

PRESS RELEASE

Paris, December 5, 2018

Volatility will require agility in 2019

2018 was a year packed full of macroeconomic twists and turns, such as the agonizing Brexit negotiations and a severely weakened Italian economy, and Natixis Investment Managers' affiliate Ostrum Asset Management believes that these risks are set to continue through into 2019. If the European Central Bank sticks to monetary policy accommodation and does not hike rates next year, the equity markets should see a transitory downtrend in the first half.

The world will be more diverse and less synchronized in 2019

2019 will be a year of slowing growth across the globe. *"Growth worldwide is set to slow in 2019, but Asia will remain a hub of robust growth"*, notes Philippe Waechter, Chief Economist at Ostrum AM. Growth in both France and the euro area as a whole is set to move towards its potential rate, after the cycle hit a peak in 2017. Meanwhile, we should not expect any rate hikes from the ECB and according to Philippe Waechter *"The central banks now want to keep long-term rates low to rein in risks on the economy"*. Looking across the pond, the Fed seems determined to go it alone with an additional rate hike as it seeks to curb imbalances triggered by the White House's policy. Alongside this, inflation seems to have hit a peak in October 2018 primarily as a result of lofty oil prices, but they have now taken a downturn again and are short of or close to figures seen over the same period in 2017, so their contribution to inflation figures should fall significantly and automatically push down the cost of living. The US' more lax attitude on Iranian oil purchases by China and India in particular along with rising US output have set the stage for a sharp drop in oil prices.

Political uncertainties poised to hit all asset classes

The most worrying threat that Ostrum AM's experts expect in Europe remains Italy, due to the risk of volatility in the cost of Italian debt with the role of ratings agencies, the attitude from non-resident investors and the Italian government's ability to accept Brussels' directives. *"Italy remains the main risk factor in the euro area markets with the economic slowdown"*, states Axel Botte, Head of Equity and Fixed Income strategy at Ostrum AM. The slowdown is already making its presence felt on the credit market, although flows are set to balance out again next year. Investment grade spreads have returned to their 5-year average. On the equity market, Axel Botte expects continued high volatility in 2019, with the so-called fear gauge – the VIX – above 20%. Brexit and the forthcoming European elections also point to a risk of downtrend in the first half of the year. *"Against this backdrop, defensives should continue to outperform in 2019"*, notes Axel Botte. Ostrum AM will therefore focus on a resolutely selective asset allocation approach at the start of the year, with an emphasis on safeguarding capital.

Ostrum AM reasserts its strategy and its pledge to responsible investment management in 2019

2018 was a pivotal year for Ostrum AM with our new brandname and a renewed focus on our long-standing fixed-income experience, focused equity capabilities and renowned insurance expertise. Ostrum AM has set four key targets for 2019 as we continue to provide clients with the best investment outcomes:

- **Enhance our long-standing fixed-income expertise** by focusing on our flagship funds, 81% of which are rated in the first or second quartile by Morningstar¹.
- **Offer our clients a more differentiating conviction-driven equity investment approach** and develop new strategies, facilitated by the recent appointment of Jean-Louis Scandella as Global Equity CIO in April.
- **Provide alternative investment strategies** to address the needs of institutional investors, with a structured debt range in the US, and also a real asset private debt offer in the real estate, infrastructure and aviation sectors managed by Denis Prouteau, with the aim of achieving assets of €6bn on this asset class out to 2020 by rolling out this expertise in the US and Asia right from 2019.
- **Renew our responsible investment commitments:** *“We include ESG criteria in all our investment processes apart from private debt, equating to €254bn in AuM”*² notes Ibrahima Kobar, Deputy Chief Executive Officer and Global CIO at Ostrum AM. With more than €60bn in assets already managed for large institutional clients on the basis of SRI criteria, Ostrum AM plans to extend the range of responsible funds in 2019. *“Our excellent UN PRI³ scores confirm our high-quality approach and our strong commitment”* he adds.

¹ Morningstar – 3-year rating of Ostrum AM’s open-end fixed income funds – 09/30/2018 / Methodology available at morningstarpro.fr

² Source: Ostrum AM at 10/01/2018 – or 96% of AuM.

³ United Nations Principles for Responsible Investment

About Ostrum Asset Management

Ostrum Asset Management has been committed to helping clients to provide for their future and to achieve other long-term goals, for more than 30 years. Our fund managers combine high-quality proprietary research with stringent risk analysis at each stage of the investment process to drive their decisions and deliver the highest quality outcome for clients.

Based in Europe, with a local presence in the United States¹ and Asia², Ostrum Asset Management provides a full range of high-performance active fundamental fixed-income and equity expertise along with insurance investment management solutions, to address investors’ needs worldwide.

Ostrum Asset Management ranks among the leading European asset managers³ with €265.1 billion in assets under management⁴ for institutional clients, individual investors and distributors. Ostrum Asset Management is an affiliate of Natixis Investment Managers.

Ostrum Asset Management, Funding your tomorrow.

1. US via Ostrum Asset Management U.S., LLC, limited liability company, registered as an investment adviser with the SEC.

2. Asia via Ostrum Asset Management Asia Limited – Registered as a fund management company with the Monetary Authority of Singapore – Ostrum Asset Management subsidiary.

3. IPE Top 400 Asset Managers 2018 ranked Ostrum Asset Management, previously Natixis Asset Management, as the 52nd largest asset manager, as at 12/31/2017.

4. Ostrum Asset Management – 10/01/2018. The change in AuM since June 30, 2018 is a result of the Investment and Client Solutions business (including employee savings management) leaving the Ostrum Asset Management business scope.

About Natixis Investment Managers

Natixis Investment Managers serves financial professionals with more insightful ways to construct portfolios. Powered by the expertise of 26 specialized investment managers globally, we apply Active ThinkingSM to deliver proactive solutions that help clients pursue better outcomes in all markets. Natixis ranks among the world's largest asset management firms¹ with more than \$1 trillion assets under management² (€861 billion AUM). 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. For additional information, please visit the company's website at im.natixis.com | LinkedIn: [linkedin.com/company/natixis-investment-managers](https://www.linkedin.com/company/natixis-investment-managers).

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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.

2. Net asset value as at September 30 2018, Assets under management ("AUM"), as reported, may include notional assets, assets serviced, gross assets and other types of non-regulatory AUM.

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