

NXS Indices

Dynamic Generation

ALTERNATIVE ASSETS

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JANUARY 2017

NXS BE-AIR INDEX

Bearish alternative investment replication

INTRODUCTION

The objective of the NXS Be-AIR Index is to provide returns inverse to the hedge funds indices, while being exposed to liquid assets. The diversification provided by its various components aims to reduce risks and enable investors to obtain a smooth performance of their portfolio. The NXS Be-AIR Index mimics inversely hedge funds returns so it represents a simple way to protect a hedge funds portfolio against major crisis.

OVERVIEW

The NXS Be-AIR Index follows a strategy mainly based on the processing of a sophisticated statistical model designed by the Cross Asset Team dedicated to hedge funds universe. The dynamic modelling aims at capturing the changes of markets' exposures and their nonlinearity observable within the risks structure of hedge funds as well as the tactical and strategic bets made by the fund managers over time. The strategy is exposed to a universe of diversified market factors, covering commodities, currencies, equities, bonds and real estate. The market value of the index is calculated and reported on a daily basis. The index is comparable to a hedge funds index published by HFR, the HFRX Global Hedge Fund Index (EUR).

RATIONALE

Hedge funds performances are generated by:

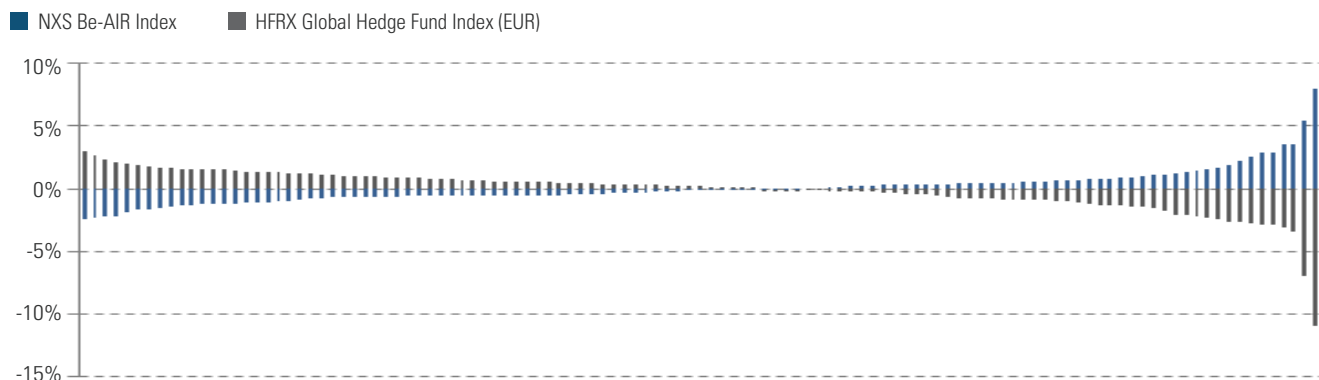
- the alpha stemming from stock-picking and market timing implemented by the hedge fund manager – this part of the performance tends not to be correlated to standard asset classes;
- the beta, stemming from systematic and stable exposures to market risks (commodities, currencies, equities, bonds and real estate). The beta can be reproduced by mechanically recreating the exposure of the hedge funds industry to their underlying markets.

As a result, hedge funds performances could suffer from crisis or drawdowns in the markets. However, the accumulated past earnings can be protected by taking exposure tactically to the NXS Be-AIR Index.

CHARACTERISTICS

Currency	EUR	Calculation/Publication Agent	Natixis
Launch Date	18 Dec. 2008	Bloomberg Ticker	NXSBEAIR Index

COMPARISON⁽¹⁾ BETWEEN NXS BE-AIR INDEX⁽²⁾ AND HFRX GLOBAL HEDGE FUND INDEX (EUR)⁽³⁾



Past performances are not an indicator nor a guarantee of future results.

(1) Sorted by decreasing monthly returns on the HFRX Global Hedge Fund Index (EUR)

(2) NXS Be-AIR Index has been backtested from 02 Apr. 2004 to 17 Dec. 2008

(3) Bloomberg ticker: HFRXGLE Index

Sources: Bloomberg & Natixis

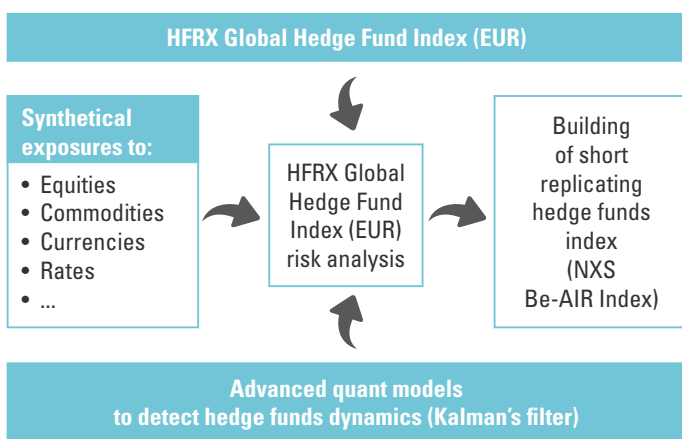
GLOBAL MARKETS

INVESTMENT PROCESS

Hedge funds risks structures

- Hedge funds cannot be directly replicated but their risks structures can be explained by advanced quantitative models.
- Dynamic allocation across various asset classes that are both liquid and investable such as currencies, equities, commodities, etc.

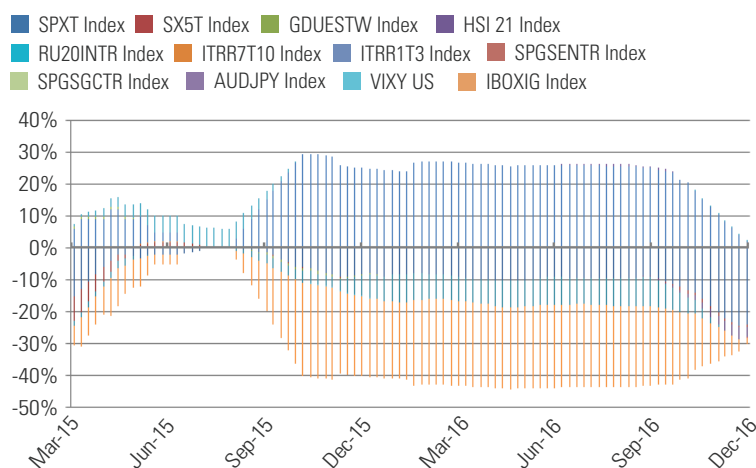
Building of short replicating hedge funds index



Portfolio construction

- On a weekly basis, the index takes into account new available information regarding both HFRX Global Hedge Fund Index (EUR) and their factors returns to estimate new components' weightings.
- The rebalancing is implemented every Thursday on the closing prices of each component.
- On a daily basis, the NAV of the index is calculated and published based on the official closing levels of the factors.

Evolution of the risk structure of the hedge funds replicating index



Underlyings the NXS Be-AIR Index can be exposed to:

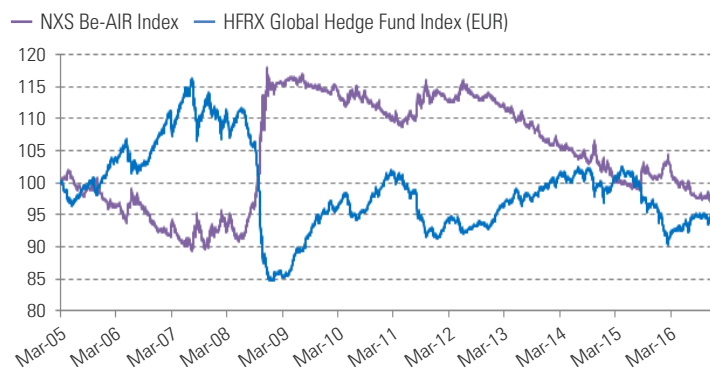
- SPXT Index – S&P 500® Total Return Index
- SX5T Index – EURO STOXX 50® Net Return Index (EUR)
- HSI 21 Index – Hang Seng China Enterprises Total Return Index
- EWZ US Equity – iShares MSCI Brazil Capped ETF
- SPGSGCTR Index – S&P GSCI Gold Index Total Return CME
- AUDJPY Curncy – Australian Dollar/Japanese Yen Cross
- VIXY US Equity – ProShares VIX Short-Term Futures ETF
- GDUESTW Index – MSCI Daily Total Return Gross Emerging Markets Taiwan USD
- RU20INTR Index – Russell 2000 Total Return Index
- ITRR1T3 Index – iBoxx USD Treasuries 1-3Y Total Return Index
- ITRR7T10 Index – iBoxx USD Treasuries 7-10Y Total Return Index
- SPGSENTR Index – S&P GSCI Energy Total Return CME
- IBOXIG Index – iBoxx \$ Liquid Investment Grade Index
- EONCAPL7 Index – Eonia Capitalization 7 day Index

PERFORMANCE ANALYSIS⁽⁴⁾

Statistics (calculated between 02 Apr. 2004 and 30 Dec. 2016)

	NXS Be-AIR Index	HFRX Global Hedge Fund Index (EUR)
Annualised Return	-0.25%	-0.29%
Annualised Volatility	4.42%	3.89%
VaR 1%	-0.79%	-0.87%
VaR 5%	-0.39%	-0.44%
Sharpe Ratio	-0.06	-0.07
Max Drawdown	-18.71%	-27.19%
Min Monthly Return	-2.46%	-10.99%
Average Monthly Return	0.06%	-0.14%
Max Monthly Return	7.99%	2.96%
Skewness	1.47	-1.26
Kurtosis	13.63	9.85
Correlation	-64.27%	

Historical Performance Comparison



Past performances are not an indicator nor a guarantee of future results.
 (4) NXS Be-AIR Index has been backtested from 02 Apr. 2004 to 17 Dec. 2008
 Sources: Bloomberg & Natixis

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