Press release – January 5th, 2022

Recovery, inflation and the energy transition present a threefold challenge for wealth management

The Covid-19 crisis has waved in the Keynesian economic policy paradigm, marking a clear break with a decade of fiscal and banking austerity in the wake of the 2008 crisis. Inclusive growth, additional structural inflation and wage rises make for key priorities, yet this paradigm is now facing threats on two sides:

- High inflation that is at its loftiest in decades: this is admittedly largely a result of the mismatch between strong demand and constricted supply following inventory shortages, but it still makes for a hindrance for households and puts the thumbscrews on the central banks.
- The fight against climate change, which on the face of things jars with efforts to drive robust growth: stronger economic growth fuels higher CO_2 emissions, which is surely an impossible contradiction.

These questions combine with other concerns – the pandemic crisis first and foremost – as well as doubts on stock-market valuations. Additionally, the decisive issue of sustainable development must be incorporated into both the main scenario and risk scenarios if we are to develop the most appropriate wealth management strategies, raising a conundrum for economists, portfolio managers and savers alike. Dorval Asset Management's views on the situation and the consequences for our investment management are as follows.

Economic boom set to persist, despite a moderate rise in inflation and interest rates

Economic growth on developed markets is still poised to outstrip its long-term trend in 2022 with a pace of around 4% vs. a jump of 5.3% in 2021, driven by a fusion of households' robust financial health, the vigorous recovery in jobs, and the effects of investment programs. However, a gentle landing for inflation on levels slightly ahead of the pace in the 2010s looks likely, as projected by the OECD. The process of rebalancing supply and demand will be the key question in 2022, and will require both stronger output and lower inflation, for example in the automotive sector. Real rates are still poised to stay low, albeit on an uptrend. Meanwhile, the

Chinese economy and its controlled slowdown should play a useful moderating role in this cycle-peak phase, thereby curbing the risks of overheating.

As a result of this scenario, even the most defensive wealth management strategies have no choice but to stick close to the equities/cash tandem, with bonds maintaining their extremely negative asymmetrical profile. Dorval AM has already successfully addressed this challenge over the past several years with our lowest-risk fund, Dorval Global Convictions Patrimoine.

The ongoing economic boom and the continued moderate gain in structural inflation also point to a widespread propagation of earnings growth to a broad range of sectors, offering a sharp contrast with the 2010s. This momentum prompts moves to ensure extensive sector diversification, as reflected both in Dorval AM's international funds (equally weighted baskets) and our European stock-picking strategies.

Risk exposure consistent with market maturity

Portfolio managers can indeed maintain high investment levels as a result of equities' continued comfortable risk premium as compared to other asset classes – particularly bonds – and the sharp surge in earnings. Meanwhile, investors' current more cautious positions also offer a certain degree of protection. However, cyclical stocks have already enjoyed a relative boom from 2Q 2020 through to 2Q 2021, so the market has priced in a large proportion of the recovery. In light of this current market maturity, risk exposure here at Dorval Asset Management will probably be moderate throughout 2022, on average.

The main risk on this positioning seems to lie first and foremost in a potential shift in monetary policy priority, with a focus on combating inflation that consequently hampers growth: this type of orthodox reaction would promote highly defensive strategies. Conversely, an upside risk scenario would mean benefits for emerging markets, if pandemic-related pressure and worldwide inflation were to ease promptly, putting paid to monetary and fiscal strain in these more fragile areas of the world.

Does a much-needed bubble on ESG assets lie ahead?

The energy transition raises questions on the long-term growth outlook, but does not necessarily seem at odds with stronger growth in the shorter term – even quite the opposite initially. The IMF model is for a bell-shaped curve for example, where the surge in investment required to develop the green economy would more than offset the dent from rising carbon prices out to 2025-26. Our portfolio management team here at Dorval Asset Management draws on our green deal basket of 40 stocks in our international funds to play this scenario.

Nevertheless, intervention from the public authorities will have the strongest effect on the energy transition and inclusive growth by far, although sustainable finance also has a key role to play, in conjunction with legislative bodies. Unlocking synergies between the two can further bolster the effectiveness of government measures and help reduce the risks of greenwashing.

If this impetus is successfully garnered, it should lead to a relative decrease in the cost of capital for the most sustainable businesses, which is tantamount to a relative rerating for ESG assets, fueling something of a much-needed bubble. As things stand, this valuation premium still remains very moderate on average, bar some highly popular green tech stocks.

Strategy-driven ESG is the keystone of portfolios

Here at Dorval AM, we believe that corporate responsibility coincides with profitability in most cases. Moves to incorporate ESG dimensions are often a matter of strategy for corporations, leading to savings on energy and packaging for example, driving the development of new markets – such as organic, innovations and sustainable processes – and promoting better staff management via inclusion and training, as well as a decrease in the risk of controversies. An ESG focus also prompts investments that are admittedly costly, but ultimately make the company more sustainable by pre-empting forthcoming regulation.

This strategy-driven ESG approach is visible across all our open-ended portfolios, and chimes particularly with our international funds, where our SRI basket houses 200 companies – across all continents and every major business sector – that boast a particularly appropriate governance set-up to tackle today's challenges. This basket of stocks now comprises the majority of our international equity exposure and will continue to do so for such times as it is warranted by our assessment of both the economic cycle and valuations.

By way of reminder: the Global Convictions range has two levels of risk, depending on each investor's profile.

- Dorval Global Convictions Patrimoine (SRRI 3[1]) with an investment timeframe of 3 years,
- Dorval Global Convictions (SRRI 4) with an investment timeframe of 5 years.

Both funds have proven to be robust, particularly in 2020 and 2021. This range offers a suitable response to the environment, as economies open up again on the back of vaccination programs and low interest rates. These funds kicked off 2021 with a cyclical positioning, while ensuring that we safeguard our extensive geographical and sector diversification.

- **Dorval Global Convictions Patrimoine** is rated category 3 on the risk-return scale.

Inception date: June 22, 2018	I unit	R unit	N unit
ISIN code	FR0013333846	FR0013333838	FR0013333820

[1] Risk and return indicator: 1 is low but not zero risk, 7 is the highest risk. With a lower risk comes a potentially lower return; conversely the higher the potential return, the higher the risk will be.

- **Dorval Global Convictions** is rated category 4 on the risk-return scale.[2]

Inception date: December 15, 2008	I unit	R unit	N unit
ISIN code	FR0010690974	FR0010687053	FR0013307626

Disclaimer:

Figures refer to past years. Past performances are not a reliable indicator of future performances.
As with any investment, the funds managed by Dorval Asset Management present a risk of capital loss and the return of invested capital is not guaranteed.

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About Dorval Asset Management

Dorval Asset Management: Bringing value to your values

Dorval Asset Management is a management company recognized in the areas of flexible wealth management strategies and stock-picking in European equities.
Approved by the French Financial Markets Authority (AMF) since 1993, 88.7% of its capital is held by Natixis Investment Managers and 11.3% by its employees. Dorval Asset Management

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implements conviction-based wealth management, characterized by active management removed from indices.

Dorval Asset Management offers an SRI philosophy across three fund ranges classified SFDR 8 or 9.

- The SRI-accredited Global Convictions range offers a complementary alternative to traditional general account investments and sovereign bonds.
- The SRI-accredited Convictions range is an active and responsible investment range that adapts to the European equities environment by adjusting risk to the macro-financial environment.
- The SRI-accredited Manageurs range is built on shareholder dialogue, drawing on a practical and collaborative approach in our role as shareholder. Corporate governance is a central plank of socially responsible investment in this range as we support a responsible economy.
- Lastly, our climate range with the Dorval European Climate Initiative fund, the first fund classified SFDR 9 and addressing the Climate theme. The fund carries the French SRI accreditation and is undergoing the Greenfin certification process.

Thanks to its partnership, Dorval Asset Management's products and services are marketed by Natixis Investment Managers international distribution platform and Groupe BPCE's French banking networks. Dorval Asset Management had close to 1.4 billion euros in assets under management as at December 31, 2021.

About Natixis Investment Managers

Natixis Investment Managers' multi-affiliate approach connects clients to the independent thinking and focused expertise of more than 20 active managers. Ranked among the world's largest asset managers[1] with nearly $1.4 trillion assets under management[2] (€1,199.4 billion), Natixis Investment Managers delivers a diverse range of solutions across asset classes, styles, and vehicles, including innovative environmental, social, and governance (ESG) strategies and products dedicated to advancing sustainable finance. 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 wholly owned by Natixis. Natixis is a subsidiary of BPCE, the second-largest banking group in France. Natixis Investment Managers' affiliated investment management firms include AEW; Alliance Entreprendre; AlphaSimplex Group; DNCA Investments;[3] Dorval Asset Management; Flexstone Partners; Gateway Investment Advisers; Harris Associates; Investors Mutual Limited; Loomis, Sayles & Company; Mirova; MV Credit; Naxicap Partners; Ossiam; Ostrum Asset Management; Seeyond; Seventure Partners; Thematics Asset Management; Vauban Infrastructure Partners; Vaughan Nelson Investment Management; 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 atim.natixis.com | LinkedIn: 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 U.S. registered investment companies for which advisory services are provided by affiliated firms of Natixis Investment Managers, Natixis Investment Managers S.A. (Luxembourg), Natixis Investment Managers International (France), and their affiliated distribution and service entities in Europe and Asia.

[1] Cerulli Quantitative Update: Global Markets 2021 ranked Natixis Investment Managers as the 15th largest asset manager in the world based on assets under management as of December 31, 2020.

[2] Assets under management ("AUM") as of September 30, 2021 are $1,390 billion. AUM, as reported, may include notional assets, assets serviced, gross assets, assets of minority-owned affiliated entities and other types of non-regulatory AUM managed or serviced by firms affiliated with Natixis Investment Managers. Excluding H2O Asset Management.

[3] A brand of DNCA Finance.

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