

Q&A MiFID II

FEBRUARY 2018

As Natixis Investment Managers (“Natixis”) is a multi-affiliate structure, this document is intended to address questions that relate to products that we, Natixis, distribute.

This may include products managed by various affiliate investment managers, including, but not limited to, Natixis Asset Management, H2O, DNCA, Ossiam and Dorval through their various products domiciled in Europe.

This document complements the previous Q&A issued in November 2017. In particular, the questions focus on updates on several key areas, including:

- Target market considerations
- Costs and Charges issues
- Inducements / clean share classes

Please contact your usual sales / client relationship manager if you have any further questions.

Target Market and the European MiFID Template

1. What is Natixis’ approach to the target market?

Natixis has worked with both local industry association guidance, from the European Fund and Asset Management Association (EFAMA) and the developments of the European Working Group in defining a standard approach to target market.

Natixis has adopted the European MiFID Template (EMT) to share target market information. The EMT files includes information on target market, distribution strategy and cost and charges.

2. Where are the EMTs going to be available?

The EMTs are available via subscription from the Natixis client service tool. In addition, they are available across various platforms including Fundinfo and their 200 partners (e.g. WM Daten), Axeltis and data vendors such as Bloomberg, Reuters and Morningstar.

Please contact your sales/client relationship manager for more information or to discuss the provision of data to additional third party fund service providers.

The Natixis affiliate investment managers’ EMTs are also available in a similar manner.

3. How frequently will the EMTs be published?

The EMTs are published on a monthly basis and are typically available from 10 business days after each month end.

4. How frequently will the EMTs be reviewed and updated?

The intention is that the EMTs will be reviewed regularly and at a minimum annually. In addition, for the target market section of the EMT, it is intended that this will be reviewed and amended for any significant or material change to a product. In such circumstances the EMT will be updated with the effective date of the change, or as soon as practical thereafter.

As new products are introduced, new EMTs will be made available to support the product launch.

Given the ongoing discussions on the interpretation of the EMT, we may also review the EMT during 2018 as the industry and regulatory bodies move closer to alignment on some of the areas currently under discussion.

5. What do distributors need to report to Natixis and how frequently?

To support reviews by MiFID II manufacturers, distributors must provide them with information on sales and where appropriate, any other relevant information that may be the outcome of the distributor’s own periodic review.

This reporting of negative target market is expected to be on an ongoing basis, as soon as practical after identification of this. If there are no sales/redemptions into the negative target market, we require a nil return confirmation at least on a quarterly basis.

Any complaints received for funds distributed by Natixis should be notified with the same frequency.

6. Will distributors need to report all information regarding negative target market / complaints to the individual Management Companies?

Natixis intends to collate the information on negative target market and / or client complaints and to share these with the affiliate investment managers.

This should be reported to your usual sales/client relationship manager.

Costs and Charges

7. What is Natixis’ approach to costs and charges?

Natixis calculates and shows costs and charges for its funds including the transactions costs for trades in the underlying funds at the share class level. The transaction costs include the implicit costs of the transaction. Unlike some of its peers, Natixis has applied the highest standard and calculated implicit costs by identifying the “slippage” between the arrival and execution price. There are occasions when this methodology shows transactions costs as a negative number. Natixis believes that this approach gives clients the greatest level of transparency for transaction costs.

8. When is Natixis planning on making the costs and charges information available?

The information is available in the same way as the target market information via the EMTs.

9. How frequently will the costs and charges information be updated?

The EMTs will be updated on a monthly basis. In the event of a material change to a product – the EMT will be updated accordingly in a reasonable timescale.

10. Will the costs and charges information be at the sub-fund or share class level?

To accurately reflect the costs and charges for each individual share class, this information will be calculated at the share class level in line with MiFID II requirements and in line with the target market section of the EMT.

11. Are the costs and charges in the EMT the same as in the Key Investor Information Document (KIID)?

The Ongoing Charges Figure (OCF) is one of three components that comprise costs and charges, the others are one off and incidental costs. In the KIID, the OCF is updated on a calendar year between 1 January to 31 December whereas the OCF in the EMT is updated on a monthly basis. Additionally, the OCF in the KIID does not reflect transactions costs, whereas the EMT does show a figure representing the average transaction costs figure over a three years period. The OCF reflected in the EMT will therefore not correspond exactly with the KIID.

Inducements / Clean Share Classes

12. Has Natixis created new clean share classes?

The majority of funds distributed by Natixis already offered “clean” share classes prior to the introduction of MiFID II. These were introduced across a number of fund vehicles to support the introduction of the Retail Distribution Review (RDR) in the UK. These share classes are the primary offering in terms of “clean” share classes and in many of the different umbrella structures / vehicles are the “N” share class. They will remain in place.

In addition, the definition of these share classes has been clarified to reflect that these share classes are intended for distributors/clients who are in scope of MiFID II, have similar regulatory requirements and those who are no longer able or do not wish to receive retrocessions.

For some ranges additional clean share classes may be made available to complement the existing N classes for certain jurisdictions. Please contact your local sales / client relationship manager for more information.

13. Have the clean share classes been registered broadly

The new and existing clean share classes have been registered broadly across Europe and internationally.

14. Where can I get more information on what share classes are available and registered where?

Please refer to the individual offering documents for details of the share classes available by product range, by Management Company, and contact your usual representative for details of existing registrations.

15. Can distributors continue receiving rebates and commissions or do they have to switch into clean share classes?

Distributors will need to determine if they meet the requirements to continue receiving and retaining rebates and commissions under MiFID II.

If you continue receiving rebates and fees on the shares that you distribute, Natixis will assume that you meet the applicable regulatory requirements to continue receiving such payments.

If you determine that you need to switch into clean share classes, you must notify Natixis as soon as possible so that we can work with you to update your distribution agreement (if necessary). If you have already switched into clean share classes but have not yet entered into an amendment of your agreement with us covering such shares, please note that your activities with respect to the clean share classes are subject to your obligations, covenants and representations set forth in the agreement.

16. Are there tax implications of switching?

Clients need to seek their own tax advice according to their circumstances and jurisdiction.

If you have any other queries, please contact your usual client service/sales representative. Any updates /changes in approach will be advised through your usual sales /client relationship manager.

Additional Notes:

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