



## NXS INDICES

Dynamic Generation

### THEMATIC INDEX

APRIL 2019

THIS DOCUMENT IS FOR PROFESSIONAL INVESTORS ONLY  
NOT TO BE FORWARDED TO RETAIL CLIENTS

# NXS SMART ALLOCATION GLOBAL FUNDS INDEX

*Investment across a diversified portfolio of funds*

## CHARACTERISTICS

Bloomberg Ticker	Launch Date	Currency	Geographical Area	Asset Class	Calculation/ Publication Agent
NXRSAGF Index	TBD	EUR	World	Funds	Natixis

## INTRODUCTION

The current low rate environment favours a flexible and differentiated approach to investing while remaining alert to downside risks. By not being tied to a particular equity benchmark an absolute return investment aims to produce more consistent positive returns over a given investment horizon, particularly suitable in volatile markets.

To this end, Natixis has designed the **NXS Smart Allocation Global Funds Index**. The index offers exposure to a basket of global multi-asset funds, and follows a robust, dynamic rule-based strategy with an embedded Smart Allocation mechanism, which aims to regularly allocate the same volatility budget between the funds based on their realised volatility.

## OVERVIEW

The **NXS Smart Allocation Global Funds Index** is a dynamic strategy index. It follows simple rules that dynamically weights the six funds according to their realised volatility and is rebalanced quarterly.

Additionally, the index embeds a risk management mechanism that maintains the volatility of the index at or below 4.00%.

### The portfolio is composed of 6 funds:

- Amiral Gestion - Sextant Grand Large Flexible Diversified
- Lazard - Convertible Global
- Pimco - Income Fund
- BlueBay - Investment Grade Euro Aggregate Bond
- Nordea - European High Yield Bond Fund
- Morgan Stanley - Global Opportunity Fund

## RATIONALE

While theoretical finance assumes that riskier assets should have higher expected returns, empirical evidence shows that low volatility investment portfolios can in fact produce higher absolute returns than riskier portfolios.

This 'low volatility anomaly' has been observed for over 40 years and has recently received increased interest due to the outperformance of low volatility assets. Furthermore this anomaly is expected to persist as the contributing factors creating this market inefficiency (tracking error minimisation, outperformance driven asset management, behavioural bias, etc.) are likely to continue.

The core idea of the Smart Allocation mechanism is therefore to generate higher absolute returns by providing the same risk allocation to each different asset within the portfolio.

## HISTORICAL PERFORMANCE<sup>(1)</sup> (base 100)



## Statistics (calculated between 3rd Sept. 2013 and 29 Mar. 2019)

	NXRSAGF Index
Annualised Return	7.68%
Annualised Volatility	4.11%
Sharpe Ratio	1.87
YTD	5.85%
3Y Annualised Return	5.49%
5Y Annualised Return	5.41%

Past performances and simulations of past performances are not an indicator or a guarantee of future results.

(1) NXRSAGF Index has been backtested from 3<sup>rd</sup> Sept. 2013 to 29<sup>th</sup> March 2019.

Sources: Natixis, Bloomberg

## SMART ALLOCATION MECHANISM

The **Smart Allocation Mechanism** is a methodology that focuses on allocation of volatility. Each component of the Smart Allocation Global Funds Index contributes equally to the overall volatility of the basket. This reflects a risk-based allocation where the funds are weighted in inverse proportion to their realised volatility.

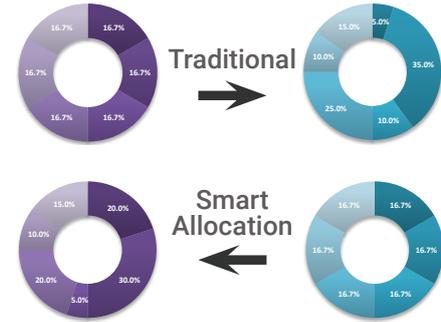
The Strategy is rebalancing on a regular basis which helps to control the risks based on the current market conditions.

The index provides exposure to the Excess Return Performance of the selection of funds, less the cost of borrowing necessary to achieve the exposure and less the Index costs.

### TRADITIONAL ALLOCATION



### SMART ALLOCATION



The Smart Allocation mechanism improves the risk-return profile of the Index versus traditional portfolios.

## RISK MANAGEMENT MECHANISM

An allocation that is cautious when the volatility of the portfolio is high...

When risk has been identified (realised volatility exceeding 4.00%), the allocation to the Portfolio of Funds is reduced and redirected to cash.

### Stable Volatility of the Fund Allocation < 4.00%

Up to 200% invested in the Fund Allocation

Invest up to 200% in the Fund Allocation

### Volatility of the Fund Allocation > 4.00%

Exposure to the Fund Allocation decreases

Less than 200% invested in the Fund Allocation

Allocation to the Fund Allocation is calculated as 4.00% / Volatility, subject to a maximum allocation of 200% and a minimum allocation of 0%

## SELECTION OF SIX FUNDS<sup>(2)</sup>

Fund 1: Amiral Gestion – Sextant Grand Large Fund	Fund 2: Lazard - Convertible Global	Fund 3: PIMCO Funds Global Investors Series PLC - Income Fund	Fund 4: BlueBay Investment Grade Euro Aggregate Bond
The Fund invests in international stocks of well establish company. The Fund can also be invested in debt securities.	The Fund invests its assets in European and global convertible bonds issued by corporations and financial institutions.	The Fund will utilize a global multi-sector strategy that is founded on the principle of diversification across a range of global fixed-income securities.	The Fund's objective is to achieve a total return in excess of the Barclays Capital Euro Aggregate Index, from a portfolio of IG rated fixed income securities.
<b>Characteristics</b>	<b>Characteristics</b>	<b>Characteristics</b>	<b>Characteristics</b>
<b>Bloomberg Ticker</b> AMSEGLA FP	<b>Bloomberg Ticker</b> OBJCONV FP	<b>Bloomberg Ticker</b> PINIEHA ID	<b>Bloomberg Ticker</b> BBIGEIB LX
<b>ISIN</b> FR0010286013	<b>ISIN</b> FR0000098683	<b>ISIN</b> IE00B80G9288	<b>ISIN</b> LU0549545142
<b>Inception Date</b> 11 July 2003	<b>Inception Date</b> 23 July 1985	<b>Inception Date</b> 30 Nov. 2012	<b>Inception Date</b> 02 Nov. 2010
<b>Assets</b> EUR 2.27bn	<b>Assets</b> EUR 2.12bn	<b>Assets</b> EUR 53.92bn	<b>Assets</b> EUR 3.07bn
<b>Annualised Perf.</b> 9.93% (incep.)	<b>Annualised Perf.</b> 6.46% (incep.)	<b>Annualised Perf.</b> 5.17% (incep.)	<b>Annualised Perf.</b> 6.53% (incep.)
<b>Asset Class</b> Mixed Alloc.	<b>Asset Class</b> Fixed Inc. - Conv.	<b>Asset Class</b> Fixed Inc. - IG	<b>Asset Class</b> Fixed Inc. - IG
<b>Geo. Focus</b> Global	<b>Geo. Focus</b> Global	<b>Geo. Focus</b> Global	<b>Geo. Focus</b> Europe
Fund 5: Nordea 1 Sicav – European High Yield Bond Fund	Fund 6: Morgan Stanley Investment Funds - Global Opportunity Fund		
The Fund invests in High Yield Bonds or fixed and Contingent Coupons, issued by companies which exercise predominantly in Europe.	The Fund's will invest primarily in growth-oriented equity securities on a global basis. The investment process will emphasize a bottom-up process.		
<b>Characteristics</b>	<b>Characteristics</b>		
<b>Bloomberg Ticker</b> NIMEHYB LX	<b>Bloomberg Ticker</b> MSGOPAH LX		
<b>ISIN</b> LU0141799097	<b>ISIN</b> LU0552385618		
<b>Inception Date</b> 18 Jan. 2002	<b>Inception Date</b> 30 Nov. 2010		
<b>Assets</b> EUR 4.46bn	<b>Assets</b> EUR 6.89bn		
<b>Annualised Perf.</b> 7.86% (incep.)	<b>Annualised Perf.</b> 12.94% (incep.)		
<b>Asset Class</b> Fixed Inc. - HY	<b>Asset Class</b> Equity		
<b>Geo. Focus</b> Europe	<b>Geo. Focus</b> Global		

(2) As of 29 March 2019

Sources: Natixis, Bloomberg

## DISCLAIMER

This document is for discussion and information purposes only; it is highly confidential, the property of Natixis and intended solely for the use of the addressee(s). It should not be transmitted to any person(s) other than the original addressee(s) without the prior written consent of Natixis (which term includes any of its branches). This document 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. The 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 accepts any liability to anyone in relation to the distribution, possession or delivery of this document in, to or from any jurisdiction. 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 guaranty, funding, interest or currency swap, underwriting and 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 performances and simulations of past performances 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 may be withdrawn by Natixis at any time without notice. More generally, no responsibility is accepted by Natixis nor any of its holding companies, subsidiaries, associated undertakings or controlling persons, nor 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 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, express 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 hereof. 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 for 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), its risks factors and rewards. Natixis and its holding entities, affiliates, employees or clients may have interest or possess or acquire information in any products, markets, indices or securities mentioned in this document that could be material and/or could give rise to a conflict of interest or potential conflict of interest. This may involve activities such as dealing in, holding, acting as market makers, or performing financial or advisory services in relation to any products, markets, indices or securities mentioned in this document. Natixis has no obligation to disclose such activities or information or other potential and actual conflicts of interest and may engage in any such activities without regard to the products, markets, indices or securities mentioned in this document or the effect that such activities may directly or indirectly have on those products, markets, indices or securities. Natixis reserves the right to record, exchange, analyse and use relevant information about you and your relationships with any affiliates of Natixis (including the nature of your transactions) for combating money laundering and terrorists financing as well as for credit assessment, market research, insurance and administrative purposes including back office management. This may include information provided by you, or someone acting on your behalf. Relevant information may also be exchanged with members of the Natixis group and others, for audit or compliance purposes and if required by appropriate governmental and non-governmental regulators as well as in accordance with applicable laws and regulations. Natixis is authorised in France by the Autorité de contrôle 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 Ireland or the Republic of South Africa.

### Selling Restriction:

**Notice to China (PRC) Investors:** The Product may not be offered or sold directly or indirectly within the borders of the People's Republic of China ("PRC" which, for such purposes, does not include the Hong Kong or Macau Special Administrative Regions or Taiwan). Natixis, or the offering material or information contained herein relating to the Product, which has not been and will not be submitted to or approved/verified by or registered with any relevant governmental authorities in the PRC (including but not limited to the China Securities Regulatory Commission), may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Product in the PRC. The offering material or information contained herein relating to the Product does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. The Product may only be offered or sold to PRC investors that are authorized to engage in the purchase of Product of the type being offered or sold. PRC investors are responsible for obtaining all relevant approvals/licenses, verification and/or registrations themselves from relevant governmental authorities (including but not limited to the China Securities Regulatory Commission, the State Administration of Foreign Exchange and/or the China Banking Regulatory Commission), and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or foreign investment regulations. **Notice to Residents in Hong Kong:** In Hong Kong this document is for distribution to professional investors only (as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made under that Ordinance). **Notice to Residents in Korea:** 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 2001 or to persons regarded as professional investors under equivalent legislation under a jurisdiction of the European Economic Area or to institutional investors that are duly licensed to purchase offshore loans under the Korean Foreign Exchange Regulation. This Document may not be acted upon by any other person. Please notify Natixis or Natixis Asia immediately if you are not an Institutional Investor and receive this document in error. **Notice to Taiwan Investors:** The Product may not be sold or offered to Taiwan resident investors or in Taiwan unless they are made available, (i) outside Taiwan for purchase by such investors outside Taiwan and/or (ii) investors are authorized to engage in the purchase of product in accordance with applicable laws. For Professional Institutional Investors only pursuant to the Taiwan Rules Governing Offshore Structured Products. **Notice to Singapore Investors:** This document is distributed in Singapore by Natixis Singapore branch, which is regulated by the Monetary Authority of Singapore. This document is intended solely for distribution to Institutional Investors, Accredited Investors and Expert Investors as defined in Section 4A of the Securities and Futures Act of Singapore. No sale of the Notes should be allowed unless such sale is made to an "institutional investor", "relevant person" or any person pursuant to an offer under Section 275(1A) of the SFA. **Notice to Japan Investors:** This document is distributed in Japan by Natixis Japan Securities Co., Ltd., which is regulated by the Financial Services Agency Japan. This document is intended solely for distribution to Professional Investors as defined in Article 2 of the FIEA.



### Equity Solutions

ICC Level 72  
1 Austin Road West  
Kowloon, Hong Kong  
[www.natixis.com](http://www.natixis.com)

