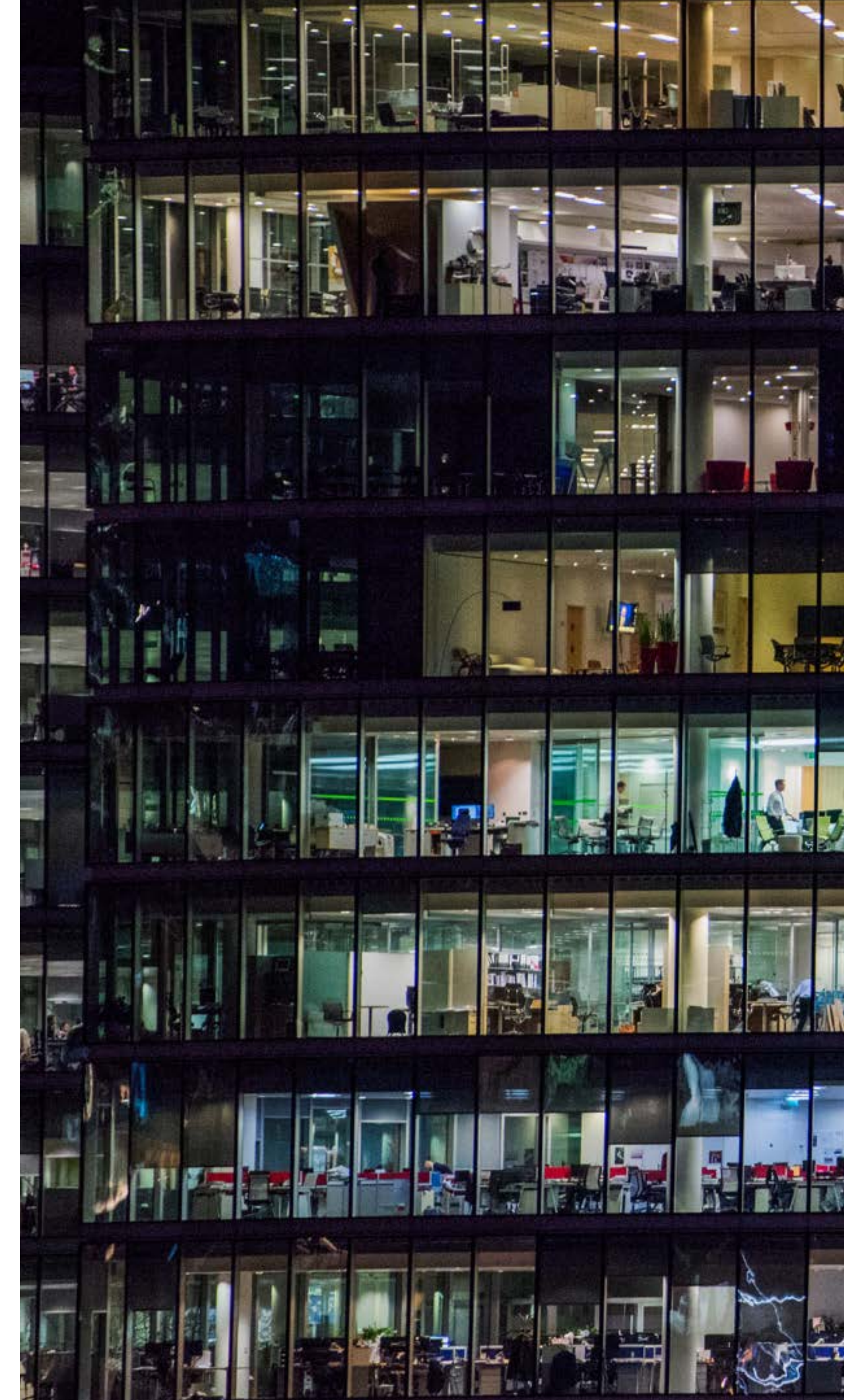
With two rate cuts implemented in Q4 and more expected in 2025, 56% of institutions are bullish on residential real estate, a far cry from the 33% who felt the same coming into 2024¹. Bullish sentiment is also returning to both non-traditional real estate (46% in 2025 vs. 31% in 2024¹), and commercial real estate (39% in 2025 vs. 20% in 2024¹).

In terms of how they are approaching private investments, more than half (54%) say they have increased allocations to private markets. Overall, 65% say they are looking at new areas of interest – such as AI-related opportunities. Meanwhile, with deal flow slowing, 40% say they are focused on re-upping investments rather than looking for new commitments. Very few (18%) have put their commitments on pause.

Best Private Opportunities in 2025

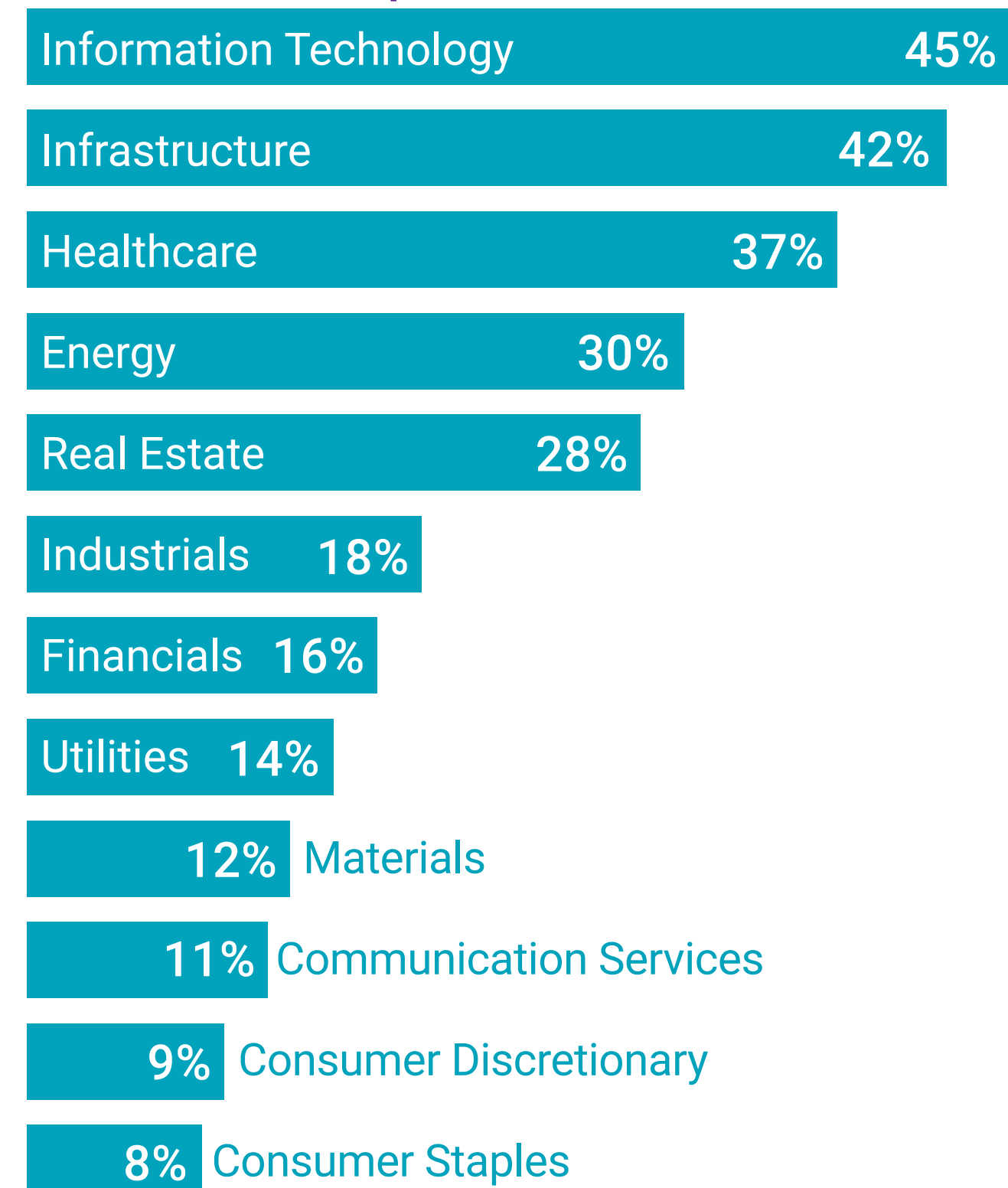


Source: Natixis Institutional Outlook 2025



Asked how they will make private investments, institutional investors see many options but favor co-investment and secondaries. Many may be finding that secondaries are becoming more common because after the intense focus on private investment in recent years, many institutions may be over allocated and will sell off some investments to rebalance portfolios.

Best sectors for private in 2025



Source: Natixis Institutional Outlook 2025

Institutions have a clear view on which private investment sectors will be the best performers. Just as in public markets, Information Technology, Healthcare, and Energy are near the top of the list. But, unique to private is the addition of Infrastructure. Here they may anticipate that with government indebtedness is running high across the developed world, new financing models may be needed to fund critical infrastructure projects. Artificial intelligence is another trend shaping performance views as 42% are focused on AI-adjacent opportunities in private assets.

Institutional investors are going into private investment well aware of the potential risks. They may be simply finding deals, as 61% say the increased popularity of private is making it difficult to find investment opportunities. Another 62% also realize that the growth of private assets is increasing risks in institutional portfolios. With opportunities scarcer, 73% say they have upped the scrutiny of private assets over concerns about deal quality. Another 54% also caution that over regulation is making private assets less attractive.

Crypto already running ahead of expectations

Bullish sentiment on cryptocurrency has more than doubled to 38%, compared to the 17% who shared a similar outlook at the start of 2024¹. The point may be moot as a crypto rally may be already underway in the

aftermath of the election. The Trump win signaled fewer regulatory hurdles, and the value of a single unit of Bitcoin neared \$100,000 in the weeks immediately after the election.

However, given the speculative nature of crypto investing and the accompanying volatility, 72% say cryptocurrency is not appropriate for most investors. Another 65% believe crypto is not a legitimate investment option for institutions, a view backed up by the 82% of institutions surveyed that do not invest.

Despite the rally, more than three-quarters think the real revolution is the blockchain technology that underlies crypto, not cryptocurrencies themselves. They will likely look for it to take hold in other industries and investments, as 68% believe blockchain-based technology has moved past the proof-of-concept phase.

72% say cryptocurrency is not appropriate for most investors.

Wash. Rinse. Repeat.

Institutional investors are approaching 2025 with high expectations for their investment strategies. While they see an array of risks on the horizon, they appear confident in their ability and the market's ability to withstand geopolitical pressures and for potential macroeconomic shifts to come out on top. Few are making any shifts to long-term strategy, but they recognize they can enhance their chances with tactical allocation shifts.

In equities, they generally favor staying at home and, with interest rates likely to come down, they are equally excited about small caps as large caps. In fixed income, they see the advantage of taking on credit risk to enhance return potential. And with alternative assets, they continue to pursue private market returns. Through it all, they will count on active management to help them outperform.



About the Survey: *Natixis Investment Managers, Global Survey of Institutional Investors conducted by CoreData Research in October and November 2024. Survey included 500 institutional investors in 28 countries throughout North America, Latin America, the United Kingdom, Continental Europe, Asia and the Middle East.*

1 Natixis Investment Managers, Global Survey of Institutional Investors conducted by CoreData Research in October and November 2023. Survey included 500 institutional investors in 27 countries throughout North America, Latin America, the United Kingdom, Continental Europe, Asia and the Middle East.

2 Natixis Investment Managers, Global Survey of Institutional Investors conducted by CoreData Research in October and November 2022. Survey included 500 institutional investors in 30 countries throughout North America, Latin America, the United Kingdom, Continental Europe, Asia and the Middle East.

3 Bloomberg

4 <https://www.morningstar.com/funds/bond-managers-give-us-actively-managed-funds-narrow-leg-up-early-2024>

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NIM-11252024-3vpfqwlc

