

2024 PRIVATE ASSETS REPORT

Six trends driving private investment in 2024



The quest for yield and differentiated returns has resulted in a boom of private investment in the 15 years since the global financial crisis. Few see demand easing in the coming years.

With the economic picture evolving from low rates and high growth to one marked by higher rates and recessionary fears that have yet to be realized, investors continue to turn to private assets in 2024. Whether it's private equity, private credit, infrastructure, or real estate, private investment will be front and center in portfolio plans for institutional and individual investors in six significant ways.

1

The 60/40 portfolio may be back, but will it deliver in 2024?

Last year the 60/40 portfolio delivered its best returns since 2019. Despite the win, correlations between the S&P 500® and the Bloomberg US Aggregate Bond Index reached a 40-year high, giving professional investors reason to rethink strategy and more reasons to look to private markets for diversification in 2024.

Overall, 65% of institutional investors say a 60/20/20 allocation diversified with alternative investments is more likely to outperform in 2024.¹ Many are focusing on private investments for those alternative allocations.

Private investments have taken a prominent role in institutional strategy over the past decade and now account for 83% of all alternative allocations in institutional portfolios, including private equity (29%), private credit (17%), infrastructure (14%), and real estate (23%). Many indicate minimal allocation adjustments over the long term.¹

Among those who invest: 83% will maintain (44%) or increase (39%) allocations to private equity; 88% will maintain (43%) or increase (45%) allocations to private debt; 90% will maintain (50%) or increase (40%) allocations to infrastructure; and 79% will maintain (50%) or increase (29%) their real estate allocations.¹

One reason for investors finding appeal in private equity is the asset classes' potential to deliver outsized returns based on long-term historical returns. Flexstone managing partner Nitin Gupta believes the potential remains attractive even in a higher rate and slowing growth environment. He says, "Success comes down to manager selection, especially as median PE returns are very attractive relative to other asset classes and there is a greater variability of returns between top and bottom quartile."

PRIVATE ASSETS CONTINUE TO MAKE UP THE BULK OF INSTITUTIONAL ALTERNATIVES ALLOCATIONS¹

Class	2023	Long term
Private Equity	29%	29%
Private Credit	17%	17%
Infrastructure	14%	15%
Real Estate	23%	22%
Hedge Funds	9%	9%
Option-Based Strategies	5%	4%
Managed Futures	4%	3%

Despite overcrowding concerns, the smart money remains bullish on private assets.

With more than \$11 trillion invested in private assets, there are reasonable concerns about overcrowding. Overall, 59% of institutional investors go so far as to say the increased popularity of private equity is making it difficult to find opportunities.¹

Despite challenges in finding deals, and sub-par distribution performance of 11.25% of net asset value on average in the last year², institutional teams will not reverse course on the centerpiece of their alternatives strategy in 2024.

Overall, 60% remain bullish on private equity. One key reason for their optimism is the potential to outperform public markets, as nearly two-thirds (66%) of institutions believe there is still a significant delta in returns between private and public markets.¹

While private investment helped enhance returns over the past 15 years, the macro picture is changing: Low rates are in the rearview mirror and

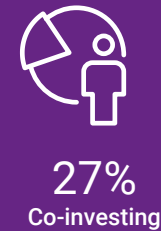
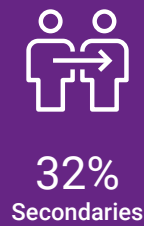
there is concern about economic growth. But rather than moving out of the asset class, institutions are emphasizing the deal quality and 72% say they have stepped up their due diligence in their analysis of opportunities.¹

“Whether for institutional investors or to address the growing demand from private individuals, building diversified private equity portfolios within the small & mid market is key to delivering sustained risk-adjusted superior performance,” says Eric Deram, Managing Partner, Flexstone.

Institutions are bullish on private equity, but they may be looking at it in a new light. After going all-in on the asset class for the better part of a decade, many are reaching their limits for private investment. As result they will look to sell off some of their holdings, creating opportunity in the secondary market.

This is likely why they rank secondaries (32%) right behind sustainable investing (35%) as the best source of private investment opportunity in 2024.¹

WHERE THE BEST OPPORTUNITIES FOR PRIVATE INVESTMENT LIE¹



3

Private credit opportunity expands as traditional lending tightens.

In the wake of the biggest interest rate hikes in decades, traditional lenders find themselves operating in an unfamiliar environment and private lenders are poised to seize the opportunity.

Facing higher liquidity constraints, higher capital costs, and increased regulatory scrutiny, banks are pulling the reins on commercial and industrial lending. As reported in the Fed's January 2024 Senior Loan Officer Opinion Survey, banks are tightening premiums on riskier loans, spreads of loans over the cost of funds, costs of credit lines, and collateral requirements.³

Private lenders are stepping in to fill the void. Institutions are taking note and two-thirds (66%) anticipate more private debt will be issued in 2024 to meet growing borrower demand.¹ This is likely to be a long-term trend as private debt AUM is projected to grow to \$2.8 trillion by 2028, nearly double the total from 2022.⁴

"This sentiment mirrors our own experience as a direct lender. Private debt remains resilient and attractive for investors, who continue to see good returns on their investments," says Nicole Downer, Managing Partner, MV Credit. "On the flip side, borrowers and Private Equity firms welcome the growth of the asset class which provides them with a reliable source of financing capital."

Commercial real estate in particular, is creating opportunities. "Commercial property values generally speaking are anticipated to hit a bottom this year and, at the same time, \$900 billion in loans will come due on commercial properties according to Mortgage Bankers Association figures," says Sara Cassidy, Managing Director at AEW. "Owners need refinancing options – that will likely come with a greater amount of required equity – and with traditional lending sources on the sidelines or less active, this creates a significant opportunity for private lenders to fill the gap by entering the capital stack at a valuation that may be below replacement cost on high quality assets in good markets."

Institutions are also anticipating that a boom in private lending will add up to investment opportunity in 2024 and 64% are bullish on the asset class. Competition for new deals may be fierce, as 45% say they will increase private debt allocations this year – more than any other alternative investment.¹

When it comes down to how they will invest, it's likely they will stick with the familiar. Right now, their investments focus on funds of funds (41%), direct lending (40%) and co-investment (39%).¹

HOW INSTITUTIONS ARE INVESTED IN PRIVATE DEBT¹

Funds of Funds	41%
Direct Lending	40%
Co-investment	39%
Secondaries	32%
Venture Debt	26%
Mezzanine	26%
Distressed Debt	26%

4

Amidst an AI boom, tech ranks as top sector bet in private assets.

Tech has been on a roll as Moore's Law of technological advancement plays out in real time. Recent developments in artificial intelligence are following suit and 66% of institutions say the race for AI supremacy is the new space race.¹

Many see opportunity in the race and 66% say AI will supercharge tech growth, making information technology their top sector pick for private equity. One key challenge, though, may be the number of investors seeking out a limited number of opportunities as deal volume in the space declined from \$266 billion in 2022 to just \$133 billion last year.⁵

Institutions may find additional opportunity in tech-adjacent sectors. For example, demand for data centers has grown tremendously in the past decade as tech companies make ever-greater use of cloud computing and storage. As more AI companies and solutions come online, this demand is set to grow exponentially. Institutional investors see the potential and identify data centers (52%) as the best opportunity in non-traditional real estate.¹

Tech may factor into their second-best private opportunity: infrastructure (37%).¹ Investments in 5G, electric transport, power grids and other projects tap new technologies for enhanced efficiency, and many will also fit the bill on sustainable investment goals.

The same number (37%) also see opportunity in healthcare, a sector that is benefiting from a rising number of aging Baby Boomers beginning to increase demand for hospitals, home health care, and nursing homes.¹

INSTITUTIONS LOOK TO TECH-ADJACENT SECTORS FOR ADDITIONAL OPPORTUNITY¹



52%

as the best opportunity in non-traditional real estate.



37%

infrastructure.



37%

also see opportunity in healthcare.

5

Sustainable investments rank as top private opportunity in 2024.

Globally, investor interest in sustainable investments remains high as evidenced by the 87% of institutions invested in green bonds who say they will maintain (44%) or increase (43%) their investments in 2024.¹ Institutions have similar convictions when it comes to opportunities for sustainable investments in the private markets.

In fact, 35% of institutions say sustainable investments present the biggest opportunity in private markets for 2024.¹ One likely reason is that government funding to support energy transition projects ranging from electrified transport to renewable energy has grown from \$526 billion globally in 2018 to \$1.7 trillion in 2023.⁶

Another reason may be the ability to influence how assets are managed with private investments, which is a significant positive for investors looking to make a tangible impact. Within private assets and alternatives, investors are more likely to make ESG (environmental, social and governance) investments in private equity (41%) and infrastructure (39%), ahead of real estate and private debt.¹

Wealth management firms are taking note of the private opportunity for sustainable investments as well. Half (52%) of selectors selecting investments for wealth management platforms report greater client demand for sustainable investments. To help meet those demands, selectors plan to add sustainable investments (36%) to their private asset offering in the next 12 months, building on the 44% who added these strategies in 2023.⁷

96% of institutions with ESG investments anticipate maintaining (40%) or increasing (56%) their investments in 2024.¹

The democratization of private assets continues to gain steam.

Institutional investment has been a boon to private investment over the past decade, and individual investors have taken note. Advisors and wealth managers have responded in kind.

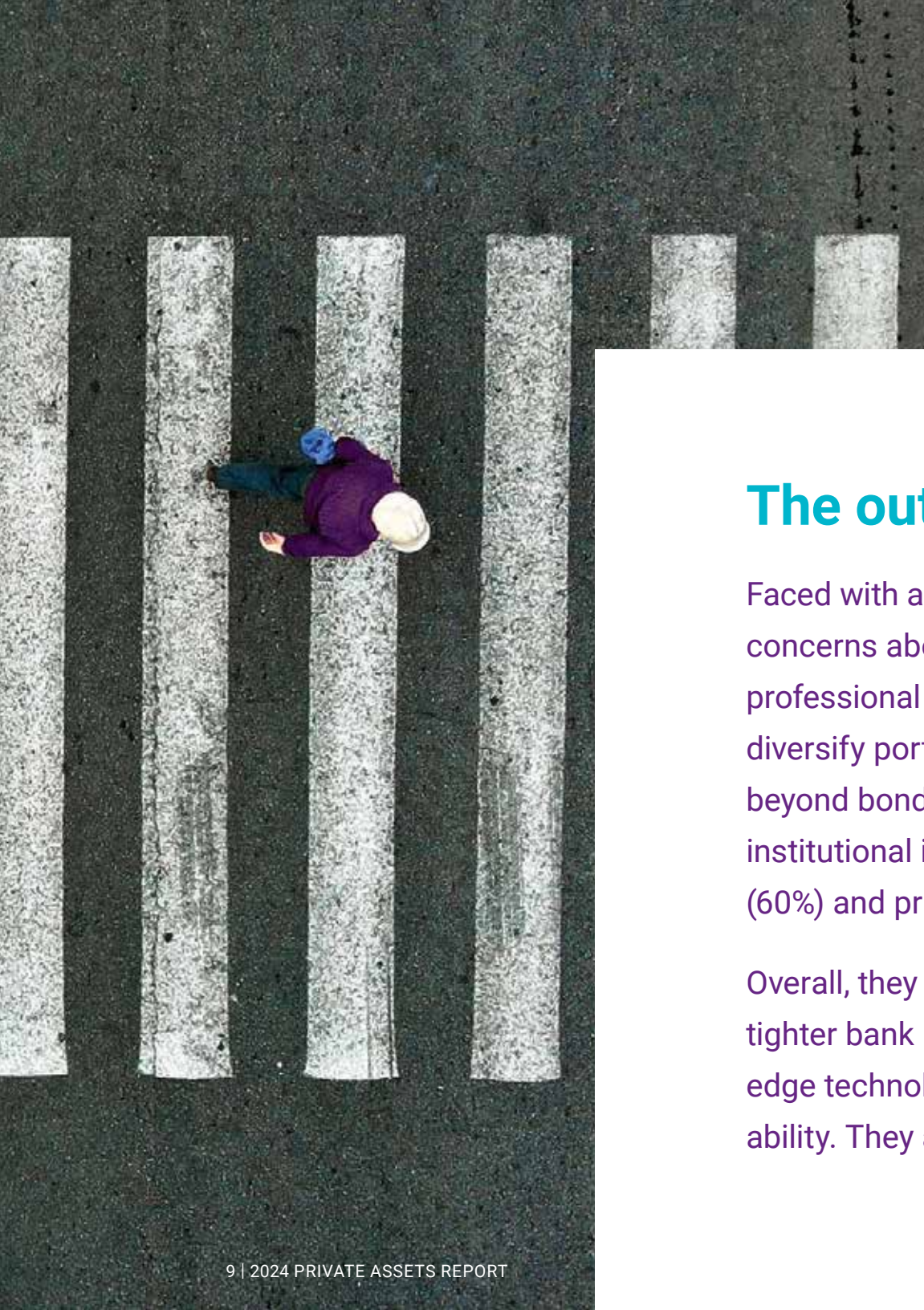
Globally, 34% of individual investors are interested in private investment opportunities, ranking them just behind financial planning, retirement income planning and sustainable investments as the service they most want from their advisor.⁸ More than half of fund selectors (51%) at leading wealth managers say their firms are responding by offering more private asset strategies to meet higher demand.⁷

But the rationale for private investment extends beyond demand as 61% of selectors say retail-friendly private asset vehicles are helping them enhance client diversification. In looking at client investment objectives, 64% also say that the long-term nature of retirement saving makes investing in private assets a sound strategy.⁷

Selectors are split on their ability to deliver private assets at mass scale, as just 51% believe that increased deal flow is allowing them to offer private investment more broadly to clients. This is a likely reason that funds of funds (42%) top their lists of private asset offerings followed by infrastructure (40%), growth capital (39%), venture capital (38%) and direct co-investment (37%).⁷

TOP SERVICES CLIENTS WANT FROM THEIR FINANCIAL ADVISOR⁸





The outlook for 2024

Faced with a 2024 outlook marked by higher interest rates, concerns about slowing growth, and recession fears, professional investors are looking to private markets to diversify portfolios and enhance return potential. In fact, beyond bonds (69%), the only other markets where institutional investors are bullish are private equity (60%) and private credit (64%).¹

Overall, they see private assets as a way of capitalizing on tighter bank lending, as a platform for investing in leading edge technology, and a way to claim profits from sustainability. They are planning to invest with renewed vigor.

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.



Meet the team:

Dave Goodsell

Executive Director

Stephanie Giardina

Program Manager

Erin Curtis

Assistant Program Manager



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 "Private Equity Returns Plunge to Global Financial Crisis Levels." Bloomberg.Com, Bloomberg, 12 Feb. 2024, www.bloomberg.com/news/articles/2024-02-12/private-equity-returns-plunge-to-global-financial-crisis-levels.

³ "The January 2024 Senior Loan Officer Opinion Survey on Bank Lending Practices." Board of Governors of the Federal Reserve System, www.federalreserve.gov/data/sloos/sloos-202401.htm.

⁴ Stranne Petersen, Anne-Louise, and Zak Bentley. "How to Navigate Infra's Worst Fundraising Market in a Decade." Infrastructure Investor, 1 June 2023, "<http://www.infrastructureinvestor.com/how-to-navigate-infras-worst-fundraising-market-in-a-decade> /"www.infrastructureinvestor.com/how-to-navigate-infras-worst-fundraising-market-in-a-decade/.

⁵ 2023 Annual US PE Breakdown, pitchbook.com/news/reports/2023-annual-us-pe-breakdown/.

⁶ BloombergNEF. (January 25, 2024). Investments in energy transition technologies worldwide from 2004 to 2023 (in billion U.S. dollars) [Graph]. In Statista. Retrieved February 28, 2024, from <https://www.statista.com/statistics/1201435/global-investment-in-energy-transition/>

⁷ Natixis Investment Managers, Global Survey of Fund Selectors conducted by CoreData Research in November and December 2023. Survey included 500 respondents in 26 countries throughout North America, Latin America, the United Kingdom, Continental Europe, Asia and the Middle East.

⁸ Natixis Investment Managers, Global Survey of Individual Investors conducted by CoreData Research in March and April 2023. Survey included 8,550 individual investors in 23 countries.

S&P 500® Index is a widely recognized measure of U.S. stock market performance. It is an unmanaged index of 500 common stocks chosen for market size, liquidity, and industry group representation, among other factors. It also measures the performance of the large cap segment of the US equities market.

The Bloomberg U.S. Aggregate Bond Index is a broad-based index that covers the U.S.-dollar-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, government-related, corporate, mortgage-backed securities, asset-backed securities, and collateralized mortgage-backed securities sectors.

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.

All investing involves risk, including the risk of loss. No investment strategy or risk management technique can guarantee return or eliminate risk in all market environments.

The data shown represents the opinion of those surveyed, and may change based on market and other conditions. It should not be construed as investment advice.

This document may contain references to copyrights, indexes and trademarks that may not be registered in all jurisdictions. Third party registrations are the property of their respective owners and are not affiliated with Natixis Investment Managers or any of its related or affiliated companies (collectively "Natixis"). Such third party owners do not sponsor, endorse or participate in the provision of any Natixis services, funds or other financial products. The index information contained herein is derived from third parties and is provided

on an "as is" basis. The user of this information assumes the entire risk of use of this information. Each of the third party entities involved in compiling, computing or creating index information disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to such information.

This material may not be redistributed, published, or reproduced, in whole or in part. The analyses and opinions expressed by external third parties are independent and does not necessarily reflect those of Natixis Investment Managers. Although Natixis Investment Managers believes the information provided in this material to be reliable, including that from third party sources, it does not guarantee the accuracy, adequacy or completeness of such information. The analyses and opinions referenced herein represent the subjective views of the author as referenced, are as of April 2024 and are subject to change. There can be no assurance that developments will transpire as may be forecasted in this material.

In the E.U.: Provided by Natixis Investment Managers International or one of its branch offices listed below. Natixis Investment Managers International is a portfolio management company authorized by the Autorité des Marchés Financiers (French Financial Markets Authority - AMF) under no. GP 90-009, and a public limited company (société anonyme) registered in the Paris Trade and Companies Register under no. 329 450 738. Registered office: 43 avenue Pierre Mendès France, 75013 Paris. Germany: Natixis Investment Managers International, Zweigniederlassung Deutschland (Registration number: HRB 129507): Senckenberganlage 21, 60325 Frankfurt am Main. Italy: Natixis Investment Managers International Succursale Italiana, Registered office: Via San Clemente 1, 20122 Milan, Italy. Netherlands: Natixis Investment Managers International, Netherlands (Registration number 000050438298). Registered office: Stadsplateau 7, 3521AZ Utrecht, the Netherlands. Spain: Natixis Investment Managers International S.A., Sucursal en España, Serrano nº90, 6th Floor, 28006 Madrid, Spain. Sweden: Natixis Investment Managers International, Nordics Filial (Registration number 516412-8372 - Swedish Companies Registration Office). Registered office: Covendrum Stockholm City AB, Kungsgatan 9, 111 43 Stockholm, Box 2376, 103 18 Stockholm, Sweden. Or, Provided by Natixis Investment Managers S.A. or one of its branch offices listed below. Natixis Investment Managers S.A. is a Luxembourg management company that is authorized by the Commission de Surveillance du Secteur Financier and is incorporated under Luxembourg laws and registered under n. B 115843. Registered office of Natixis Investment Managers S.A.: 2, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg. Belgium: Natixis Investment Managers S.A., Belgian Branch, Gare Maritime, Rue Picard 7, Bte 100, 1000 Bruxelles, Belgium. In Switzerland: Provided by Natixis Investment Managers, Switzerland Sàrl, Rue du Vieux Collège 10, 1204 Geneva, Switzerland or its representative office in Zurich, Schweizergasse 6, 8001 Zürich. In the British Isles: Provided by Natixis Investment Managers UK Limited which is authorised and regulated by the UK Financial Conduct Authority (FCA firm reference no. 190258) - registered office: Natixis Investment Managers UK Limited, Level 4, Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2YA. When permitted, the distribution of this material is intended to be made to persons as described as follows: in the United Kingdom: this material is intended to be communicated to and/or directed at investment professionals and professional investors only; in Ireland: this material is intended to be communicated to and/or directed at professional investors only; in Guernsey: this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Guernsey Financial Services Commission; in Jersey: this material is intended to be communicated to and/or directed at professional investors only; in the Isle of Man: this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Isle of Man Financial Services Authority or insurers authorised under section 8 of the Insurance Act 2008. In the DIFC: Distributed in and from the DIFC financial district to Profession-

al Clients only by Natixis Investment Managers Middle East (DIFC Branch) which is regulated by the DFSA. Related financial products or services are only available to persons who have sufficient financial experience and understanding to participate in financial markets within the DIFC, and qualify as Professional Clients or Market Counterparties as defined by the DFSA. No other Person should act upon this material. Registered office: Unit L10-02, Level 10, ICD Brookfield Place, DIFC, PO Box 506752, Dubai, United Arab Emirates. In Singapore: Provided by Natixis Investment Managers Singapore Limited (NIM Singapore) having office at 5 Shenton Way, #22-05/06, UIC Building, Singapore 068808 (Company Registration No. 199801044D) to distributors and qualified investors for information purpose only. NIM Singapore is regulated by the Monetary Authority of Singapore under a Capital Markets Services Licence to conduct fund management activities and is an exempt financial adviser. Mirova Division (Business Name Registration No.: 53431077W) and Ostrum Division (Business Name Registration No.: 53463468X) are part of NIM Singapore and are not separate legal entities. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore. In Taiwan: Provided by Natixis Investment Managers Securities Investment Consulting (Taipei) Co., Ltd., a Securities Investment Consulting Enterprise regulated by the Financial Supervisory Commission of the R.O.C. Registered address: 34F., No. 68, Sec. 5, Zhongxiao East Road, Xinyi Dist., Taipei City 11065, Taiwan (R.O.C.), license number 2020 FSC SICE No. 025, Tel. +886 2 8789 2788. In Japan: Provided by Natixis Investment Managers Japan Co., Ltd. Registration No.: Director-General of the Kanto Local Financial Bureau (kinsho) No.425. Content of Business: The Company conducts investment management business, investment advisory and agency business and Type II Financial Instruments Business as a Financial Instruments Business Operator. In Hong Kong: Provided by Natixis Investment Managers Hong Kong Limited to professional investors for information purpose only. In Australia: Provided by Natixis Investment Managers Australia Pty Limited (ABN 60 088 786 289) (AFSL No. 246830) and is intended for the general information of financial advisers and wholesale clients only. In New Zealand: This document is intended for the general information of New Zealand wholesale investors only and does not constitute financial advice. This is not a regulated offer for the purposes of the Financial Markets Conduct Act 2013 (FMCA) and is only available to New Zealand investors who have certified that they meet the requirements in the FMCA for wholesale investors. Natixis Investment Managers Australia Pty Limited is not a registered financial service provider in New Zealand. In Latin America: Provided by Natixis Investment Managers International. In Colombia: Provided by Natixis Investment Managers International Oficina de Representación (Colombia) to professional clients for informational purposes only as permitted under Decree 2555 of 2010. Any products, services or investments referred to herein are rendered exclusively outside of Colombia. This material does not constitute a public offering in Colombia and is addressed to less than 100 specifically identified investors. In Mexico: Provided by Natixis IM Mexico, S. de R.L. de C.V., which is not a regulated financial entity, securities intermediary, or an investment manager in terms of the Mexican Securities Market Law (Ley del Mercado de Valores) and is not registered with the Comisión Nacional Bancaria y de Valores (CNBV) or any other Mexican authority. Any products, services or investments referred to herein that require authorization or license are rendered exclusively outside of Mexico. While shares of certain ETFs may be listed in the Sistema Internacional de Cotizaciones (SIC), such listing does not represent a public offering of securities in Mexico, and therefore the accuracy of this information has not been confirmed by the CNBV. Natixis Investment Managers is an entity organized under the laws of France and is not authorized by or registered with the CNBV or any other Mexican authority. Any reference contained herein to "Investment Managers" is made to Natixis Investment Managers and/or any of its investment management subsidiaries, which are also not authorized by or registered with the CNBV or any other Mexican authority. In Uruguay: Provided by Natixis Investment Managers Uruguay S.A., a duly registered investment advisor, authorised and supervised by the Central Bank of Uruguay. Office: San Lucar 1491, Montevideo, Uruguay, CP 11500. In Brazil: Provided to a specific identified investment professional for information purposes only by Natixis Investment Managers International. This communication cannot be distributed other than to the identified addressee. Further, this communication should not be construed as a public offer of any securities or any related financial instruments. Natixis Investment Managers International is a portfolio management

company authorized by the Autorité des Marchés Financiers (French Financial Markets Authority - AMF) under no. GP 90-009, and a public limited company (société anonyme) registered in the Paris Trade and Companies Register under no. 329 450 738. Registered office: 43 avenue Pierre Mendès France, 75013 Paris. The above referenced entities are business development units of Natixis Investment Managers, the holding company of a diverse line-up of specialised investment management and distribution entities worldwide.

Provided by Natixis Distribution, LLC, 888 Boylston St., Boston, MA 02199. Natixis Investment Managers includes all of the investment management and distribution entities affiliated with Natixis Distribution, LLC and Natixis Investment Managers S.A.

This material should not be considered a solicitation to buy or an offer to sell any product or service to any person in any jurisdiction where such activity would be unlawful.

6508050.2.1

RC108-0324

