Q1 | MARCH 31, 2019

# Mirova Global Sustainable Equity Fund

QUARTERLY PORTFOLIO COMMENTARY

## Average annualized total returns (%) † as of 3/31/2019

| | 3 months | YTD | 1 year | 3 years | Life of class (3/31/16) |
|---|---|---|---|---|---|
| Class Y | 15.14 | 15.14 | 6.54 | 11.88 | 11.88 |
| Class A at NAV | 15.02 | 15.02 | 6.25 | 11.61 | 11.61 |
| Class A with 5.75% maximum sales charge | 8.40 | 8.40 | 0.12 | 9.43 | 9.43 |
| MSCI World Index (Net) | 12.48 | 12.48 | 4.01 | 10.68 | 10.68 |

**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 3/31/16.

Gross expense ratio 1.16% (Class Y share) / 1.43% (Class A share). Net expense ratio 0.95% (Class Y share) / 1.20% (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 4/30/20. 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.

## Explanation of Fund performance

Global markets, as represented by the MSCI World Index (Net), had a strong start to the year, up 12.48% in the first quarter of 2019. The Mirova Global Sustainable Equity Fund Class Y shares outperformed the global market, returning 15.14% for the same period ending March 31, 2019.

Stock selection played a key role in the strategy's outperformance, with sectors like healthcare, financials, and industrials making major contributions. Thematically, top contributors were finance, health, resources, and information communication technology ("ICT").

Healthcare was supported by Danaher Corp. on investor confidence in its ability to integrate GE's healthcare unit (BioPharm), an acquisition announced mid-quarter. Signature Bank had a good quarter on new growth opportunities such as its expansion into San Francisco, a long-awaited key part of its growth plan.

The biggest detractor by sector was consumer discretionary. Thematically, mobility was the heaviest drag on performance. For Mirova, auto-makers and auto component manufacturers fall into the mobility theme. BYD, Toyota, and Valeo all underperformed during the quarter partly on investor sentiment and slowing global automobile sales. While BYD continues to benefit from the strong electric-vehicle industry growth in China, its operating margin is under pressure due to lower subsidies from the Chinese government. Also hurting consumer discretionary was EssilorLuxottica, our biggest individual detractor, on investor fears over integration contention between Essilor and Luxottica management.

## Market environment

The first quarter of 2019 had strong performance which was largely a continuation of the recovery from the very challenging fourth quarter 2018. Investors were generally feeling less anxious about tariffs between the US and China and felt a bit of reprieve from Brexit and global economic data was more robust than in the previous quarter. This positive sentiment has carried into the second quarter. Consensus seems to be that while Q1 19 global GDP growth might not look great, Q2 19 is expected to accelerate on good macro data from the US and China.

While there are seemingly many reasons to be cheerful, there are as many to suggest caution. Investors looking to stay a passive course might be hoping for continued strong performance. However, for the markets to march on as they did in the first three months, absent material improvement in earnings per share estimates, valuation will be stretched out quite untenably. A passive approach in equity investing could leave investors exposed to seemingly far-off risks like a cooling Chinese economy as well as a possible global slowdown.

Thematically, however, there is a lot of good news, particularly in the renewable energy marketplace. New York, New Jersey, Rhode Island, Connecticut, and Massachusetts have all announced plans to significantly increase the mix of off-shore wind generated electricity. In 2019, US based AllianceBernstein's research group expects capacity auctions in New York, New Jersey, and Massachusetts alone, to reach up to 3GW. US Department of Energy is expecting up to 2% of all US electricity to be generated by wind power by 2030, reaching 7% by 2050. The collective target, according to AllianceBernstein's research group, could be as high as 19GW, over 600x more than today's 30MW installed.

A more targeted, active approach to equity investing might be a wiser course in this market environment.

## Outlook

The strategy will continue its bottom-up, fundamentals-driven investment approach. Names in the portfolio must satisfy several key criteria: long-term return potential driven by exposure to one or more of environmental, demographical, technological, or governance related transitions; high-quality company neutral to or contributing to the achievement of the UN Sustainable Development Goals; and a stock that is trading at a 20% discount to its intrinsic value. Sometimes these investment hypotheses play out faster than expected, as with eBay (positively influenced by activist investors) or Ellie Mae (taken private by a strategic investor). Others play out over the long term, simply awaiting the right buying opportunity. The recent correction in the IT sector offered some buying opportunities specifically among high-quality semiconductor makers for high performance computing and AI.

The long-awaited retrofitting of buildings in Europe and the US to meet higher emissions standards remains on hold. In the meanwhile, the market saw increased competition for industrials offering LED lighting and other energy efficiency building supplies. With an adjusted outlook on fundamentals for industrials like Acuity Brands and Rinnai, the strategy will have decreased exposure to themes like Buildings & Cities.

Offshore wind seems to have finally arrived in the US and the rest of the world. Fundamentals for wind-turbine makers and installers have improved, particularly for top-quality manufacturers. The strategy's outlook on renewables is rosier than it already had been.

## Positioning

Over the quarter, Ørsted and Taiwan Semiconductor (TSMC) were bought and eBay was increased. Positions in Acuity Brands, Ellie Mae, Novozymes, and Rinnai were eliminated.

Ørsted was bought on good news for offshore energy as well as solid financials for the firm. The strategy took advantage of a correction in IT names, buying long-watched TSMC, the makers of high-quality semiconductors. Acuity Brands and Rinnai were sold outright on diminishing fundamentals due to increased competition and cooling China. Ellie Mae was taken private by a strategic buyer; Ellie Mae was one of the longest held positions and best performing names in the portfolio since inception. Lastly, Novozymes was sold on diminished return potential.

## Risks

**Equity securities** are volatile and can decline significantly in response to broad market and economic conditions. **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. **Investments in small and midsize companies** can be more volatile than those of larger companies. **Sustainable investing** focuses on investments in companies that relate to certain sustainable development themes and demonstrate adherence to environmental, social and governance (ESG) practices; therefore the Fund's universe of investments may be reduced. It may sell a security when it could be disadvantageous to do so or forgo opportunities in certain companies, industries, sectors or countries. This could have a negative impact on performance depending on whether such investments are in or out of favor. **Currency exchange rates** between the US dollar and foreign currencies may cause the value of the fund's investments to decline.

## Definitions

MSCI World Index (Net) is an unmanaged index that is designed to measure the equity market performance of developed markets. It is composed of common stocks of companies representative of the market structure of developed market countries in North America, Europe, and the Asia/Pacific Region. The index is calculated without dividends, with net or with gross dividends reinvested, in both US dollars and local currencies. You may not invest directly in an index.

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
Not followed: Not rated by either Mirova or Oekem

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 3/31/19)

| **Company** | **% of Portfolio** |
|---|---|
| MasterCard, Inc. | 4.94 |
| Thermo Fisher Scientific, Inc. | 4.93 |
| Microsoft Corp. | 4.85 |
| Alphabet, Inc. | 4.46 |
| Danaher Corp. | 4.16 |
| Ecolab, Inc. | 3.79 |
| Novo Nordisk AS | 3.76 |
| Eaton Corp. PLC | 3.57 |
| Symrise AG | 3.45 |
| Visa, Inc. | 3.33 |

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.

This document may contain references to third party copyrights, indexes, and trademarks, each of which is the property of its respective owner. Such owner is not affiliated with Natixis Investment Managers or any of its related or affiliated companies (collectively "Natixis") and does not sponsor, endorse or participate in the provision of any Natixis services, funds or other financial products.

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.**



1574313.13.1
Exp. 7/31/19
MGSE03-0319