

EXPERTISE FLASH

Written on February, 28. 2013

Mirova equity funds: After a positive 2012, which investment themes to favour in 2013?

The year 2012 closed favourably for equity markets despite periodic dips due to the return of risk in the euro zone between May and June and the general elections in Greece.

Within this context, Mirova equity funds outperformed their benchmarks or displayed an attractive performance for those without a benchmark.

“These results arise from the implementation of an active management strategy on sustainable investment themes and/or quality stock picking of values which address sustainable development challenges or which are positively exposed to these issues with the objective of creating long-term value”, explains Jens Peers, CIO Sustainable equities of Mirova, responsible investment division of Natixis Asset Management.



For 2013, Mirova experts are positive on thematic stocks and have identified several investment themes which should be sources of opportunities and performance.

Delivering performance in 2012

THEMATIC EQUITIES FUND OF MIROVA - PERFORMANCE

Performance (%) Funds (Benchmark)	2012		YTD (from 31/12/12 to 28/02/13)	
	Portfolio	Benchmark	Portfolio	Benchmark
Impact Funds Climate Change*	18.10	-	4.95	-
Mirova Europe Life Quality (MSCI Europe DNR €)	17.31	17.29	5.67	3.79
Mirova Euro Sustainable Equity (MSCI EMU DNR €)	20.29	19.31	2.13	2.17
Impact Funds Conviction Europe Equities*	19.61	-	2.89	-
AAA Actions Agro Alimentaire (MSCI Europe DNR €)	17.42	17.29	6.20	3.79

Source: Natixis Asset Management. Performance net of management fees – I share class in EUR. The figures given refer to previous years. Past performance is not a reliable indicator of future performance. *Sub-fund of the Luxembourg Sicav IMPACT FUNDS. Management Company: NGAM S.A. – Delegated financial manager: Natixis Asset Management.

In 2012, the two thematic funds **Impact Funds Climate Change** and **Mirova Europe Life Quality**, were actively managed according to their individual investment themes. Overall, **the exposure to sustainable energy was lowered in favour of sustainable consumption.**

Energy has been underweighted due to surpluses in gas supplies combined with persistently low demand. Reductions were made on stocks exposed to the deterioration of fundamentals (gas prices, surpluses, regulation).

Conversely, **sustainable consumption** benefited from strong growth dynamics which are based on more autonomous drivers. The management team has privileged institutional catering groups that offer better visibility in terms of organic growth and diversified geographical exposure. Portfolio managers have also picked specialists of natural ingredients.

Furthermore, the theme of **sustainable resources** was also reinforced at year end, notably on values linked to agriculture and water management.

Regarding multi-thematic funds in the euro zone and Europe, overweighting cyclical consumer goods and information technology contributed to good performance.

Sector weightings are a result of the management team's stock selection: within cyclical consumer goods, the preferential choices were stocks in **the media and luxury sectors**, the latter benefiting from the improved sentiment on China.

In addition, the underweighting of the portfolios in **energy**, linked to the worsening context of local taxes and supply/demand imbalances, also contributed to the good results in 2012.

> The **AAA Actions Agro Alimentaire** fund invested in food and consumer firms according to a specific investment process that yielded a positive performance of +17.42%¹ over the period, with a volatility of 9.7%, that is nearly 30% lower than that of MSCI Europe.

Its clear underweighting on the food distribution sector and good stock picking allowed for positive performance. Furthermore, the European food industry and general distribution sectors reported respective increases of 15% and 27%² despite deteriorating consumer purchasing power.

An attractive competitive positioning

- **Impact Funds Climate Change** is ranked in the 1st quartile over one year in a universe of marketed funds for sale in France. The fund is also ranked 1 on its Regular Performance over 3 years.*
- The **AAA Actions Agro Alimentaire** fund is ranked in the 1st quartile over one year in a universe of marketed funds for sale in France.**

*Reference to a ranking and/or an award does not indicate the future performance of the UCITS or the fund manager. At end of December 2012. Source Lipper. *Category Equity Global Average (universe's population consisting of 1373 funds). The Lipper Regular Performance rating reflects the performance of funds of a 3-year history adjusted with short- and long-term risk with respect to all the funds of the same Lipper category. **Category Equity Sector Non Cyclical Con Average (universe's population consisting of 52 funds).*

¹ In 2012. The figures given refer to previous years. Past performance is not a reliable indicator of future performance.

² In 2012. Source: Natixis Asset Management

The outlook for 2013?

Energy revolution and water investment themes as sources of opportunities

The outlook for thematic stocks in 2013 is appealing.

Mirova experts believe that rising potential remains high on equities and that there are numerous investment themes to play.

Several factors are in line with their views: an attractive valuation of equity markets, notably European, in an environment of abundant liquidity as a result of the accommodating policies of central banks. Despite the rally over these past months, equity markets still have significant appreciation potential.

For this year, two investment themes are particularly attractive with respect to the investment opportunities they offer:

- **The natural gas revolution**, which is evidenced by the migration from the use of coal to natural gas throughout the world. This new industrial revolution constitutes a major support of the activity of sectors such as infrastructure, chemicals, transportation and water.
- **Water** is the second important investment theme: global needs in terms of infrastructure, regulations on ballast water, and the recovery of the US housing market are clear trends (plumbing/construction needs, etc.) that will generate opportunities within the investment theme.

With the objective of searching for business models capable of delivering long-term performance, the Mirova investment team will target companies which not only benefit from these trends, but also have solid balance sheets.

Special attention will be paid to values benefiting from accretive mergers and acquisitions, as well as stocks in the food and pharmaceutical sectors for which the exposure to patent expiries has never been so low.

Finally, managers will privilege values presenting advantages on other investment themes: agriculture supported by climate change effects and changing diets; technological innovations (electric vehicles, LED lights); installed wind farm operators and banks whose valuations are inexpensive, etc.

There are many positive dynamics, in the short-and long-term, that should benefit thematic stocks in 2013.



MIROVA IN BRIEF

Mirova, the Responsible Investment division of Natixis Asset Management, develops an engaged approach aiming to combine value creation and sustainable development.

Mirova's philosophy is based on the conviction that integrating sustainable development themes in investment approaches can generate solutions that create value for investors over the long term.

Mirova offers a global responsible investing approach based on a single offer revolving around 4 pillars: listed shares, infrastructure³, impact investing⁴, voting and engagement.

The second-largest European manager of open-ended SRI funds and social business funds⁵, Mirova has €4.1bn in equity in terms of AuM, €360 M in infrastructure projects, €7.4bn in advising on SRI (excluding equities) and €20.4bn in voting and engagement (as of 31/12/2012).

Mirova has 33 multi-disciplinary experts, specialists in thematic investment management, engineers, financial and ESG analysts, specialists and experts in socially-conscious finance and project financing.

Mirova has also formed a research partnership with the Cambridge University and is actively involved in several international organisations.

Mirova's fund range is distributed by Natixis Global Asset Management's global distribution platform and is designed for all types of investors, both professional and non-professional.

Natixis Asset Management ranks among the leading European asset managers with €295 billion in assets under management and 690 employees⁶. Investment management at Natixis Asset Management revolves around six areas of expertise: Bonds, European equities, Investment and client solutions, Structured products and volatility (developed by Seeyond). Global emerging and Responsible Investment (developed by Mirova).



Visit us: www.mirova.com



Follow us: @Mirova_RI

³ The infrastructure financing business is handled by Mirova Environment and Infrastructure, a Natixis Asset Management company.

⁴ Impact investing: investments with a strong social and environmental impact.

⁵ Source: Feri Lipper, based on assets under management as of 30 June 2012.

⁶ Source Natixis Asset Management as of 31/12/2012. Seeyond and Mirova are brands of Natixis Asset Management.

NATIXIS ASSET MANAGEMENT

Limited Company - Share Capital: €50 434 604,76
RCS Paris 329 450 738 - Regulated by AMF: GP 90-009
Registered Office: 21 quai d'Austerlitz - 75634 Paris Cedex 13

Mirova is a brand of Natixis Asset Management.

This document is destined for professional clients. It may not be used for any purpose other than that for which it was conceived and may not be copied, diffused or communicated to third parties in part or in whole without the prior written authorization of Natixis Asset Management. None of the information contained in this document should be interpreted as having any contractual value. This document is produced purely for the purposes of providing indicative information.

It constitutes a presentation conceived and created by Natixis Asset Management from sources that it regards as reliable. Natixis Asset Management reserves the right to modify the information presented in this document at any time without notice and particularly the information concerning the description of the management processes which does not in any way constitute a commitment on behalf of Natixis Asset Management or Mirova Environment and Infrastructure. Natixis Asset Management won't be held responsible for any decision taken or not taken on the basis of information contained in this document, nor in the use that a third-party may make of it. Figures mentioned refer to previous years. Past performance does not guarantee future results. Reference to a ranking and/or a price does not indicate the future performance of the UCITS or the fund manager.

The funds, managed by Natixis Asset Management, mentioned in this document have received the approval of the French Financial Market Authority (AMF) or have received authorization to be marketed in France. Characteristics, risk and return profile and costs related to investment in a fund are described in the Key Investor Information Document, available on request from Natixis Asset Management. The prospectus and the periodical reports are available on request from Natixis Asset Management. Potential subscribers must be in possession of a copy of the Key Investor Information Document before making any subscription.

In the case of funds that qualify for a special tax status, we remind potential investors that the special tax conditions depend on the individual situation of each investor and that such conditions may be subject to future modification.

Under Natixis Asset Management's social responsibility policy, and in accordance with the treaties signed by the French government, the funds directly managed by Natixis Asset Management do not invest in any company that manufactures sells or stocks anti-personnel mines and cluster bombs.