



Selection policy applying to providers of decision aid services.

In order to promote and develop the independent financial analysis business, the AMF has amended the regulatory arrangements dealing with the use of investment and order execution decision aid services by asset management companies. Natixis Asset Management's policy on selecting decision aid services details the conditions of eligibility of these services and the criteria decided on by management teams in the evaluation of services provided and financial analysis in particular.

This policy also explains how to use the shared commission scheme that Natixis Asset Management set up as part of the new regulatory arrangements.

I. Introduction: Fundamental principles adopted by Natixis Asset Management

As a professional entity in the domain of third party asset management, it is the duty of Natixis Asset Management to exercise its activities with complete independence and in the exclusive interests of its Clients. We define Clients as "funds (UCITS), subfunds or Clients who have given Natixis Asset Management a mandate for the management of their assets, as well as any intermediary who delegates financial management to Natixis Asset Management".

The following principles and rules constitute the basic guidelines for the conduct of our activities at Natixis Asset Management: respect for the primacy of the interests of our clients' and of the shareholders of the Funds (FCP) or SICAVs; respect for all applicable regulations as well as for the general rules of best practice defined by the profession.

This policy document presents the global organization of Natixis Asset Management and the basic principles it applies, in general terms, in selecting providers of execution or investment decision aid in accordance with Article 314-75-1 of the General Regulations of the French Market Authority (RG AMF). This policy applies when the management company directly manages the portfolios.

Exceptions are made in cases where the portfolio management is delegated to a third party which then applies its own selection policy after approval by Natixis Asset Management's Head of Risk, Compliance and Internal Control. This policy may be modified at any moment and without prior notice. It is available on Natixis Asset Management's website at the following address: www.am.natixis.fr

II. Decision aid services which are included in brokerage fees

Brokerage fees paid by clients or the UCITS on portfolio transactions cover: receiving, passing and executing orders, services relating to investment and order execution decision aid.

II. 1) - services relating to investment and order execution decision aid supplied by market intermediaries

The management company selects decision aid services supplied by market intermediaries after a half-yearly evaluation process that involves all management and research teams. Products and services concerned by the evaluation process are:

- financial analysis and recommendations on stocks ;
- macroeconomic research, asset allocation and strategy;
- extra-financial research.

Evaluating financial analysis, recommendations on stocks, macroeconomic research, asset allocation and market strategy aims to measure the quality of fundamental research and sales services from providers. These services are evaluated with the following criteria:

- the relevance of recommendations by analysts, strategists and sales people based on the stocks' performance relative to their sector and/or the market or the confrontation between recommendations on market or market segment trends and their actual performance, whether relative or absolute. Particular attention is paid to the spread and variety of recommendations, geographical allocation on different asset classes, intra-class allocations (sectors, size of capitalisation, credit, curves,...) ;
- the quality of the analysis which measures the expertise of analysts and strategists, the fundamental added value of their work and their independence in putting forward arguments and scenarios;
- service quality which measures the availability of analysts and sales people, follow-up on recommendations and the capacity to tailor stock follow-ups.

Objective factors (performance, provision of resources and services etc...) have a significant weighting in the evaluation of these decision aid services. Because of different contacts, a separate evaluation is conducted on each sector and sales service.

The evaluation of extra-financial research provided by counterparties is based on an objective and structured approach divided into three major criteria

- recurrence aims in particular to measure the regularity of publications and see if coverage is sufficient for the portfolios we manage;
- depth corresponds in particular to the fundamental quality of stock research received as well as the systematic presence of a sector view that is backed up with comparative data, both relating to the stocks and micro or mesoeconomic aspects
- relevance measures a sector (or stock) recommendation's underperformance or outperformance compared to the market (or its sector).



II. 2) - services relating to investment and order execution decision aid other than those supplied by market intermediaries

In order to diversify its sources of information, Natixis Asset Management may use third parties, who are not necessarily investment service providers, mainly to obtain investment and order execution decision aid other than financial analysis.

These decision aid services, which the portfolios pay for, must not feature in the list of “forbidden services” mentioned in the instruction N° 2007-02 of January 18 2007.

To select these services, Natixis Asset Management determines the added value of the information received and decides if it is research-equivalent.

The list of decision aid services chosen as well as their providers is presented by the Head of Compliance to the Executive Committee for approval.

These lists are revised each year.

These services may include:

- transaction cost analysis which allows implicit transaction costs to be calculated and which is used to help reduce them
- micro or macroeconomic studies,
- investment strategy studies,
- Access to certain financial data bases,
- technical analysis studies
- data on changes to index constituents.

The use of these services must not contravene the order execution policy drawn up by Natixis Asset Management.

III. Monitoring brokerage fees

Brokerage fees are subject to a regular monitoring of amounts spent on both order execution and the remuneration of execution and investment decision aid.

This monitoring takes into account the share of commissions paid out to third parties under shared commission contracts that Natixis Asset Management has agreed with various market intermediaries.