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JUNE 2017

Natixis Credit Opportunities

How total return strategies can make a **difference?**

CREDIT MARKET BACKDROP

In today's investment environment, characterized by low rates, and geopolitical uncertainties, where can fixed income investors turn for yield?

Traditionally, credit markets offer a competitive yield well above government bonds in line with their credit quality. Investors can capture yield from a diversified portfolio of credit securities – corporate bonds, asset backed securities, and high yield bonds. However spread and yield compression following the CSPP and PSPP has even taken its toll on credit indices. The bright side is that the prolonged European central bank intervention and the good fundamentals credit opportunities remain. Moreover, market volatility due to geopolitical events like French elections or Brexit can be seen as positive for a total return portfolio. A return to volatility can mean a broader opportunity set.

Many skilled management teams run core or core plus portfolios, but there's a clinch: sometimes, the biggest drag on performance can be "owning the benchmark" rather than the "top picks".

Increasingly, investors are finding that a broader opportunity set can be captured in credit markets if the manager is not tied to a traditional cap-weighted benchmark. Rather, **given the flexibility to navigate across instruments, strategies and structures, a skilled manager can uncover sources of performance even in difficult market contexts.**

BENEFITS OF DIVERSIFYING FROM LONG-ONLY APPROACHES BY INVESTING IN TOTAL RETURN CREDIT STRATEGIES[1]

Multiply the sources of alpha

Enlarge the credit universe

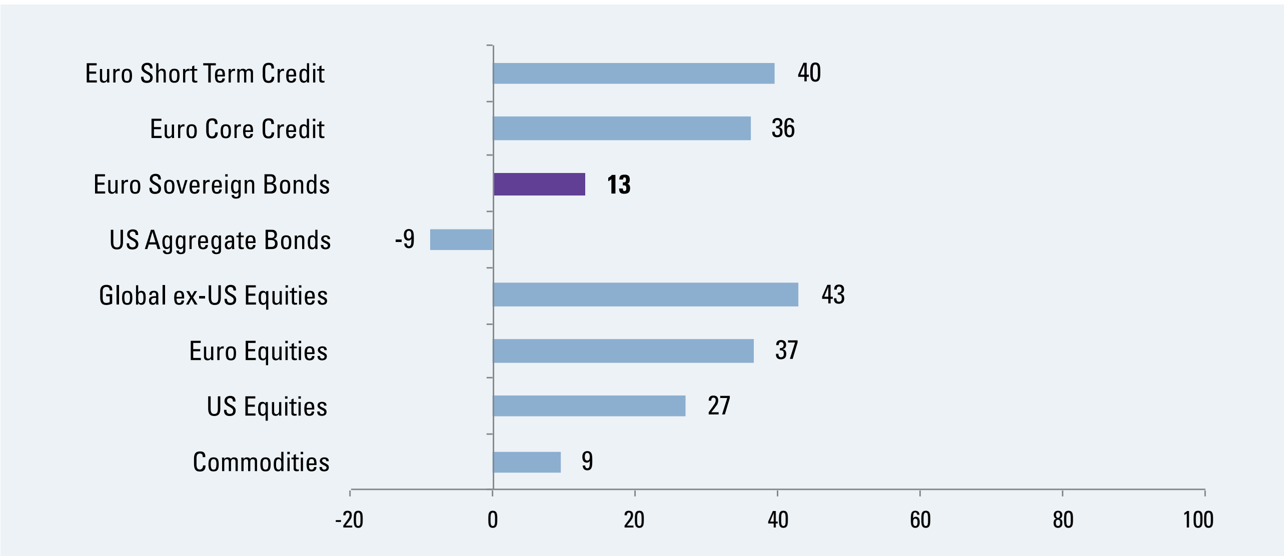
Stay flexible and reactive

Natixis Credit Opportunities (NCO) seeks to enable investors to obtain credit market exposure and benefit from positive trends, while remaining flexible enough to withstand volatility and try to deliver attractive and durable performance over time.
To that end, the portfolio managers use a variety of credit instruments over a broad global investment universe that includes investment grade, high yield and credit derivatives.
The NCO portfolio management team uses an active, discretionary and disciplined management process designed to seek durable alpha generation while putting risk first. To that end it integrates both qualitative and quantitative inputs and implements notably long, short and long/short strategies.

DIVERSIFYING WITH LOW CORRELATION TO TRADITIONAL ASSET CLASSES

In a context of low returns and low credit spreads with a non-negligible probability of more volatile markets, NCO has the freedom to go beyond traditional benchmarks with a limited budget of risk. More than that, NCO offers to investors an attractive risk/return profile due to its low correlation to traditional asset classes. Such an approach is a genuine source of diversification.

Fund correlation from traditional asset classes



Commodities	*iPath Bloomberg Commodities index*
Euro Short Term Credit	*Barclays Euro Aggregate Corporate 1-3Y*
Euro Core Credit	*Barclays Euro Aggregate Corporate 3-5Y*
Euro Sovereign Bonds	*Bloomberg/EFFAS Bonds Indice Euro*
US Aggregate Bonds	*Barclays US Aggregate*
Euro Equities	*Eurostoxx 50*
US Equities	*S&P 500 Index*
Global ex-US Equities	*MSCI Daily TR EAFE Free index*

Source: Bloomberg, Natixis Asset Management. Note: Period from 4/12/2012 to 30/12/2016

(1) The analyses and opinions referenced herein represent the subjective views of the author(s) as referenced, are as of the date shown and are subject to change without prior notice. There can be no assurance that developments will transpire as may be forecasted in this material. None of the information contained in this document should be interpreted as having any contractual value. This document is produced purely for the purposes of providing indicative information.

WHY NATIXIS AM IS POSITIVE ON TOTAL RETURN CREDIT IN 2017[2]

Multiply the sources of alpha

Ability to be long or short on the market and benefit from long positive trends and be protected for special events:

- Using the **carry bucket**: with a yield to maturity, as of the end of March 2017, at 0.8% yield, invested essentially in Investment Grade corporate bonds with short maturities that are closely monitored by our research team
- Using **directional strategies** that are implemented opportunistically (ex: French elections)

Ability to benefit from strong credit views in terms of fundamentals and **relative value**: fundamental

CARRY BUCKET ON SHORT TERM ISSUES

Long IG and HY short term credits ▶ Directional long strategies should perform over 2017 with the continuation of the CSPP program in 2017

EXAMPLE OF DIRECTIONAL STRATEGY

Buy Protection Itraxx Xover ▶ We stay cautious before the first round of French elections

EXAMPLE OF RELATIVE VALUE STRATEGY

Airbus – Rolls Royce ▶ Fundamental and valuation views + hedge against consequences of a Brexit

Stay flexible and reactive

Because we have the tools to react in case of a market shock

- Ability to short the market in case of volatility spikes
- Ability to use options to benefit from ourview on volatility (ex. buy out-of-the-money options)
- Ability to stay between -2% and +2% in modified duration

CURRENT MODIFIED DURATION POSITIONING

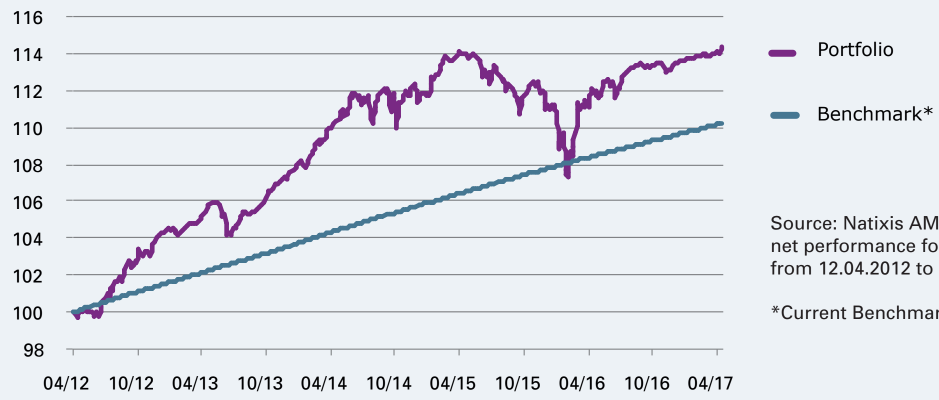
Sell US 5Y and EUR 5Y Futures ▶ Protect the portfolio from any US interest rates hike contagion and ECB potential QE tapering

(2) The figures given refer to previous years. Past performance is a not a reliable indicator of future performance.

NATIXIS CREDIT OPPORTUNITIES: 5 YEARS OF GOOD TRACK RECORD[3]

Attractive net performance since inception: 2.69% annualized, above its objective of EONIA + 2% annually (outperformance of 1.95%). Since inception, 70% of the monthly performances were positive.

Cumulative performance



Source: Natixis AM. Data as of 30.04.2017, net performance for I/A share observed from 12.04.2012 to 30.04.2017.

Current Benchmark: EONIA + 2%.

Trailing 1Y performance since inception	Frequency
Performance > Eonia + 3.5%	46%
Performance > Eonia + 2%	59%
Performance < Eonia + 0%	19%

Source: Natixis Asset Management, Front office. Data as of end of April 2017

Durable and steady performance: since inception, the daily trailing 1 year performance of the EUR I/A share of the fund shows that investors benefited 60% of the times a performance above the investment objective. Actually half of the times the 1 year performance was above 3.5%.

Natixis Credit Opportunities is mainly exposed to the following risks: credit (risk of failure of the issuer, or impairment, increased for High Yield bonds), interest rates (risk of depreciation of interest rates instruments arising from changes in interest rates), currency, emerging markets, leverage, counterparty, discretionary management, loss of capital and specific risks associated with securitized assets.

NATIXIS CREDIT OPPORTUNITIES: KEY TAKEAWAYS

- A Genuine Absolute return / Total return credit strategy : NCO is benchmark agnostic.
- We put risk first : the combination of leverage and Long-short strategies demand discipline.
- Performance consistency thanks to strong resources : credit analysts, quant analysts and seasoned portfolio managers.

(3) The figures given refer to previous years. Past performance is a not a reliable indicator of future performance.

ADDITIONAL NOTES

Find out more:

The Natixis Credit Opportunities Fund's product profile and monthly fund factsheets are available at www.nam.natixis.com

NATIXIS ASSET MANAGEMENT

Limited liability company - Share capital €50,434,604.76
Regulated by AMF under no. GP 90-009 RCS Paris n°329 450 738
Registered Office: 21 quai d'Austerlitz – 75634 Paris Cedex 13

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