Macro-economic press release – June 25,2019

Questioning the soft landing scenario

Here at Dorval Asset Management, we believe that the cycle has been in the maturity stage since autumn 2017, judging by the economic and market environment, which is characterised by ongoing world growth set against a gradually increasing likelihood of a cyclical downturn or even a recession in some countries. As the cycle reaches a peak and makes visibility more hazy, we have cut back our equity exposure rate in our flexible funds over the past almost two years, and now maintain this cautious approach, although some windows of opportunity may open.

Risk of end to expansion cycle in the US

In the absence of a financial crisis and with current inflation strikingly sluggish, a soft landing for the world economy in 2019 seems to be a feasible scenario. However, this prospect is still subject to a vast 'stress test' in the shape of waning US fiscal stimulus, the crisis that has taken hold in the key automotive and semi-conductors sectors due to these industries' transition, and – last but most definitely not least – a near recession in world trade, which has been thrown out of kilter largely by the US administration's policy. Looking to this side of the pond, falling German exports and the country's automotive sector crisis have already severely hampered its GDP growth. In the US, some research indicates that Trump's tariff hikes have already cancelled out a large chunk of US households' gains from the tax cuts waved through in 2017. Lastly, the yield curve has inverted slightly, which could be the harbinger of an impending recession. So, there is now a real question as to whether the longest US growth cycle in history is about to come to an end.

Powerful factors act as counterweight to recessionary forces

This turnaround in the cycle is possible, especially if Donald Trump decides to further lengthen the list of goods hit by border duties, but it is definitely not set in stone, as:

- Trump can always do what he did with Mexico and decide to hit the pause button on his threat of extending tariffs to the approximately $300bn in Chinese goods that are thus far unaffected by border duties: these include a lot of consumer goods. The president will need a strong economy to prop up his re-election campaign, which is set to be tough as his approval ratings fall short. His border tax policy has met with little enthusiasm in the US, with households beginning to see it as a risk factor, while in the business world more and more companies are criticising this approach.

- The near-recession for both industry and trade in developed countries has not spread to the rest of the economy – or at least not yet – and purchasing power gains are shoring up consumer spending on the back of higher wages and oil prices sitting 15% below the 2018 average. We are also seeing some moderate fiscal easing in Europe, especially in France. Meanwhile, the most domestic sectors of the economy, such as construction and real estate-related services, are still buoyed by very positive financial conditions, such as the ECB's mighty TLTRO program in Europe. The combination of these factors, plus a sharp drop in long-term rates and a shift in monetary policy direction act to provide a powerful counterbalance to recessionary forces. Even Italy – always a source of concern for observers – is still seeing a continuation in domestic reflation, as shown by the very positive climate in the building sector. Looser and better-tailored economic policy management is thus making developed economies more resilient.

- Lastly looking to China and other emerging markets, policy efforts to stabilise growth are well under way. The Chinese authorities are aiming to keep growth at 6% at least this year via gradual support from monetary and fiscal policy, and they look set to meet this goal. Meanwhile, the turnaround in the US short-term rate cycle means that some countries such as India, Russia and Indonesia can cut back their interest rates again, after having to hike them in 2018.

Stabilised equity markets, and opportunities if world growth holds up

The advanced maturity of the economic cycle has led to a significant deterioration in the risk/return ratio on the equity markets since the end of 2017. The main stock-market indices currently stand at the same mark as 18 months ago, but there has been a number of – sometimes dramatic – corrections. These market moves have sent a lot of investors spiralling into a state of pessimism that could turn out to be excessive or premature if the world economy actually holds up in the end. Today's situation is very different to the start of 2018, which featured a dangerous degree of euphoria. Support from the central banks, higher equity risk premiums and plummeting long-term rates have ended up stabilising the market. Opportunities have also emerged, especially on some European small- and mid-caps. Dorval AM will continue to seek out these openings in the digitalisation of the economy and energy transition themes, as well as in consumer spending driven by purchasing power gains. In our more defensive international funds, Dorval AM pursues geographical and sector diversification, with a focus at this stage on baskets of companies with steady growth, while we also play European monetary reflationary stimulus with Southern European bonds, especially in Italy.

About Dorval Asset Management

Dorval Asset Management: Flexibility with conviction

Dorval Asset Management is a management company recognised in the areas of flexible wealth management strategies and stock-picking in European equities. These strategies aim to safely navigate stock market cycles and to perform in the long term. Approved by the French Financial Markets Authority (AMF) since 1993, 50.1% of its capital is held by Natixis Investment Managers and 49.9% by its employees. Dorval Asset Management implements conviction-based wealth management, characterised by active management removed from indices. With the conviction that a flexible approach is needed to provide high-quality management for its clients in the current market environment, the management team offers flexible wealth management, reflecting its corporate DNA. Dorval Asset Management offers a range of ten complementary funds: a European equities range made up of Dorval Manageurs, Dorval Manageurs Europe, Dorval Manageurs Euro and Dorval Manageurs Small Cap Euro, and a flexible range made up of Dorval Convictions, Dorval Convictions PEA, Dorval Global Convictions, Dorval Global Convictions Patrimoine, and Dorval Emerging Market Convictions. Thanks to its partnership Dorval Asset Management's products and services are marketed by Natixis Investment Managers international distribution platform and the BPCE Group's French banking networks. Dorval Asset Management had 2 billion in assets under management at 31 May 2019.

> Follow Dorval Asset Management at

Press contact Dorval Asset Management:
Gaëlle GUILLOUX Tel.: +33(1) 44 69 90 45 M: +33(6) 78 43 94 09
Mail : gaelle.guilloux@dorval-am.com

About Natixis Investment Managers

Natixis Investment Managers serves financial professionals with more insightful ways to construct portfolios. Powered by the expertise of 24 specialized investment managers globally, we apply Active Thinking® to deliver proactive solutions that help clients pursue better outcomes in all markets. Natixis Investment Managers ranks among the world's largest asset management firms1 with $960.3 billion / €855.4 billion AUM.2 Headquartered in Paris and Boston, Natixis Investment Managers is a subsidiary of Natixis. Listed on the Paris Stock Exchange, Natixis is a subsidiary of BPCE, the second-largest banking group in France. Investment solutions are also offered through Natixis Advisors and Dynamic Solutions. Not all offerings available in all jurisdictions. For additional information, please visit Natixis Investment Managers' website at im.natixis.com | LinkedIn: linkedin.com/company/natixis-investment-managers. Natixis Investment Managers' distribution and service groups include Natixis Distribution, L.P., a limited purpose broker-dealer and the distributor of various registered investment companies for which advisory services are provided by affiliated firms of Natixis Investment Managers, and Natixis Investment Managers S.A. (Luxembourg) and its affiliated distribution entities in Europe and Asia.

Provided by Natixis Investment Managers International – 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.

[1] Cerulli Quantitative Update: Global Markets 2018 ranked Natixis Investment Managers as the 16th largest asset manager in the world based on assets under management as of December 31, 2017.

Press contact Natixis Investment Managers
Samia Hadj: Tel.: +44 (0)203 405 4206
Mail: samia.hadj@natixis.com

[2] Net asset value as of March 31, 2019. Assets under management ("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.