



## NXS INDICES

Dynamic Generation

### RISK PREMIA INDEX

AUGUST 2023

PURELY INFORMATIVE AND PROMOTIONAL DOCUMENT

# NXS DUAL MOMENTUM MULTI ASSET VT 4% INDEX

*Multi asset investable index*

## CHARACTERISTICS

Bloomberg Ticker	Back testing Start Date	Currency	Return	Geographical Area	Asset Class	Calculation/ Publication Agent
NXSHDMV4 Index	01/08/2000	USD	Excess Return	World	Multi Asset	Natixis

## INTRODUCTION

The **NXS Momentum Dual Multi Asset VT 4% Index ("DMV4")** is a strategy that is transparent, investable and scalable.

It targets regular returns throughout the market cycles by dynamically rebalancing a multi asset portfolio based on recent performance trends.

**The global universe of the Index covers 4 asset classes: Equity, Fixed Income, Forex and Commodities, and references 34 market indices** (with 17 long rolling indices, each of them mirrored with its corresponding short index).

The index follows a **dynamic** strategy with an allocation to the **top 10 best performing indices (indifferently being long or short indices)**.

Hence, the index allocation may evolve over time and composed exclusively with long indices, or with short indices, or a mix of them.

The dynamic allocation framework is intended to **build a diversified portfolio providing performance in an uncertain environment**.

## OVERVIEW

The **DMV4 Index** is built on four principles: Diversification, Momentum, Risk Management, Transparency & Liquidity.



### DIVERSIFICATION

**Index allocation among:**

- 4 asset classes (Fixed income, Equities, Commodities, Forex)
- 3 regions (US, Europe, Japan)



### MOMENTUM

The index is dynamically exposed to the 10 components with the strongest trends (indifferently for upward or downward movements).



### RISK MANAGEMENT

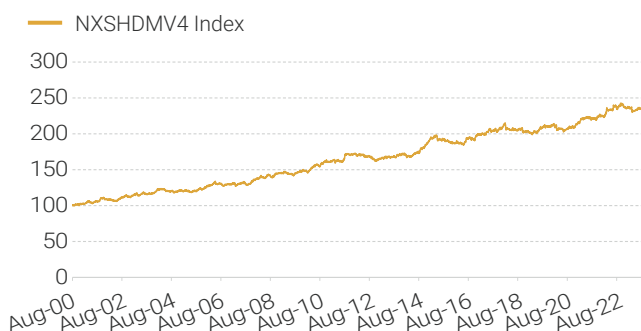
The index uses a 3-step Risk Management mechanism to target a reasonable and predefined level of volatility on the basis of equal risk contribution by each selected component.



### TRANSPARENCY AND LIQUIDITY

- Transparent: a systematic and rule-based strategy
- Investable and scalable: to maintain liquidity, even in the case of large portfolios

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



Statistics (calculated between 1<sup>st</sup> August 2000 and 31<sup>st</sup> Aug. 2023)

	NXSHDMV4 Index
Annualised Return	3,77%
Annualised Volatility	3,80%
Sharpe Ratio	0,99
10Y Annualised Return	3,46%
3Y Annualised Return	3,94%
YTD	-0,33%
Max Drawdown	-7,37%

Past performances and simulations of past performances are not an indicator or a guarantee of future results. Performance is calculated net of fees.

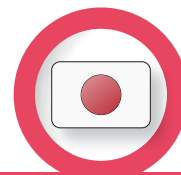
(1) Past performance was backtested from 1<sup>st</sup> August 2000 to 23 Sept. 2022.

Sources: Natixis, Bloomberg.



## INVESTMENT UNIVERSE: 34 COMPONENTS, ACROSS 4 ASSET CLASSES

The **DMV4 Index** allows investors to get a diversified exposure representative of global market trends. Diversification through several regions and assets allows a portfolio to mitigate risk exposure to a specific market. **Components are either based on long or short future rolling strategies.**



### Fixed Income

- CBOT 2Y US Treasury Note Futures (L/S)
- CBOT 10Y US Treasury Note Futures (L/S)
- CBOT 30Y US Treasury Note Futures (L/S)
- EUREX Euro Schatz Futures (L/S)
- EUREX Euro Bund Futures (L/S)
- Gilt 10Y Futures (L/S)
- Osaka 10Y Japanese Government Bond Futures (L/S)



### Equities

- S&P 500 Index Futures (L/S)
- Nasdaq 100 Index Futures (L/S)
- EUREX DAX Index Futures (L/S)
- EUREX Euro STOXX 50 Futures (L/S)
- Footsie Futures (L/S)
- Osaka Nikkei 225 Index Futures (L/S)



### Forex

- EUR/USD FX 1M Forward (L/S)



### Commodities

- S&P GSCI Precious Metals ER Index (L/S)
- S&P GSCI Energy ER Index (L/S)
- S&P GSCI Industrials Metals ER Index (L/S)

## PORTFOLIO CONSTRUCTION: THE MOMENTUM SELECTION

The **DMV4 Index** seeks to derive returns from assets with a positive price trend. The performance of the **DMV4 Index** is driven by the 10 components that have the best recent performance within the universe.

### Momentum Score Calculation



Every month and for each component, a "Momentum Score" based on the average of the past 60-day returns and 120-day returns is calculated.

### Top 10 Selection



The 10 components with the highest "Momentum Score" are selected, with at least one component per asset class and a Momentum Score respectively above (below) a given threshold for respectively long (short) components.

## RISK MANAGEMENT MECHANISM: EQUAL RISK CONTRIBUTION

The **DMV4 Index** uses a 3-step Risk Management mechanism.

Firstly, on a monthly basis, the portfolio risk is divided equally across the 10 best performers. It uses a technique called Equal Risk Contribution (ERC), which targets a portfolio with a maximum volatility of 4.00% and a maximum leverage of 200%. The ERC principle is that each component has the same contribution to the portfolio risk.

Secondly, on a daily basis, as an additional protection and in order to limit negative performance in extreme market conditions, a risk control mechanism is used. It ensures that the volatility will remain close to the 4.00% target by temporarily reducing the exposure in situations where the volatility of the ERC portfolio exceeds 4%.

Thirdly, in case the short term realized volatility of the strategy differs from the Vol Target level due to the aforementioned risk control mechanism, an additional factor is applied to the exposure so as to insure that such realized volatility remains as close as possible to 4%.

### Equal Risk Contribution



Each constituent has the same contribution to the portfolio risk.

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