

## **Institutional Investors Gird Their Portfolios in Anticipation of Turbulence in 2026, According to Natixis Investment Managers Survey**

- *Nearly 8 in 10 U.S. institutional investors foresee a 2026 correction, assigning a 49% probability to a 10-20% pullback on average, and a roughly 20% chance of a deeper correction over 20%.*
- *Geopolitical tensions and AI disruption top investors' risk radar, as concerns over conflicts, rare earth security, and an AI-driven bubble intensify, but many still see opportunity amid uncertainty.*
- *Institutions are leaning on diversification and active strategies, favoring a 60:20:20 mix and greater exposure to private markets and global assets.*

**BOSTON, Nov. 19, 2025** – After three consecutive years of double-digit returns on most indexes, almost 8 in 10 (79%) U.S. institutional investors say that markets are due for a correction in 2026, according to survey findings published today by Natixis Investment Managers (Natixis IM). On average, U.S. institutional investors assign a 49% probability of a 10 - 20% market correction in 2026, and a 20% probability of a market correction deeper than 20%.

Developed with CoreData Research, Natixis IM surveyed 515 global institutional investors in September and October 2025 who collectively manage \$29.9 trillion in assets for public and private pensions, insurers, foundations, endowments, and sovereign wealth funds worldwide. Survey participants include 80 U.S. institutional investors responsible for managing over \$5 trillion in assets.

Behind these correction concerns lie key economic risks that U.S. institutional investors are weighing against the potential for continued market opportunity:

- **Investors fear geopolitical shock—especially with China:** Nearly half (45%) of U.S. institutional investors cite geopolitical disruption as their top 2026 fear, led by concerns around China. Most (58%) worry about conflict in the South China Sea, and 65% see China's rare earth dominance as a new energy security risk. About seven in ten (69%) say a global security realignment will force them to rethink investments in certain countries, though 61% believe markets will remain indifferent to geopolitical instability.
- **AI fuels optimism, but bubble fears grow:** Concern over an AI-driven tech bubble is rising, cited by 41% of investors (up from 28% in 2025). Yet optimism endures: 63% remain bullish on tech, and 71% expect AI to drive further growth. While 44% see AI as already in bubble territory, only 29% anticipate it bursting in 2026.
- **Inflation fears resurface amid tariff uncertainty:** Four in ten investors (40%) now see re-inflation as a key risk, up from 30% in 2025, as the Fed navigates persistent price pressures amid tariff uncertainty. Investors are split 50/50 on whether the trade war will ease or continue, while 56% expect rates to decline smoothly and 44% anticipate disruption. A majority (59%) believe tariffs are driving renewed inflation concerns. On the employment side of the mandate, 60% of investors expect unemployment to rise.

"The outlook for 2026 is clouded for institutional investors," said Dave Goodsell, Executive Director of the Natixis Center for Investor Insight. "After years of strong returns, risks that

once felt distant are more tangible. With uncertainty surrounding geopolitics, growth, and inflation, investors are positioning portfolios to weather whatever conditions 2026 may bring.”

### **2026 Seen Favoring Active Strategies**

Top portfolio risks for 2026 include valuations (63%), inflation (55%), and concentration (44%), with the latter two risks rising from 40% and 24% in 2025, respectively. Further, 59% see volatility rising across equities, while 36% see volatility rising across bonds. To hedge these risks and sustain another year of solid returns, U.S. institutional investors are prioritizing diversification and active management, with nearly two-thirds (63%) saying active strategies will be favored in 2026.

“Institutional investors recognize that 2026 will demand more nuance,” said Liana Magner, EVP, Head of Institutional and Retirement Strategy. “With almost two-thirds saying their active strategies outperformed in 2025 – and a similar share expecting active approaches to be favored in 2026 – there’s a clear acknowledgment that today’s markets require more than passive exposure. Active management provides the discipline and insight needed to identify durable opportunities and build greater resilience into portfolios.”

Over seven in ten (71%) investors believe the 60:20:20 portfolio (equities: fixed income: alternatives) will outperform the traditional 60:40 mix:

- **Equity optimism endures despite concentration and consumer concerns:** Institutional investors remain optimistic on equities for 2026, with 74% expecting rate cuts to help push the S&P 500 higher. Confidence is strongest in defense stocks (81%) and large caps (63%). Most (68%) see equity gains broadening beyond 2025’s leaders, though 64% warn rapid AI growth could add to concentration risk. Top sectors include IT (63%), energy (45%), and financials (44%), with 58% still backing the “Magnificent Seven.” At the same time, investors are far less optimistic about consumer-driven sectors – only 24% say consumer staples and 13% of consumer discretionary will outperform – underscoring the view that mounting economic headwinds will limit consumers’ ability to fuel market growth in 2026.
- **Fixed income outlook lifts on expected rate cuts:** Nearly half (48%) of U.S. institutional investors expect ongoing tension between inflation and unemployment to force difficult policy decisions from the Fed. With 60% expecting one to two rate cuts in 2025, sentiment on bonds is cautiously positive, with 58% bullish on fixed income. While 51% foresee higher corporate defaults, many are selectively adding exposure to investment-grade, high-yield, and emerging-market debt to secure resilient income amid lingering inflation uncertainty. In this landscape, 70% see active management as essential to fixed income investing.
- **Private markets remain favorable, but investors more discerning:** Institutional investors are sharpening their focus on private markets in 2026, with 45% increasing allocations to private debt and 34% to private equity. Confidence runs high—66% are bullish on private equity and 65% on private debt – though 78% are applying greater deal scrutiny because of overcrowding concerns.
- **Crypto increasingly seen as legitimate investment opportunity:** While 44% now consider crypto a legitimate investment opportunity, up from 38% in 2025, only 20% currently hold exposure. Half expect to be invested by 2026, and 38% plan to increase allocations. A majority (51%) believe more accommodating U.S. regulation would mark a watershed moment for global adoption.

One key shift for 2026 is the growing trend among institutional investors to look outside the U.S., driven by concerns about rising politicization. Globally, 63% say the politicization of U.S. institutions will weaken the country's investment case, a view shared by more than half (51%) of U.S. investors.

While global investors now favor Europe slightly (52%) over the U.S. (48%), most U.S. investors (63%) still expect domestic markets to outperform. Even so, nearly half plan to diversify abroad—boosting allocations to Europe (46%), Asia-Pacific (44%), and Emerging Asia (42%), compared with just 25% increasing U.S. exposure. The shift underscores efforts to manage concentrated domestic risk while capturing new growth from supply-chain realignment and industrial policy.

A full copy of the report on the Natixis Investment Managers Institutional Investor 2025 Market Outlook can be found here: <https://www.im.natixis.com/en-us/insights/investor-sentiment/2025/institutional-outlook>

### **Methodology**

Natixis Investment Managers, Global Survey of Institutional Investors conducted by CoreData Research in September and October 2025. The survey included 515 institutional investors in 29 countries throughout North America, Latin America, the United Kingdom, Continental Europe, Asia and the Middle East.

### **About the Natixis Center for Investor Insight**

The Natixis Center for Investor Insight is a global research initiative focused on the critical issues shaping today's investment landscape. The Center examines sentiment and behavior, market outlooks and trends, and risk perceptions of institutional investors, financial professionals and individuals around the world. Our goal is to fuel a more substantive discussion of issues with a 360° view of markets and insightful analysis of investment trends.

### **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<sup>1</sup> with more than \$1.5 trillion assets under management<sup>2</sup> (€1.3 trillion), Natixis Investment Managers specializes in high-conviction active investment strategies, insurance and pension solutions, and private assets, and delivers a diverse offering across asset classes, styles, and vehicles. 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 Groupe BPCE, the second-largest banking group in France through the Banque Populaire and Caisse d'Épargne retail networks. Natixis Investment Managers' affiliated investment management firms include AEW; DNCA Investments;<sup>3</sup> Flexstone Partners; Gateway Investment Advisers; Harris | Oakmark; Investors Mutual Limited; Loomis, Sayles & Company; Mirova; Naxicap Partners; Ossiam; Ostrum Asset Management; Seventure Partners; Thematics Asset Management; Vauban Infrastructure Partners; Vaughan Nelson Investment Management; VEGA Investment Solutions and WCM Investment Management. Additionally, investment solutions are offered through Natixis Investment Managers Solutions and Natixis Advisors, LLC. **Not all offerings are available in all jurisdictions.** For additional information, please visit Natixis Investment Managers' website at [im.natixis.com](https://im.natixis.com) | LinkedIn: [linkedin.com/company/natixis-investment-managers](https://linkedin.com/company/natixis-investment-managers).

Natixis Investment Managers' distribution and service groups include Natixis Distribution, LLC, a limited purpose broker-dealer and the distributor of various US registered investment companies for which advisory services are provided by affiliated firms of Natixis Investment Managers, Natixis Investment Managers International (France), and their affiliated distribution and service entities in Europe and Asia.

<sup>1</sup> Survey respondents and publicly available data ranked by Investment & Pensions Europe/Top 500 Asset Managers 2025 ranked Natixis Investment Managers as the 20<sup>th</sup> largest asset manager in the world based on assets under management as of December 31, 2024.

<sup>2</sup> Assets under management (AUM) of affiliated entities measured as of September 30, 2025, are \$1,528.4 billion (€1,300.9 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.

<sup>3</sup> A brand of DNCA Finance.

*All investing involves risk, including the risk of loss. Investment risk exists with equity, fixed-income, and alternative investments. There is no assurance that any investment will meet its performance objectives or that losses will be avoided.*

*The views and opinions expressed may change based on market and other conditions. This material is provided for informational purposes only and should not be construed as investment advice. There can be no assurance that developments will transpire as forecasted. Actual results may vary.*

**Press contact:**

Kelly Cameron

+ 1 617-449-2543

[Kelly.cameron@natixis.com](mailto:Kelly.cameron@natixis.com)