NXS Indices
Dynamic Generation

VOLATILITY/HEDGING

THIS DOCUMENT IS FOR PROFESSIONAL INVESTORS ONLY – NOT TO BE FORWARDED TO RETAIL CLIENTS **JANUARY 2017**

NXS US EQUITY CALL OVERWRITING INDEX

INTRODUCTION

Natixis has developed an overlay solution aiming at reducing volatility and drawdown when combined with a long equity investment. The Natixis US Equity Call Overwriting Index objective is to cash in the risk premia embedded in the S&P® 500 Index options by a daily systematic sale of call options. The strikes of the Options are determined on the basis of a momentum "indicator" used to detect changes in market trends. It defines its values according to technical analysis based on moving averages of relative level of the underlying.

OVERVIEW

The **Natixis US Equity Call Overwriting Index** is a risk overlay strategy aiming at reducing volatility and drawdown. It intends to cash in the risk premia embedded in the S&P® 500 Index options by a daily systematic sale of call options on the S&P® 500.

This strategy is negatively correlated to the S&P® 500 and is adjusted according to market conditions: increasing exposure in volatile markets, and reducing exposure in non-volatile markets.

Options are sold on a daily basis with a fixed maturity of 10 business days and held to expiry. The Call option strikes are equal to 102.5% in bullish equity markets and 98% in bearish equity markets.

The underlying strategy is expected both to add negative correlation to a long beta allocation and to monetize the dearness of implied volatility. Outperformance versus the benchmark is noticeable in periods of extreme economic distress. Conversely, the index performs poorly when the benchmark rallies consistently, as the strikes of the short call options move deeper in the money.

RATIONALE

Why Selling Short-Term Options?

- Selling calls monetizes the dearness of implied volatility as it is statistically higher than realized volatility while providing more gains than losses.
- Selling short term calls also optimizes the carry: reducing the call maturity and increasing the frequency of sale does not statistically increases the risk while increasing the income.

Why Variable Call Strikes?

- In bullish equity markets, the risk in short call options increases. Increasing the options strikes to 102.5% enables to mitigate the above risk.
- In bearish equity markets, the risk in short call options decreases. Decreasing the options strikes to 98% enables to cash in the dearness of the implied volatility whilst maintaining an acceptable level of risk.
- A trend following indicator determines the equity market environment (bullish of bearish).

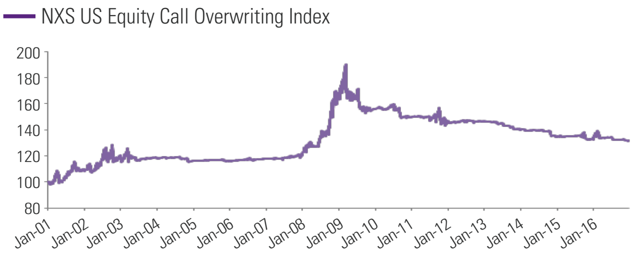
When the US equity market is bullish, the index follows an offensive approach by selling high strikes call Options.

When the US equity market is bearish, the index follows an offensive approach by selling low strikes call Options.

CHARACTERISTICS

Currency	USD	**Calculation/Publication Agent**	Natixis
Launch Date	26 Aug. 2016	**Bloomberg Ticker**	NXSHECOU Index

PERFORMANCE OF THE NXS US EQUITY CALL OVERWRITING INDEX(1)



Past performances are not an indicator nor a guarantee of future results.
(1) NXS US Equity Call Overwriting Index has been backtested from 02/01/2001 to 25/08/2016 (2) Calmar Ratio = Annualised Return/Max Drawdown in absolute value - Sources: Bloomberg & Natixis

Statistics *(calculated between 02 Jan. 2001 and 30 Dec. 2016)*

Performance	NXS US Equity Call Overwriting Index
Annualised Return	1.74%
Annualised Volatility	8.42%
1-year Return	-0.86%
Return since launch	-1.25%
Sharpe Ratio	0.21
Max Drawdown	-30.97%
Calmar Ratio(2)	0.056

DISCLAIMER

This document is for discussion and information purposes only. It is highly confidential and it is the property of Natixis. It should not be transmitted to any person other than the original addressee(s) without the prior written consent of Natixis. This document is a marketing presentation. It does not constitute an independent investment research and has not been prepared in accordance with the legal requirements designed to promote the independence of investment research. Accordingly there are no prohibitions on dealing ahead of its dissemination. The distribution, possession or delivery of this document in, to or from certain jurisdictions may be restricted or prohibited by law. Recipients of this document are therefore required to ensure that they are aware of, and comply with, such restrictions or prohibitions. Neither Natixis, nor any of its affiliates, directors, employees, agents or advisers nor any other person accept any liability to anyone in relation to the distribution, possession or delivery of this document in, to or from any jurisdiction. This Document is only addressed to Investment Professionals as set out in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or to persons regarded as professional investors under equivalent legislation under a jurisdiction of the European Economic Area. This document is not for distribution to retail client. This document is communicated to each recipient for information purposes only and does not constitute a personalised recommendation. It is intended for general distribution and the products or services described herein do not take into account any specific investment objective, financial situation or particular need of any recipient. It should not be construed as an offer or solicitation with respect to the purchase, sale or subscription of any interest or security or as an undertaking by Natixis to complete a transaction subject to the terms and conditions described in this document or any other terms and conditions. Any guarantee, funding, interest or currency swap, underwriting or more generally any undertaking provided for in this document should be treated as preliminary only and is subject to a formal approval and written confirmation in accordance with Natixis' current internal procedures. Natixis has neither verified nor independently analysed the information contained in this document. Accordingly, no representation, warranty or undertaking, express or implied, is made to recipients as to or in relation to the accuracy or completeness or otherwise of this document or as to the reasonableness of any assumption contained in this document. The information contained in this document does not take into account specific tax rules or accounting methods applicable to counterparties, clients or potential clients of Natixis. Therefore, Natixis shall not be liable for differences, if any, between its own valuations and those valuations provided by third parties; as such differences may arise as a result of the application and implementation of alternative accounting methods, tax rules or valuation models. Prices and margins are deemed to be indicative only and are subject to changes at any time depending on, inter alia, market conditions. Past performance and simulations of past performance are not a reliable indicator and therefore do not predict future results. The information contained in this document may include results of analyses from a quantitative model, which represent potential future events that may or may not be realised, and is not a complete analysis of every material fact representing any product. Information may be changed or withdrawn by Natixis at any time without notice. More generally, no responsibility is accepted by Natixis, nor by any of its holding companies, subsidiaries, associated undertakings or controlling persons, or any of their respective directors, officers, partners, employees, agents, representatives or advisors as to or in relation to the characteristics of this information. The statements, assumptions and opinions contained in this document may be forward-looking and are therefore subject to risks and uncertainties. Actual results and developments may differ materially from those expressed or implied, depending on a variety of factors and accordingly there can be no guarantee of the projected results, projections or developments. Natixis makes no representation or warranty, expressed or implied, as to the accomplishment of or reasonableness of, nor should any reliance be placed on any projections, targets, estimates or forecasts, or on the statements, assumptions and opinions expressed in this document. Nothing in this document should be relied on as a promise or guarantee as to the future. It should not be assumed that the information contained in this document will have been updated subsequent to the date stated on the front page of this document. In addition, the delivery of this document does not imply in any way an obligation on anyone to update the information contained herein at any time. Natixis shall not be liable for any financial loss or any decision taken on the basis of the information contained in this document and Natixis does not hold itself out as providing any advice, particularly in relation to investment services. In any event, you should request any internal and/or external advice that you consider necessary or desirable to obtain, including any financial, legal, tax or accounting advice, or any other specialist advice, in order to verify in particular that the investment(s) described in this document meets your investment objectives and constraints, and to obtain an independent valuation of such investment(s), and the risk factors and rewards. Natixis is authorised in France by the Autorite de controle prudentiel et de résolution (ACPR) as a Bank – Investment Services Provider and subject to its supervision. Natixis is regulated by the AMF in respect of its investment services activities. This document is not intended for distribution in the United States, or to any US person, or in Canada, Australia, the Republic of South Africa or Japan. In the UK: Natixis is authorised by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request.

In compliance with Market Abuse Regulation that came into force on 3 July 2016, please find relevant information regarding investment recommendations. This document is published outside Financial Research Department. However, as staff member of Natixis, the producer of the document may be considered as author of an investment recommendation.

Information about potential conflicts of interest within Natixis/BPCE Group: www.research.natixis.com/GlobalResearchWeb/main/globalresearch/DisclaimersSpecifiques

Policy for managing conflicts of interest: www.natixis.com/natixis/jcms/lpaz5_41313/fr/policyconflictsofinterest-january2015