

Market Review

Global Market Strategy, NIM Solutions

July 2023

Macroeconomic developments

The preliminary estimates for Q2.23 GDP growth revealed several surprises both in the United States and the Eurozone. In the US, growth exceeded consensus expectations and came in at 2.4% (in annualized terms), accelerating from the 2.0% pace in Q1.23. The increase was primarily explained by a robust domestic demand which was supported by both household consumption and business investment. Considering this new release, GDP growth carry over for 2023 now stands at 1.8%. Noteworthy also was that the level of excess savings kept falling. Based on a methodology proposed by the Fed, excess savings declined to \$162 bn at the end of Q2.23, down from \$358 bn in the previous quarter.

Moreover, flash estimates showed that Eurozone economy grew by 0.3% in Q2.23, slightly above market consensus. In addition, the region avoided falling into technical recession after its Q1.23 growth estimate was revised 0.1 percentage points higher to 0.0%. However, the region's growth pace is divided into two speeds. While France and Spain grew by 0.5% and 0.4% respectively, Germany was flat, and Italy fell 0.3%. This dichotomy is a direct consequence of the slowdown witnessed in the industrial sector, as well as the still solid service sector (which remains in expansionary territory as reflected by the PMI surveys). It should be noted, however, that growth in the French economy was exclusively driven by exports of goods, a fragile component particularly in a context of declining international trade flows.

For now, business surveys do not point to an acceleration in Eurozone's activity in Q3.23. Business and consumer confidence surveys are not improving, and the construction sector is at half-throttle in most European countries. Nevertheless, the US construction sector is showing some signs of recovery, but only in the residential sector where the number of available homes remains low, which is limiting significant price adjustments to the downside. On the inflation front, price growth fell significantly in June. The US headline consumer price index came in at 3.0% YoY compared to 4.0% in May, and core inflation came down to 4.8% YoY from 5.3%. In Europe, the harmonised indices of consumer prices (HICP) came in at 5.5% YoY versus 6.1% in May. However, core inflation eased only marginally, falling just

0.1 percentage points to 6.8% YoY. After pausing in May, inflation in the services sector rose again in June and supported core inflation, which remains well above the level targeted by the European Central Bank (ECB).

Unsurprisingly, the major central banks raised their key interest rates by 25 basis points. The ECB's main refinancing rate stands now at 4.25% and the Federal Reserve (FED) funds rate stands at the 5.25% to 5.50% range. Jerome Powell and Christine Lagarde stressed that progress had been made in the fight against inflation and did not rule out the possibility of a pause depending on the direction of the incoming data throughout summer. The big surprise came from the Bank of Japan (BOJ), which, although it kept its key rate in negative territory at -0.1%, it loosened its yield curve control policy and pledged "greater flexibility". As such, while the BOJ made no changes to the 10-year yield allowance band, it watered down the band to a "reference" rather than a "rigid limit," stating it will allow the yield to move above the 0.5% cap provided it stays below 1.0%. The immediate consequence of this decision was the rise in Japanese government yields and the appreciation of the YEN.

Market reaction

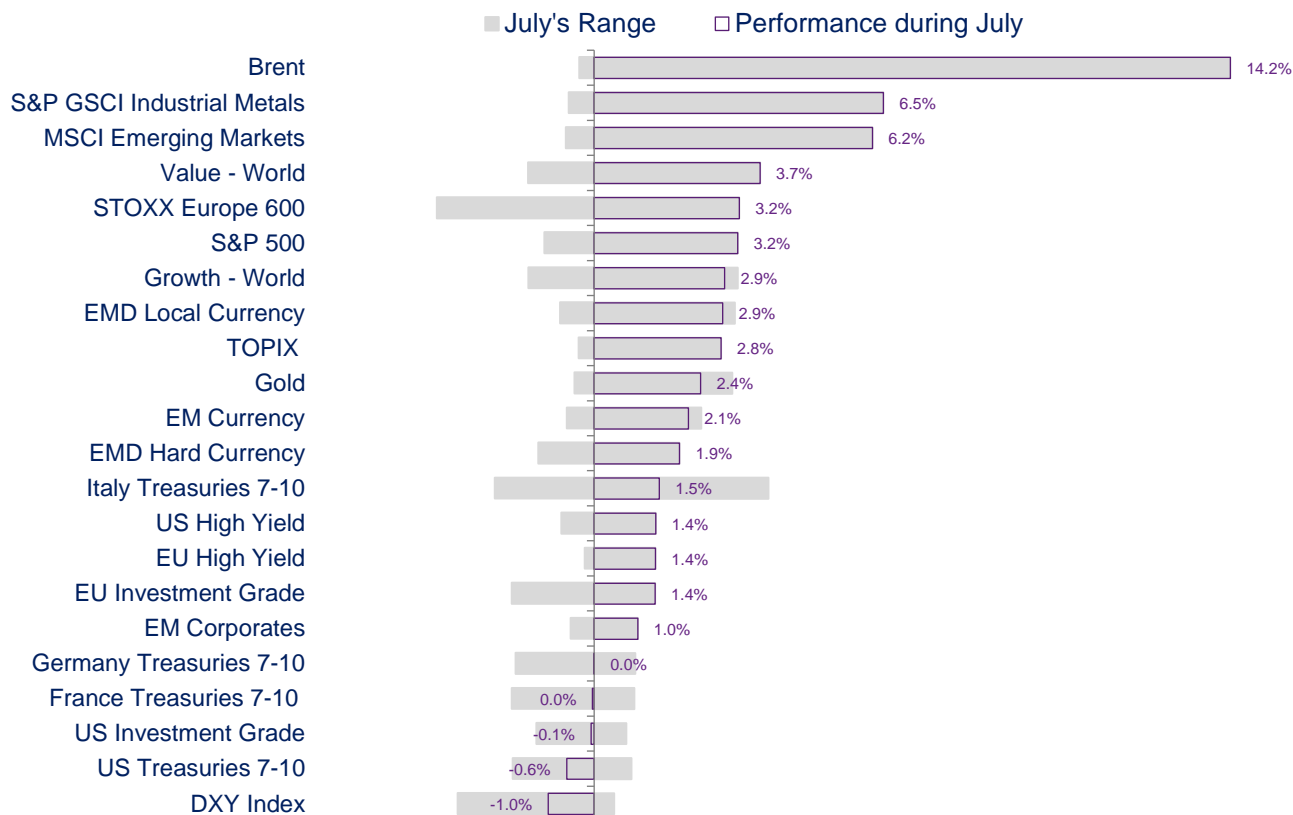
Market sentiment stayed positive in July, with most risky assets posting positive returns over the month as equity implied volatility measures remained subdued. The MSCI Emerging Markets index led after rallying 6.1%, the S&P500 and Stoxx600 followed both gaining 3.2%.

The energy sector both in Europe and the US benefited from the 14% rise in oil prices. The Value style outperformed, driven by energy and financial stocks, but also –and quite surprisingly in Europe– by real estate stocks. Overall, long-term interest rates rose by around 10 basis points in July. However, bond volatility remained significantly high due to diverging trends in macroeconomic data and uncertainty on central banks' next decisions. Finally, the High Yield and Investment Grade credit spreads in emerging markets tightened by 49 basis points and 21 basis points, respectively. Resilient economic growth, the fast disinflation, and the looming interest rate cuts (Chile's central bank cut rates by 100 basis points in July) are all creating a favourable environment for corporate debt in these countries.

Market Review

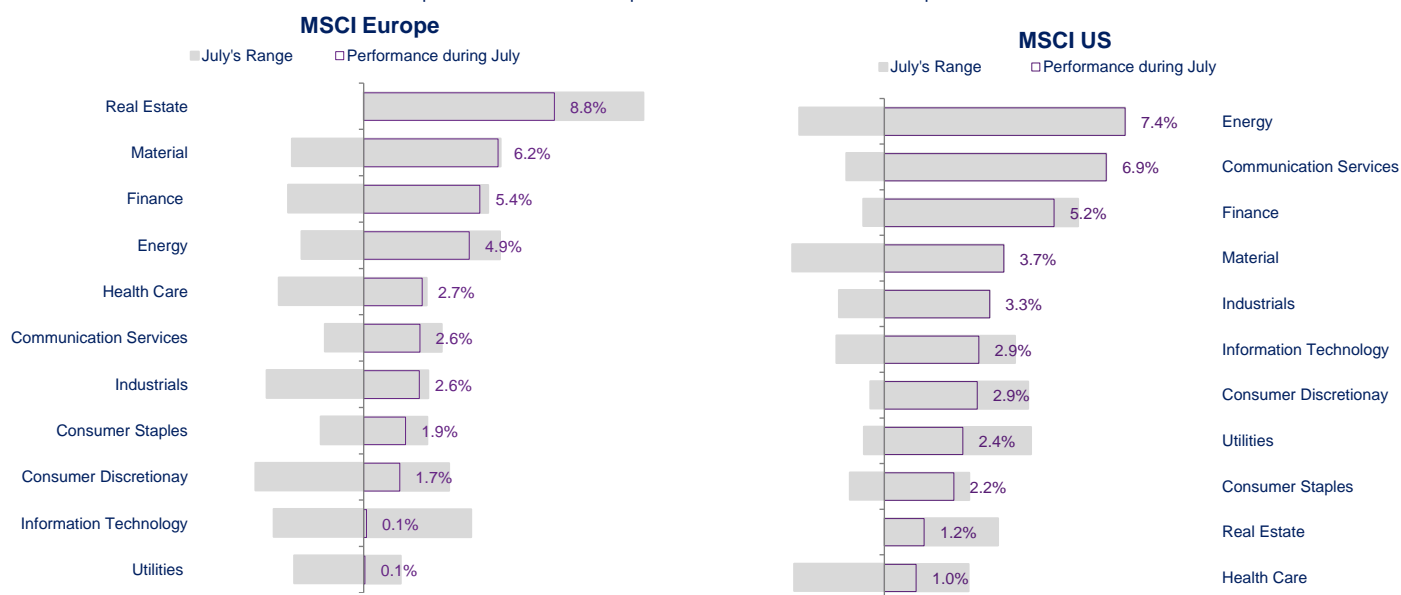
Cross Asset Performance in July – USD

Past performance information presented is not indicative of future performance



Sector Performance in July – USD

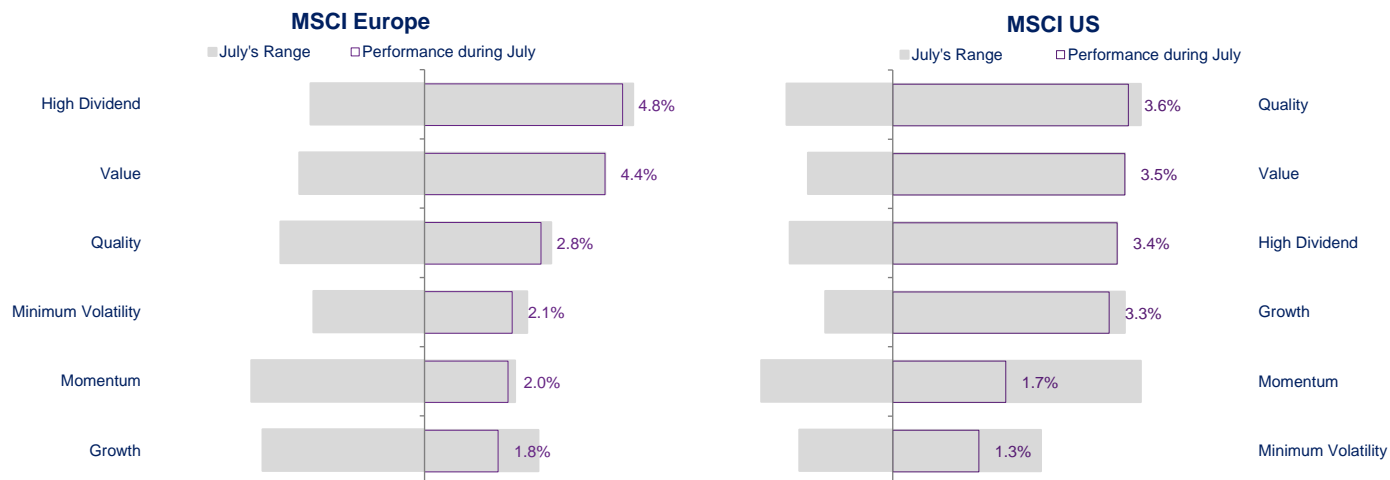
Past performance information presented is not indicative of future performance



Market Review

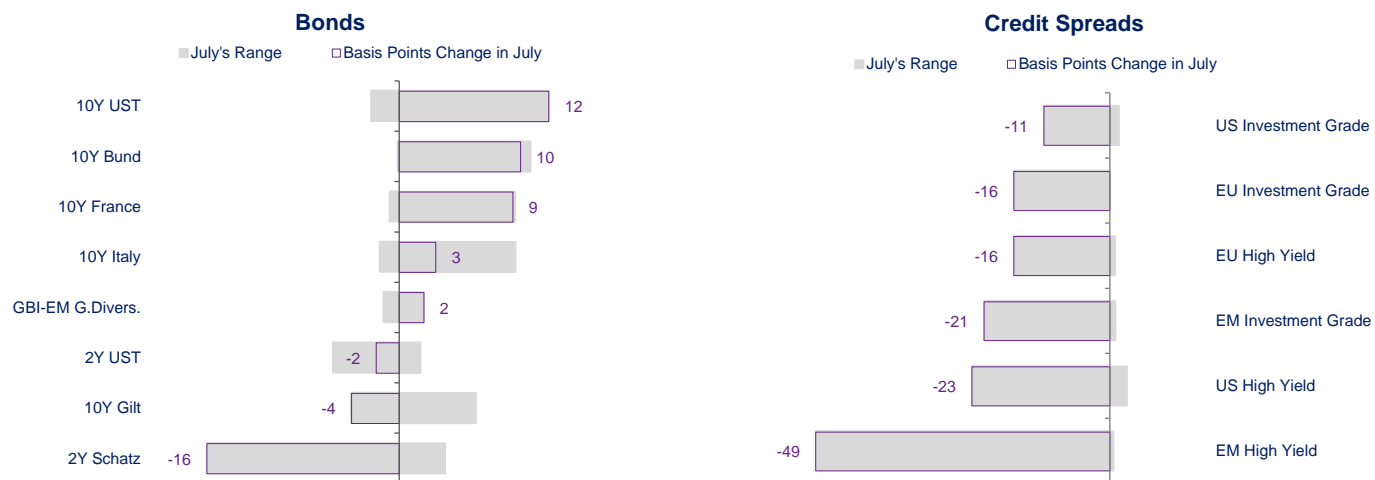
Style Performance in July – USD

Past performance information presented is not indicative of future performance



Net Yield Change in July

Past performance information presented is not indicative of future performance



Market Review

This material has been provided for information purposes only to investment service providers or other Professional Clients, Qualified or Institutional Investors and, when required by local regulation, only at their written request. This material must not be used with Retail Investors. To obtain a summary of investor rights in the official language of your jurisdiction, please consult the legal documentation section of the website (im.natixis.com/intl/intl-fund-documents).

In the E.U.: Provided by Natixis Investment Managers International or one of its branch offices listed below. Natixis Investment Managers International is a portfolio management company authorized by the Autorité des Marchés Financiers (French Financial Markets Authority - AMF) under no. GP 90-009, and a public limited company (société anonyme) registered in the Paris Trade and Companies Register under no. 329 450 738. Registered office: 43 avenue Pierre Mendès France, 75013 Paris. Italy: Natixis Investment Managers International Succursale Italiana, Registered office: Via San Clemente 1, 20122 Milan, Italy. Netherlands: Natixis Investment Managers International, Netherlands (Registration number 000050438298). Registered office: Stadsplateau 7, 3521AZ Utrecht, the Netherlands. Spain: Natixis Investment Managers International S.A., Sucursal en España, Serrano nº90, 6th Floor, 28006 Madrid, Spain. Sweden: Natixis Investment Managers International, Nordics Filial (Registration number 516412-8372- Swedish Companies Registration Office). Registered office: Kungsgatan 48 5tr, Stockholm 111 35, Sweden. Or, Provided by Natixis Investment Managers S.A. or one of its branch offices listed below. Natixis Investment Managers S.A. is a Luxembourg management company that is authorized by the Commission de Surveillance du Secteur Financier and is incorporated under Luxembourg laws and registered under n. B 115843. Registered office of Natixis Investment Managers S.A.: 2, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg. Germany: Natixis Investment Managers S.A., Zweigniederlassung Deutschland (Registration number: HRB 88541). Registered office: Senckenberganlage 21, 60325 Frankfurt am Main. Belgium: Natixis Investment Managers S.A., Belgian Branch, Gare Maritime, Rue Picard 7, Bte 100, 1000 Bruxelles, Belgium.

In Switzerland: Provided for information purposes only by Natixis Investment Managers, Switzerland Sàrl, Rue du Vieux Collège 10, 1204 Geneva, Switzerland, or its representative office in Zurich, Schweizergasse 6, 8001 Zürich. In the British Isles: Provided by Natixis Investment Managers UK Limited which is authorised and regulated by the UK Financial Conduct Authority (register no. 190258) - registered office: Natixis Investment Managers UK Limited, One Carter Lane, London, EC4V 5ER. When permitted, the distribution of this material is intended to be made to persons as described as follows: in the United Kingdom: this material is intended to be communicated to and/or directed at investment professionals and professional investors only; in Ireland: this material is intended to be communicated to and/or directed at professional investors only; in Guernsey: this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Guernsey Financial Services Commission; in Jersey: this material is intended to be communicated to and/or directed at professional investors only; in the Isle of Man: this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Isle of Man Financial Services Authority or insurers authorised under section 8 of the Insurance Act 2008.

In the DIFC: Provided in and from the DIFC financial district by Natixis Investment Managers Middle East (DIFC Branch) which is regulated by the DFSA. Related financial products or services are only available to persons who have sufficient financial experience and understanding to participate in financial markets within the DIFC and qualify as Professional Clients or Market Counterparties as defined by the DFSA. No other Person should act upon this material. Registered office: Unit L10-02, Level 10, ICD Brookfield Place, DIFC, PO Box 506752, Dubai, United Arab Emirates. In Japan: Provided by Natixis Investment Managers Japan Co., Ltd. Registration No.: Director-General of the Kanto Local Financial Bureau (kinsho) No.425. Content of Business: The Company conducts investment management business, investment advisory and agency business and Type II Financial Instruments Business as a Financial Instruments Business Operator. In Taiwan: Provided by Natixis Investment Managers Securities Investment Consulting (Taipei) Co., Ltd., a Securities Investment Consulting Enterprise regulated by the Financial Supervisory Commission of the R.O.C. Registered address: 34F., No. 68, Sec. 5, Zhongxiao East Road, Xinyi Dist., Taipei City 11065, Taiwan (R.O.C.), license number 2020 FSC SICE No. 025, Tel. +886 2 8789 2788.

In Singapore: Provided by Natixis Investment Managers Singapore Limited (company registration no. 199801044D) to distributors and qualified investors for information purpose only. In Hong Kong: Provided by Natixis Investment Managers Hong Kong Limited to professional investors for information purpose only.

In Australia: Provided by Natixis Investment Managers Australia Pty Limited (ABN 60 088 786 289) (AFSL No. 246830) and is intended for the general information of financial advisers and wholesale clients only.

In New Zealand: This document is intended for the general information of New Zealand wholesale investors only and does not constitute financial advice. This is not a regulated offer for the purposes of the Financial Markets Conduct Act 2013 (FMCA) and is only available to New Zealand investors who have certified that they meet the requirements in the FMCA for wholesale investors. Natixis Investment Managers Australia Pty Limited is not a registered financial service provider in New Zealand.

In Colombia: Provided by Natixis Investment Managers International Oficina de Representación (Colombia) to professional clients for informational purposes only as permitted under Decree 2555 of 2010. Any products, services or investments referred to herein are rendered exclusively outside of Colombia. This material does not constitute a public offering in Colombia and is addressed to less than 100 specifically identified investors.

In Latin America: Provided by Natixis Investment Managers International.

In Uruguay: Provided by Natixis Investment Managers Uruguay S.A., a duly registered investment advisor, authorised and supervised by the Central Bank of Uruguay. Office: San Lucar 1491, Montevideo, Uruguay, CP 11500. The sale or offer of any units of a fund qualifies as a private placement pursuant to section 2 of Uruguayan law 18,627. In Mexico: Provided by Natixis IM Mexico, S. de R.L. de C.V., which is not a regulated financial entity, securities intermediary, or an investment manager in terms of the Mexican Securities Market Law (Ley del Mercado de Valores) and is not registered with the Comisión Nacional Bancaria y de Valores (CNBV) or any other Mexican authority. Any products, services or investments referred to herein that require authorization or license are rendered exclusively outside of Mexico. While shares of certain ETFs may be listed in the Sistema Internacional de Cotizaciones (SIC), such listing does not represent a public offering of securities in Mexico, and therefore the accuracy of this information has not been confirmed by the CNBV. Natixis Investment Managers is an entity organized under the laws of France and is not authorized by or registered with the CNBV or any other Mexican authority. Any reference contained herein to "Investment Managers" is made to Natixis Investment Managers and/or any of its investment management subsidiaries, which are also not authorized by or registered with the CNBV or any other Mexican authority.

In Brazil: Provided to a specific identified investment professional for information purposes only by Natixis Investment Managers International. This communication cannot be distributed other than to the identified addressee. Further, this communication should not be construed as a public offer of any securities or any related financial instruments. Natixis Investment Managers International is a portfolio management company authorized by the Autorité des Marchés Financiers (French Financial Markets Authority - AMF) under no. GP 90-009, and a public limited company (société anonyme) registered in the Paris Trade and Companies Register under no. 329 450 738. Registered office: 43 avenue Pierre Mendès France, 75013 Paris.

The above referenced entities are business development units of Natixis Investment Managers, the holding company of a diverse line-up of specialised investment management and distribution entities worldwide. The investment management subsidiaries of Natixis Investment Managers conduct any regulated activities only in and from the jurisdictions in which they are licensed or authorized. Their services and the products they manage are not available to all investors in all jurisdictions. It is the responsibility of each investment service provider to ensure that the offering or sale of fund shares or third-party investment services to its clients complies with the relevant national law.

The provision of this material and/or reference to specific securities, sectors, or markets within this material does not constitute investment advice, or a recommendation or an offer to buy or to sell any security, or an offer of any regulated financial activity. Investors should consider the investment objectives, risks and expenses of any investment carefully before investing. The analyses, opinions, and certain of the investment themes and processes referenced herein represent the views of the portfolio manager(s) as of the date indicated. These, as well as the portfolio holdings and characteristics shown, are subject to change. There can be no assurance that developments will transpire as may be forecasted in this material. The analyses and opinions expressed by external third parties are independent and does not necessarily reflect those of Natixis Investment Managers. Past performance information presented is not indicative of future performance.

Although Natixis Investment Managers believes the information provided in this material to be reliable, including that from third party sources, it does not guarantee the accuracy, adequacy, or completeness of such information. This material may not be distributed, published, or reproduced, in whole or in part.

All amounts shown are expressed in USD unless otherwise indicated.

Natixis Investment Managers may decide to terminate its marketing arrangements for this product in accordance with the relevant legislation.