Mirova Global Green Bond Fund

mirova
Investing in sustainability

QUARTERLY PORTFOLIO COMMENTARY

Market Conditions

In early November, the announcement that several vaccines were found effective triggered a wave of market optimism that further buoyed the already supportive momentum observed over October after the late September selloff. This occurred amid the backdrop that it was likely the United States would have a more conventional president in the White House and a Brexit agreement between the UK and the EU came to fruition. This further boosted markets: All credit segments rallied with Investment Grade (IG) and High Yield (HY) spreads having retraced back to their mid-February 2020 levels, i.e. the period prior to the pandemic-driven panic. More specifically, the Bloomberg Barclays Euro Aggregate Corporate Average Option-Adjusted Spread Index stood at 0.92% as of December 31, 2020 – a relatively tight level, from a historical point of view. In such a one-way, risk-on market, high betas – be it in the form of subordinated debts or of pure senior high yield – logically outperformed investment grade. Of course, cyclical credits also performed well as market makers were modeling scenarios under which the probability of a rapid recovery in mobility, travel or leisure, amongst a flurry of other sectors, was growing, something that has subsequently fueled spread tightening for industries such as automotive, transportation, and gaming.

Once again, the backbone of all those moves remains central bank policies: the Fed, the ECB, BoE, BoJ with accommodative measures, such as massive bond purchase programs, continued to play their role, as they had all over the second and third quarters; this is of course exacerbating the impact of a relatively modest net supply.

Explanation of Fund performance

Mirova Global Green Bond Fund – Class Y shares returned 2.40% in the fourth quarter of 2020, which outpaced the Bloomberg Barclays MSCI Green Bond Index at 1.43%. Year-to-date, Class Y has returned 7.85%, which has also outpaced the benchmark which returned 6.67%.

During the last quarter, allocation had a positive impact of +83bps, largely due to our long position on corporate versus government or sovereign debt. At the end of the quarter, the momentum took credit spreads to pre-Covid levels, and we took profit on investment grade credit by reducing the exposure in December from 64% down to 59%. However, we believe there is still upside on high yield issues in the coming months, which represents about 10% of the asset allocation. Furthermore, from a macro sector point of view, the portfolio has been increasing exposure to cyclicals (mainly through the automotive sector and capital goods) versus defensive positions in order to take advantage of the economic recovery post-Covid.

Issue selection was also positive, returning +60bps, mainly within corporate. The largest contributors to this outperformance were CityCon (+15bps), Telefonica (+13bps) and Standard Chartered (+7bps). Forex currency hedge was positive (+6bps).

Outlook

Back to square one. Early 2021 has been reminiscent of 2020 in terms of market configuration in some regards: investors seeking yield, compression trade predominantly driving the market, historical lows for spreads and high prices (including in some equity indexes). Be kind, rewind! Needless to say, 2021 could be full of surprises (mostly positive in our view) on the economic front, with vaccine execution taking center stage. According to our constructive scenario, main performance contributors are:

- Selection, to elude idiosyncratic risks;
- Duration, shorting for now on reflation, vaccination and any subsequent themes. We do not rule out tail-risk or Bund tantrum, reminiscent of 2015, with rates derailing;
- Emerging countries with dollar weakness and Biden easing tensions.

The pace of vaccination would affect:
- the inflation or reflation trend,
- upbeat consumer confidence,
- investment picking up,

- the magnitude of the wave of defaults or downgrades by rating agencies,
- moratorium – state-guaranteed extensions which fuel the zombification of some companies that would have undergone bankruptcy otherwise, without aids.

We argue the race to collective immunity could at some point become a source of mild tensions in international relations. On the bright side, we also reckon Covid-19 possibly became the brick-and-mortar of EU unity: level playing field for access to vaccine, budget harmonization, coordinated EU spending package for the first time (EU now allocates budget transfers; that is a pure bonus), etc. It will remain so in 2021 in our view, although in the foreseeable future conflicting interests could resurface as soon as individual member states' interests diverge. Some countries would do much better than others, and possibly pay on behalf of weaker countries (see frugal four, the "Visegrad" group or France-Germany). Those countries might not tolerate anymore the budget path of the EU.

Average annualized total returns (%) † as of 12/31/2020

	3 months	YTD	1 year	3 years	Life of class (2/28/17)
Class Y	2.40	7.85	7.85	5.97	5.09
Class A at NAV	2.44	7.61	7.61	5.74	4.85
Class A with 5.75% maximum sales charge	-1.92	3.04	3.04	4.22	3.68
Bloomberg Barclays MSCI Green Bond Index	1.43	6.67	6.67	6.08	5.52

Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. Total return and value will vary, and you may have a gain or loss when shares are sold. Current performance may be lower or higher than quoted. For most recent month-end performance, visit im.natixis.com. Performance for other share classes will be greater or less than shown based on differences in fees and sales charges. †Performance for periods less than one year is cumulative, not annualized. Returns reflect changes in share price and reinvestment of dividends and capital gains, if any. You may not invest directly in an index. Benchmark since inception performance is calculated from 2/28/17.

Gross expense ratio 1.28% (Class Y share) / 1.56% (Class A share). Net expense ratio 0.71% (Class Y share) / 0.96% (Class A share). As of the most recent prospectus, the investment adviser has contractually agreed to waive fees and/or reimburse expenses (with certain exceptions) once the expense cap of the Fund has been exceeded. This arrangement is set to expire on 4/30/2021. When an expense cap has not been exceeded, the gross and net expense ratios and/or yields may be the same. Not all share classes available for purchase by all investors. Class Y shares are available to institutional investors with a minimum initial investment of $100,000 and through certain wrap-fee programs, retirement plans, and investment advisory accounts with no minimum. See prospectus for more details.

Risks

Fixed income securities may carry one or more of the following risks: credit, interest rate (as interest rates rise bond prices usually fall), inflation and liquidity. **Below investment grade fixed income securities** may be subject to greater risks (including the risk of default) than other fixed income securities. **Foreign and emerging market securities** may be subject to greater political, economic, environmental, credit, currency and information risks. Foreign securities may be subject to higher volatility than US securities, due to varying degrees of regulation and limited liquidity. These risks are magnified in emerging markets. **ESG investing risk:** The Fund's ESG investment approach could cause the Fund to perform differently compared to funds that do not have such an approach or compared to the market as a whole. The Fund's application of ESG-related considerations may affect the Fund's exposure to certain issuers, industries, sectors, style factors or other characteristics and may impact the relative performance of the Fund – positively or negatively – depending on the relative performance of such investments. **Non-diversified funds** invest a greater portion of assets in fewer securities and therefore may be more vulnerable to adverse changes in the market. **Derivatives** involve risk of loss and may entail additional risks. Because derivatives depend on the performance of an underlying asset, they can be highly volatile and are subject to market and credit risks.

Definitions

The Bloomberg Barclays MSCI Green Bond Index provides a broad-based measure of global fixed income securities issued to fund projects with direct environmental benefits according to MSCI ESG Research's Green Bond criteria. The Green Bonds are primarily investment grade, or may be classified by other sources when bond ratings are not available. The Index may include Green Bonds from the corporate, securitized, Treasury, or government-related sectors. You may not invest directly in an index.

LEED is the Leadership in Energy and Environmental Design, one of the most popular green building certification programs used worldwide.

BREEAM is the world's leading sustainability assessment method for master planning projects, infrastructure and buildings.

BCA Green Mark is a green building rating system to evaluate a building for its environmental impact and performance.

Green Globes is an online assessment protocol, rating system, and guidance for green building design, operation and management.

CEEDA provides an audited and certified assessment of the implementation of energy efficiency best practices within a data center.

CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is the green building management system in Japan.

The ESG Opinion assesses whether the investment is compatible with the UN Sustainable Development Goals.

Committed: Contributes very favorably to achieving the Sustainable Development Goals
Positive: Contributes positively to achieving the Sustainable Development Goals
Neutral: In line with some of the Sustainable Development Goals, but impacts are low or unquantified
Risk: Hinders achievement of the Sustainable Development Goals
Negative: Strongly opposes achievement of the Sustainable Development Goals
Worst Offender: Serious breach of the UN Global Compact with no appropriate corrective action taken

The ESG Opinion is designed to assess whether the investment is compatible with the UN Sustainable Development Goals and is based upon the analysis of Mirova and Oekem, a third party. The assessment does not guarantee a profit or protect against a loss, and does not ensure the stability or safety of the overall portfolio.

Disclosure

Top 10 Holdings (as of 12/31/2020)

Security Description	% of Portfolio
France Government Bond OAT 1.75% 6/25/2039	4.08
Societe du Grand Paris EPIC EMTN 1.70% 5/25/2050	2.46
Hungary Government International Bond 1.75% 6/5/2035	2.39
Electricite de France S.A. 3.625% 10/13/2025	2.27
Orsted A/S (fixed rate to 9/09/2027, variable rate thereafter) 1.75% 12/9/3019	2.22
Verizon Communications, Inc. 3.875% 2/8/2029	2.08
Province of Ontario Canada 1.95% 1/27/2023	2.05
ICADE 1.50% 9/13/2027	2.02
Digital Dutch Finco BV 1.50% 3/15/2030	2.00
Assicurazioni Generali SpA EMTN 2.124% 10/1/2030	1.97

This information is dated and cannot be relied upon as current thereafter. This portfolio is actively managed and holdings are subject to change. There is no guarantee the fund continues to invest in the securities referenced, and the holdings identified do not represent all of the securities purchased, sold or recommended. Reference to specific securities or holdings should not be considered recommendations for action by investors.

This material is provided for informational purposes only and should not be construed as investment advice. The views and opinions expressed may change based on market and other conditions. There can be no assurance that developments will transpire as forecasted, and actual results may vary.

The index information contained herein is derived from third parties and is provided on an “as is” basis. The user of this information assumes the entire risk of use of this information. Each of the third party entities involved in compiling, computing or creating index information disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to such information.

Before investing, consider the Fund’s investment objectives, risks, charges, and expenses. Please visit im.natixis.com or call us at 800-225-5478 for a prospectus or a summary prospectus containing this and other information. Read it carefully.

Natixis Distribution, L.P. is a limited purpose broker-dealer and the distributor of various registered investment companies for which advisory services are provided by member companies of Natixis Investment Managers. • Natixis Distribution, L.P. is located at 888 Boylston Street, Suite 800, Boston, MA 02199-8197. • 800-225-5478 • im.natixis.com • Member FINRA | SIPC

1866184.13.1
Exp. 4/30/2021
MGGB03-1220