

# INVESTMENT OUTLOOK

April 2020

**DNCA**  
INVESTMENTS

## IN A SNAPSHOT

MACRO ECONOMIC INDICATORS



### GROWTH

It is unlikely to reach its potential pace in the next two to three years. The rebound in activity should be very gradual, penalised by the restructuring of many sectors and a less dynamic demand.



### MONETARY POLICY

The priority is to maintain very accommodative financial conditions and the massive financing of budget deficits. Central Banks now control the entire yield curve.



### FISCAL POLICY

Now there is no limit to the deficit to allow the economies to pick up at the right time. Tomorrow, it will be difficult, in the face of sluggish growth and many demands, not to continue along this path.



### INFLATION

Low inflation in the short term. In the medium term, there are many arguments for a likely rebound in inflation. A change in the relative price structure of goods and services should contribute to this.

## OUR ALLOCATION AS OF 31/03/2020

INVESTMENT STRATEGY



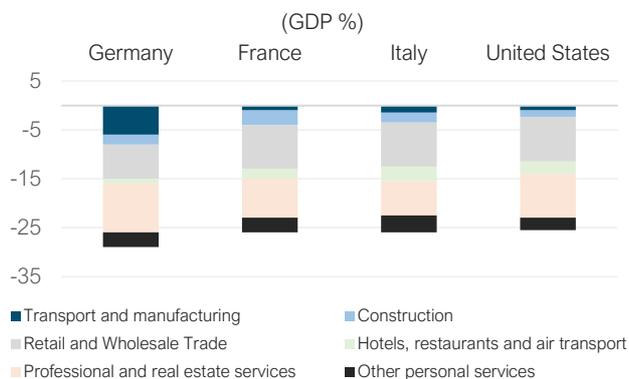
Asset class	Convictions	Comments
Euro (currency)	+	Medium term
Sovereign	-	Neutral view on peripherals and inflation linked bonds
Investment Grade Credit	+	Spread sell off offers opportunities
High Yield Credit	=	The spike in spreads reflects exceptionally high uncertainties
Equities	+	Long Value vs Quality/Growth
Gold	+	Negative real yields on sovereigns
Sovereign	=	Low upside potential
Credit	-	Avoid High Yield

+ : Positive =: Neutral -: Negative

## MACRO ECONOMY

The global economy, undermined by the trade war between Washington and Beijing, was already showing signs of slowing in 2019. It was hit hard by the COVID-19 epidemic. The containment and exceptional means decided by governments to limit risks have a high economic cost and, in the short term, result in a sharp decline in activity, particularly in services (halt in air transport, tourism, trade and catering hotels), with a very significant impact on employment. Even if the manufacturing sector is less affected, the indicators are not good. Developed economies are trading at around 75% of their capacity and 25% of their business is coming to an end. According to the Insee, in France, each month of containment results in a 3% loss of growth.

INITIAL POTENTIAL IMPACT OF CONTAINMENT MEASURES



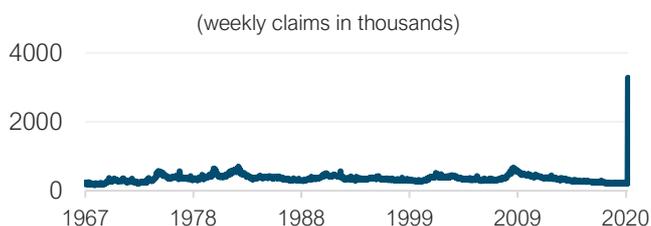
Source: OECD.

Fiscal policies must make it possible to offset this supply and demand shock. The central banks' ultra-accommodative policies will enable them to absorb the significant increase in government deficits and limit the impact on financial markets. It is now estimated that activity will move between -4% and -8% in 2020.

## EVOLUTION OF THE MARKETS

Faced with the scale of the health crisis and the impact of containment measures on the world economy, fiscal and monetary responses have accumulated without being able to reverse the trend. The strengthening of containment measures, alarmist macroeconomic indicators and the difficulties between US Democrats and Republicans in reaching an agreement on the economic support plan weighed heavily on the markets. Indices experienced historic declines on 12 and 16 March (-21% for the S & P 500, -16% for the Stoxx Europe 600). The announcement by the Fed on 23 March of an unlimited repurchase programme and the agreement reached in Washington on 24 March on a USD 2,200 Bn stimulus plan finally turned the trend around. Markets have picked up despite the registration of 3 million unemployed in the United States in the third week of March.

INITIAL JOBLESS CLAIMS IN USA



Source: US Department of Labor, Bloomberg.

**MULTI-ASSET & FLEXIBLE MANAGEMENT** - Our equity exposure was limited during March to take into account the high levels of volatility. A significant increase in equity exposure will be conditional on the evolution of the contagion rate. Containment is expected to last for at least two months based on what has happened in China. The duration of the health crisis will determine the extent of the recession, and replications are possible.

**EQUITY MANAGERMENTS** - During March, our equity funds reduced their exposure to the transportation and leisure sectors overall. These sectors are experiencing the full impact of the pandemic and containment measures. Conversely, positions were taken in stocks whose risk return ratio became attractive after the fall. We are maintaining cash to seize opportunities.

**FIXED INCOME MANAGEMENT** - March ended in a relatively quiet month thanks to the initiatives of the Central Banks and government measures. It was in this chaotic context that we continued the strategy that began at the end of February: Highly targeted and opportunistic corporate credit purchases, undisputed industry leaders who should, thanks to their sufficient liquidity, and inflated if necessary by state aid, pass the crisis. Sound, well managed companies prior to the onset of the crisis will repay their debts. In return, our exposure to sovereign debts was slightly reduced, but cash, a guarantee of liquidity, remains high. By the end of the month, the average yield on our portfolios is at attractive levels that have rarely been observed in recent years.

**CONVERTIBLE MANAGEMENT** - The defensive positioning of the funds in convertible bonds has enabled them to weather well the initial fall in equity markets. But, like all parts of the credit market, our funds were impacted by the significant widening of spreads. The situation now seems to be stabilising. Some moves have been excessive on companies with strong balance sheets that now have no short term or longer-term liquidity risk. These positions have been maintained or strengthened. Our portfolios are mainly invested in Investment Grade securities and now offer a very attractive yield to maturity, which compensates for the expectation of a rebound in the equity markets. We remained agile throughout the month in order to guarantee liquidity in the face of possible withdrawals and we have gradually reexposed to the equity markets in certain sectors benefiting from a strong recovery capacity such as the technology sector.

**GLOBAL MACRO MANAGEMENT** - Given the major changes in the economic outlook and changes in bond valuations, sensitivity was neutralised. It is now close to +3. We reiterate our strong conviction in inflation indexed securities on both real rates and breakeven inflation rates in order to have the potential for a significant recovery. Our portfolios, consisting exclusively of government bonds, do not carry credit risk, offer an adequate level of liquidity and protective risk premiums.

— **DNCA Finance**

19 place Vendôme -75001 Paris  
Tel: +33 (0) 1 58 62 55 00  
Contact: dnca@dnca-investments.com

Management company approved by the Autorité des  
Marchés Financiers under number GP 00-030 on 18 Au-  
gust 2000

Non independent financial investment adviser  
within the meaning of the MIFID II Directive

(DNCA Investments is a sales mark of DNCA Finance)

— **DNCA Finance Luxembourg**

1 Place d'Armes - L-1136 Luxembourg  
Tel: +352 28 48 01 55 23

— **DNCA Finance Italy**

Via Dante, 9 - 20123 Milano  
Tel: +39 02 00 62 281



**www.dnca-investments.com**

Texts completed on 06.04.2020

Past performance is not a guide to future performance. Performance is calculated net of management fees by DNCA FINANCE.

This promotional document reserved to professional investors is a simplified presentation tool and does not constitute an offer or investment advice. This document may not be reproduced, distributed, disclosed, in whole or in part, without prior permission from the management company. Access to products and services presented may be restricted in respect of certain persons or countries. The tax treatment depends on the individual situation. The KIID must be provided to the subscriber prior to each subscription. For full information on the strategic guidelines and all fees, please refer to the prospectus, KIIDs and other regulatory information available on our website [www.dnca-investments.com](http://www.dnca-investments.com) or free of charge upon request at the registered office of the Management Company.

- The positions discussed are those of the investment team and are subject to change over time.

- Investment in the financial markets involves risks, including the following:

- Risk of capital loss;
- Equity risk: In the event of a fall in the equity markets, the value of a financial instrument may fall;
- Interest rate risk: Interest rate risk results in a decrease in the value of the financial instrument in the event of a change in interest rates;
- Credit risk: Credit risk is the risk that the issuer may not be able to meet its commitments;
- Currency risk: It is linked to exposure to a currency other than the base currency of the financial instrument;
- Liquidity risk: Market distortions and the characteristics of certain markets (small size, lack of volume) or the characteristics of certain securities (small cap shares) may have an impact on the details and pricing conditions under which investors may liquidate, initiate or modify positions;
- Counterparty risk: It results from the deterioration or bankruptcy of a counterparty in the event of the use of forward financial instruments, OTC transactions and temporary purchases and sales of securities, thereby leading to a decrease in the value of the financial instrument.

DNCA Finance -19, place Vendôme -75001 Paris - tel.: +33 (0) 1 58 62 55 00

Email: dnca@dnca-investments.com - [www.dnca-investments.com](http://www.dnca-investments.com) - Independent intranet site

Management company approved by the Autorité des Marchés Financiers under number GP 00-030 on 18 August 2000

Non independent investment adviser within the meaning of MIFID Directive II.

This material has been provided for information purposes only to investment service providers or other Professional Clients or Qualified Investors and, when required by local regulation, only at their written request. This material must not be used with Retail Investors. In the E.U. (outside of the UK and France): 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. Italy: Natixis Investment Managers S.A., Succursale Italiana (Bank of Italy Register of Italian Asset Management Companies no 23458,3). Registered office: Via San Clemente 1, 20122 Milan, Italy. Germany: Natixis Investment Managers S.A., Zweigniederlassung Deutschland (Registration number: HRB 88541). Registered office: Im Trutz Frankfurt 55, Westend Carrée, 7. Floor, Frankfurt am Main 60322, Germany. Netherlands: Natixis Investment Managers, Netherlands (Registration number 50774670). Registered office: Stadsplateau 7, 3521AZ Utrecht, the Netherlands. Sweden: Natixis Investment Managers, Nordics Filial (Registration number 516405-9601 - Swedish Companies Registration Office). Registered office: Kungsgatan 48 5tr, Stockholm 111 35, Sweden. Spain: Natixis Investment Managers, Sucursal en España, Serrano nº90, 6th Floor, 28006 Madrid, Spain. Belgium: Natixis Investment Managers S.A., Belgian Branch, Louizalaan 120 Avenue Louise, 1000 Brussel/Bruxelles, Belgium. • In France: Provided by Natixis Investment Managers International – 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. • In Switzerland: Provided 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: Office 23, Level 15, The Gate Building, East Wing, DIFC, PO Box 506752, Dubai, United Arab Emirates. • 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 2018 FSC SICE No. 024, Tel. +886 2 8789 2788. • In Singapore: Provided by Natixis Investment Managers Singapore (name registration no. 53102724D) to distributors and institutional investors only. Natixis Investment Managers Singapore is a division of Ostrum Asset Management Asia Limited (company registration no. 199801044D). In Hong Kong: Provided by Natixis Investment Managers Hong Kong Limited to institutional/ corporate professional investors 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. 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 Latin America: Provided by Natixis Investment Managers S.A. • In Chile: Esta oferta privada se inicia el día de la fecha de la presente comunicación. La presente oferta se acoge a la Norma de Carácter General N° 336 de la Superintendencia de Valores y Seguros de Chile. La presente oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la Superintendencia de Valores y Seguros, por lo que los valores sobre los cuales ésta versa, no están sujetos a su fiscalización. Que por tratarse de valores no inscritos, no existe la obligación por parte del emisor de entregar en Chile información pública respecto de estos valores. Estos valores no podrán ser objeto de oferta pública mientras no sean inscritos en el Registro de Valores correspondiente. • In Colombia: Provided by Natixis Investment Managers S.A. 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 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 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. • 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 authorised. 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. 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. May not be redistributed, published, or reproduced, in whole or in part. Amounts shown are expressed in USD unless otherwise indicated.

An affiliate of:



**NATIXIS**  
INVESTMENT MANAGERS