

The Next Normal

Are investors prepared for the post-Covid markets?

2021 Individual Investor Report Executive Overview

After 15 months of lockdowns, shutdowns, spikes, and surges, investors across the globe have great expectations for what post-Covid markets will bring. But even as they anticipate outsized investment returns of 13% above inflation in 2021 (and greater results over the long term), many may not be prepared to withstand the risk exposure they'll have to assume in order to live up to expectations.

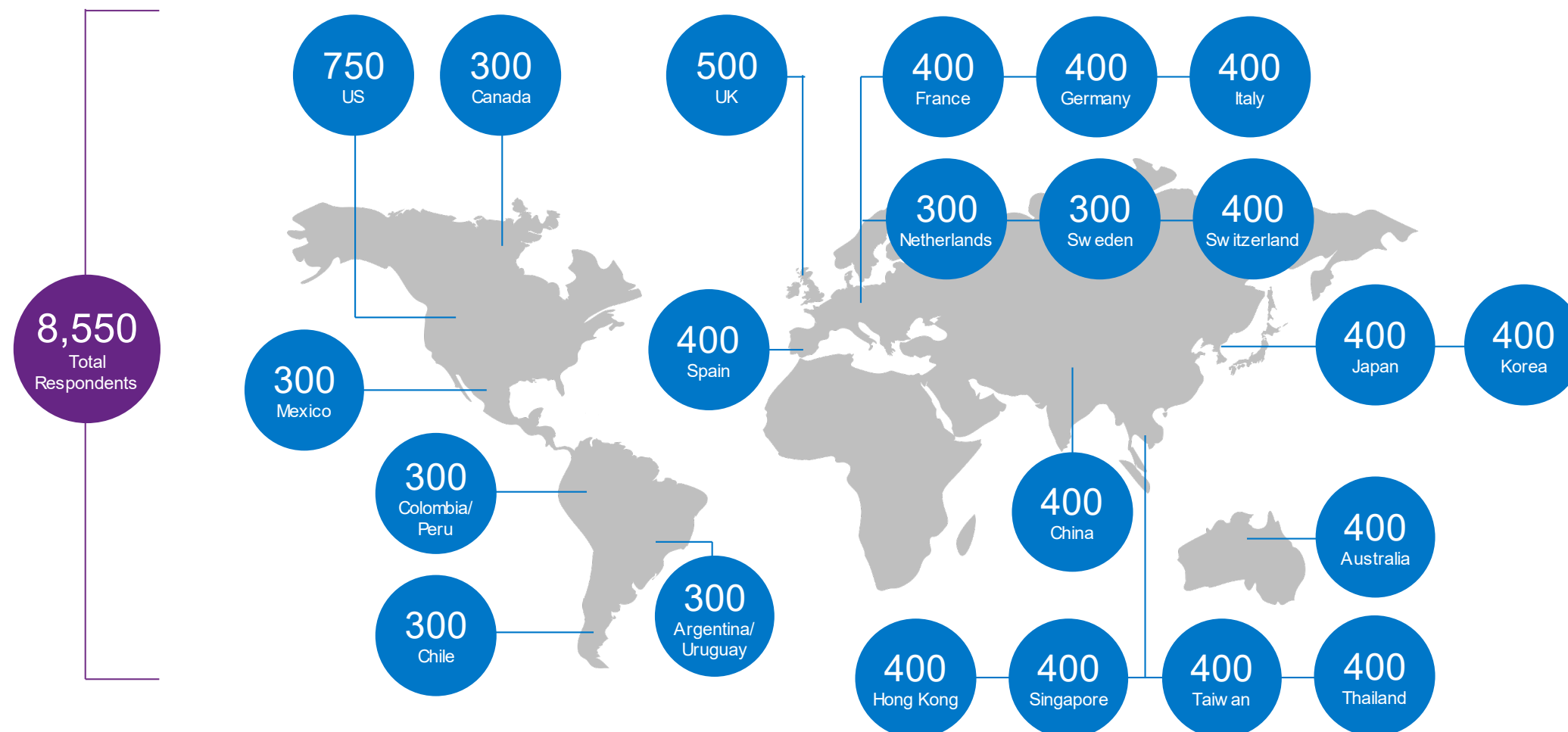
As the economies begin to reopen, we see that pandemic is shaping the views and driving the behaviors of investors in four ways that will determine how well they are positioned for the Next Normal:

- 1. Investors were not immune to Covid**
- 2. The expectations gap on returns has widened**
- 3. Expectations are disconnected from financial fears**
- 4. Investors find key financial lessons in the pandemic**

About the report

Natixis Investment Managers surveyed 8,550 investors globally across 24 countries in March and April 2021, with the goal of understanding their views on the markets and investing.

An online quantitative survey of 43 questions was hosted by CoreData Research. Each of the 8,550 individual investors had minimum net investable assets of US \$100,000 (or Purchase Price Parity [PPP] equivalent).



1. Investors were not immune to Covid

Latin America: Investors hardest hit by health and financial effects of Covid

- Of all investors surveyed, those in Latin America were hit hardest by the pandemic.
- 30% of investors in the region say they experienced a serious setback to their financial security as a result of Covid.
- More than one-third (35%) said they lost income because of the pandemic.
- 20% of individuals said they made emergency withdrawals from their retirement plan.
 - almost three times greater than the global average of 7%
- Investors here were most likely to say they were stressed about their financial security (60% regionally, 65% in Chile).
- Despite all they have experienced, seven in ten say they are fortunate after coming through the pandemic.
- Investors made out well in the markets with average returns of 14.2% above inflation reported across the region.



1. Investors were not immune to Covid

Asia: Pandemic put pressure on investor finances

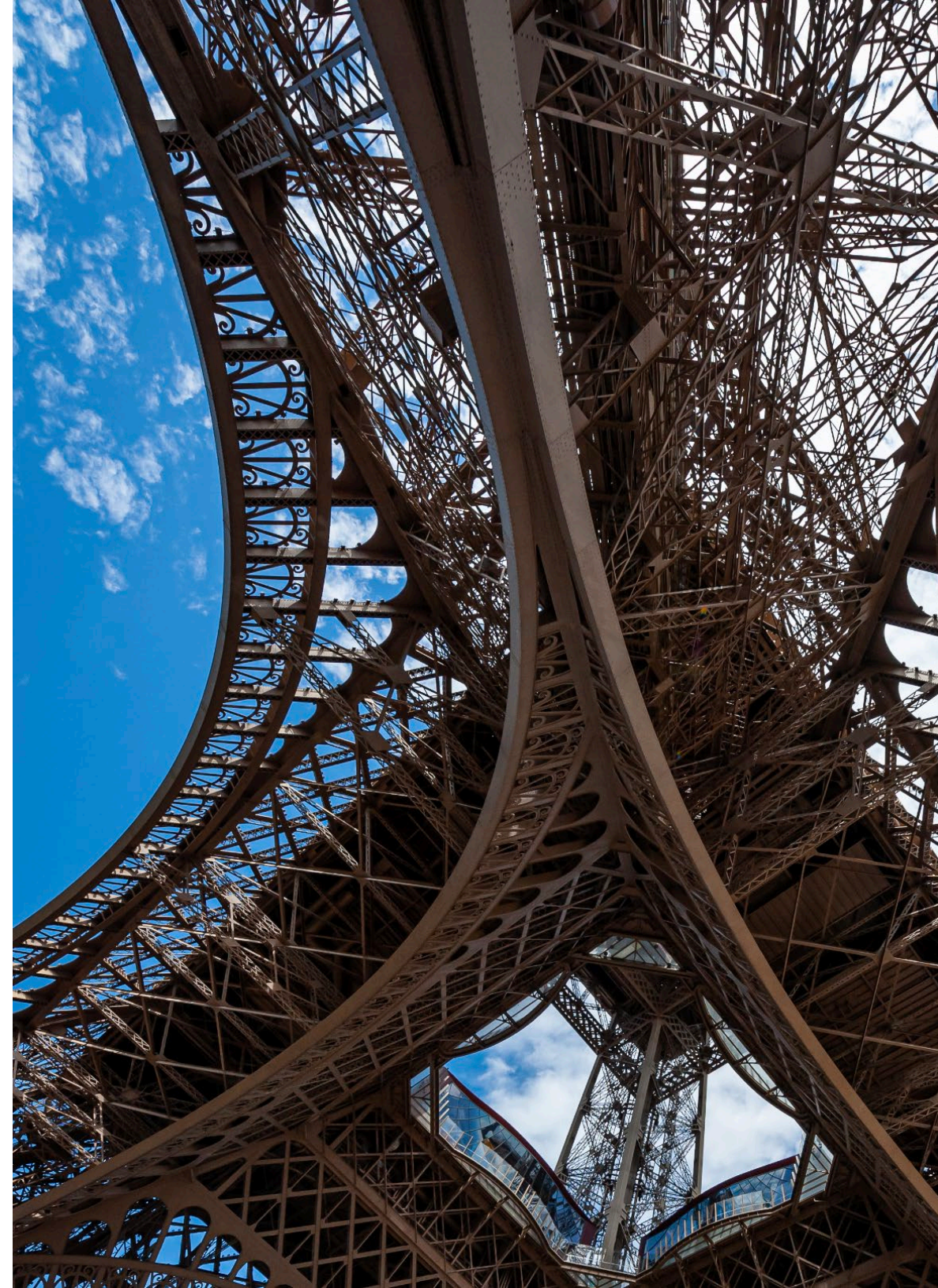
- One in five (18%) said they experienced a setback to their financial security as a result of the pandemic.
- One-third (31%) of investors lost household income during the pandemic.
- Investors in Asia report the lowest infection rates of all:
 - 1.4% reported they came down with Covid.
 - 1.8% reported a member of their family came down with Covid.
- Almost six in ten (57%) say they are stressed about their financial security.
- Individuals surveyed report average investment returns of 12.4% above inflation.



1. Investors were not immune to Covid

Europe: Investors define the “average” Covid experience

- 62% report they experienced no impact from Covid.
- Individuals report infection rates of 7%.
- Less than one in five (19%) report losing household income.
- Six in ten investors say they feel assured about their finances, rather than stressed.
- 11% of Europeans believe they experienced a significant setback to their financial security during the pandemic.
 - The lowest number in any region
- Average investment returns of 11.2% above inflation.



1. Investors were not immune to Covid

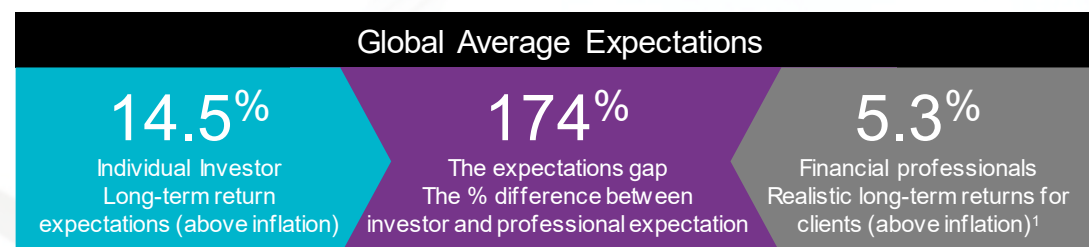
North America: Investors more likely to avoid financial and health risks

- Six in ten investors in North America say they felt none of the financial or health effects of the global pandemic.
- Investors reported average investment returns of 14.9% above inflation.
 - US investors report returns of 16.5% above inflation
- 7% in North America say they lost their job or business for even part of the year.
- Almost one in five (17%) still say they experienced a significant financial setback as a result of the pandemic.
- 6% of individuals said they came down with Covid.
- 80% say they feel fortunate about their financial security.



2. The expectations gap on returns has widened dramatically

Investors expect higher returns than financial professionals say are realistic

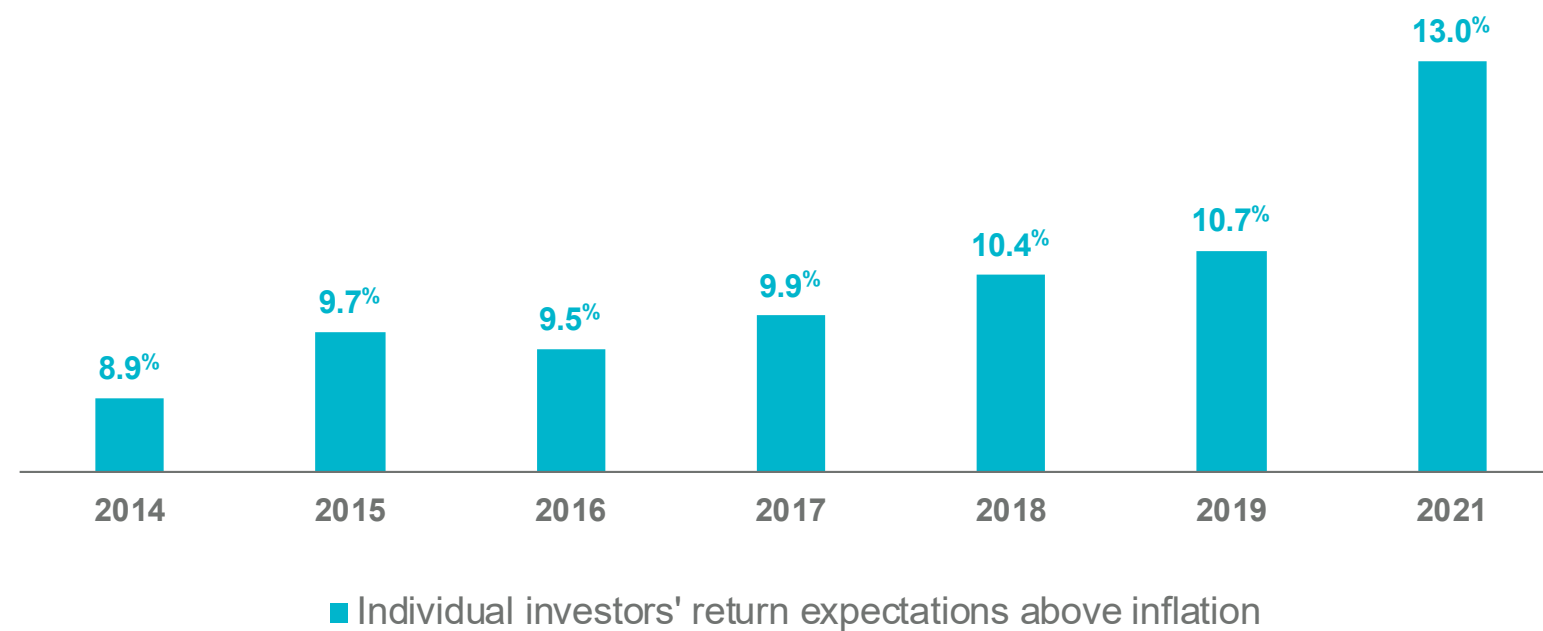


- Captured returns of 12.5% above inflation in 2020
- They anticipate 14.5% over the long term
- Financial professionals say 5.3%¹ above inflation is realistic
- The global expectations gap now stands at 174%

| | Investors | Expectation Gap | Financial Professionals ¹ |
|-------------------|-----------|-----------------|--------------------------------------|
| Argentina/Uruguay | 15.0% | 173% | 5.5% |
| Australia | 14.4% | 140% | 6.0% |
| Canada | 11.2% | 120% | 5.1% |
| Chile | 16.4% | 173% | 6.0% |
| Colombia/Peru | 16.6% | 213% | 5.3% |
| France | 12.1% | 157% | 4.7% |
| Germany | 10.7% | 118% | 4.9% |
| Hong Kong | 13.6% | 162% | 5.2% |
| Italy | 11.6% | 205% | 3.8% |
| Mexico | 16.2% | 252% | 4.6% |
| Singapore | 13.4% | 158% | 5.2% |
| Spain | 15.3% | 122% | 6.9% |
| Switzerland | 13.4% | 163% | 5.1% |
| UK | 14.1% | 207% | 4.6% |
| US | 17.5% | 161% | 6.7% |

2. The expectations gap on returns has widened dramatically

Year over year, return expectations continue to rise



Sources: Natixis Investment Managers 2014², 2015³, 2016⁴, 2017⁵, 2018⁶, 2019⁷, 2021 Global Individual Investor Surveys

3. Expectations are disconnected from financial fears

- Volatility (40%) and a slow economic recovery (39%) are top of mind risk concerns for investors.
- Inflation (31%) and low interest rates (27%) also factor into their outlook.
- One-quarter (23%) say they see potential tax increases as a looming risk as well.

Top 5 investment concerns


While volatility and slow recovery top the global list of financial fears, investors are worried about different things from region to region




3. Expectations are disconnected from financial fears

- While most people were concerned about large unexpected expenses, taxes rank second globally
- Healthcare costs (27%) ranks number three globally
 - Greatest fear for investors in Chile (44%), Singapore (43%), Mexico (40%)

Key financial fears for investors

 **35%**
Large unexpected
expense

 **27%**
Taxes

 **27%**
Healthcare
costs

 **26%**
Maintaining my
standard of living

 **25%**
Job security



While most regions were most concerned about large unexpected expenses, taxes topped the list in the US (41%) and France (46%).

4. Investors find key financial lessons in the pandemic

Hindsight is 20/20:
Lessons learned from the pandemic

✓ Personal Finance

- 43% Keeping my spending in check
- 30% An emergency savings account
- 23% Having an estate plan
(e.g., life insurance, will, long-term care, etc.)
- 23% The role I play in our household's entire financial picture

✓ Investing

- 29% Avoiding emotional investment decisions
- 25% Understanding risk in my portfolio
- 24% Rebalancing my portfolio
- 15% Weighing the tax consequences of my investment decisions

4. Investors find key financial lessons in the pandemic


- Given their success in 2020, it's no surprise that 40% say they've made no changes in their investment accounts as a result of Covid.
- Of the 60% who did make some changes, Millennials were the most likely group to adjust.
 - 74% of Millennials reported making some change
- Millennials were also more likely to make withdrawals from savings and investment accounts (24% vs. 19%).
 - 28% of Millennials said they lost household income as a result of Covid.

Millennials made the most adjustments to their investment habits

| | Overall | Millennial | Generation X | Baby Boomer |
|---|---------|------------|--------------|-------------|
| No changes | 40% | 26% | 37% | 53% |
| Increased trading activity (direct / through online platform) | 23% | 32% | 24% | 16% |
| Made withdrawals from savings and investment accounts | 19% | 24% | 20% | 16% |
| Invested more | 19% | 23% | 21% | 15% |
| Increased trading activity (through my advisor) | 18% | 24% | 18% | 13% |
| Increased retirement plan contributions | 11% | 15% | 12% | 6% |
| Decreased retirement plan contributions | 10% | 13% | 11% | 8% |
| Opened a margin account | 5% | 9% | 6% | 3% |



43% of Millennials in the US say they stepped up online trading



The road forward

1. **Investors were not immune to Covid:** How investors fared during the pandemic varied greatly depending on where they lived.
2. **The expectations gap on returns has widened:** Investors expect to revel in a long run nearly three times what financial professionals say is realistic.
3. **Expectations are disconnected from financial fears:** Investors think they're comfortable taking on risk, but worries about volatility could test their mettle if faced with any market turbulence.
4. **Investors find key financial lessons in the pandemic:** Investors have learned fundamental lessons about spending and saving, but it's not clear if they will stick with them for the long term.

For the full report, visit: www.im.natixis.com/intl/research/2021-natixis-global-survey-of-individual-investors

Important Information

1. Natixis Investment Managers, Global Survey of Financial Professionals, conducted by CoreData Research in March-April 2020. Survey included 2,700 financial professionals across 16 countries.
2. Natixis Investment Managers, Global Survey of Individual Investors conducted by CoreData Research, March 2014. Survey included 5,950 investors in 16 countries.
3. Natixis Investment Managers, Global Survey of Individual Investors conducted by CoreData Research, January-February 2015. Survey included 7,000 investors with a minimum net worth of US \$200,000 (or Purchase Price Parity [PPP] equivalent) from 17 countries.
4. Natixis Investment Managers, Global Survey of Individual Investors conducted by CoreData Research, February-March 2016. Survey included 7,100 investors from 22 countries.
5. Natixis Investment Managers, Global Survey of Individual Investors conducted by CoreData Research, February-March 2017. Survey included 8,300 investors from 26 countries.
6. Natixis Investment Managers, Global Survey of Individual Investors conducted by CoreData Research, August 2018. Survey included 9,100 investors from 25 countries.
7. Natixis Investment Managers, Global Survey of Individual Investors conducted by CoreData Research, February-March 2019. Survey included 9,100 investors from 25 countries.

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