Natixis Loomis Sayles Short Duration Income ETF—an Actively Managed ETF

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KEY TAKEAWAYS

- In a variety of interest-rate scenarios and economic environments, an allocation to the short end of the yield curve can play an important role in an investor's portfolio.
- The Natixis Loomis Sayles Short Duration Income ETF (Ticker: LSST) utilizes active management as it seeks to generate returns above the index, while maintaining benchmark-like volatility and moderate tracking error over a market cycle.
- As an active ETF, Short Duration Income may offer the flexibility preferred in today's ever-evolving complex markets.
- The Short Duration Income ETF can provide additional yield through positions in credit and securitized sectors, which may introduce additional risk but may also limit interest-rate sensitivity.

An allocation to the short end of the yield curve[i] can play an important role in an investor's portfolio in a variety of interest-rate scenarios and economic environments. When rates are rising, shorter maturity issues allow for the potential of prompt reinvestment at higher rates. In a slow growth environment, short duration[ii] portfolios may offer a higher-income alternative than most cash investments for investors who are seeking shelter from equities.

In terms of investment vehicles, gaining exposure to short-duration assets through an actively managed ETF may potentially offer investors an opportunity to outperform an index and can provide trading and holding period flexibility.

Short-duration investment strategies run the gamut from conservative to aggressive. To properly differentiate strategies and help ensure they are aligned with an investor's stated objectives, it is imperative to understand an investment manager's philosophy and portfolio construction approach.

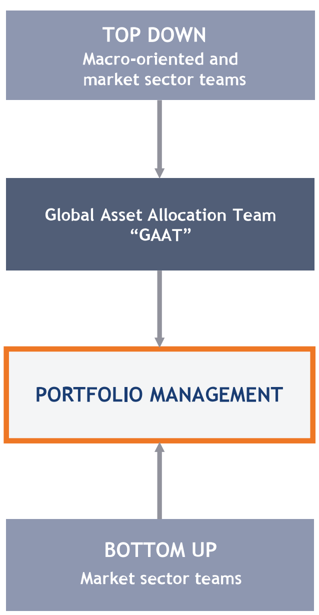
Active Investment Process with Research at its Core

RESEARCH

Investors can overreact to news, events, or elections, contributing to inefficiency in the bond market. Moreover, certain investors have guidelines that restrict them from investing in some market segments (e.g., high yield, mortgages, asset-backed securities, commercial mortgage-backed securities, etc.), which can affect demand. These factors can present opportunities for a well-resourced firm like Loomis Sayles to exploit distortions in pricing and valuations.

While the portfolio managers are the sole decision makers for the strategy, they are integrated into the Loomis Sayles research effort. As part of the research process, sector teams bring investment ideas to portfolio management teams. These sector teams are comprised of research analysts, traders and portfolio managers all tasked with uncovering potential investment opportunities in their respective market sectors. The portfolio management team considers these sector team recommendations in their portfolio construction process, which combines top-down insights with bottom-up security selection.

CONSTRUCTION



As the illustration to the left shows, the top-down inputs at Loomis Sayles help frame sector decisions. The investment team incorporates what they consider the best risk-adjusted sector profiles across multiple fixed income sectors (e.g., investment grade corporate bonds, asset-backed securities such as autos and credit cards, commercial mortgage-backed securities, high yield corporate bonds, etc.) and may increase or decrease exposures at any time. One of several key inputs to the top-down process is information from the Loomis Sayles Global Asset Allocation Team. This team ranks asset classes by expected returns under various economic scenarios with associated volatilities, and the portfolio managers use this input to determine portfolio sector allocations.

The bottom-up research helps identify opportunities where inconsistencies exist between fundamentals and market valuations for an issuer or issue. Our teams of career analysts across corporate, securitized, and sovereign research help voice their most attractive ideas across the fixed income market to the portfolio management team. The overarching goal is to build a well-diversified portfolio of the most attractive securities from each sector.

RISK ASSESSMENT

As outlined above, the Short Duration Income ETF is an actively managed benchmark-aware strategy that can take risk when warranted. We believe effectively managing portfolio risk—by sector and in aggregate—is critical to delivering consistent returns.

For example, after the portfolio managers have determined which sectors they believe are most attractive, allocations are then sized based on Loomis Sayles' proprietary risk measures. The team uses proprietary risk factor sensitivities to measure risk and gain insights into sector allocations based on market value exposure, duration and expected volatility. These analytics are designed to help ensure portfolios only have the predetermined targeted risks and any unwanted risks in the portfolio have been addressed.

While the team does not manage to tracking error,[iii] they are very mindful of the benchmark and add to risk only when they feel the portfolio may be compensated for it.

More than Treasurys: The Short-Duration Income ETF Universe

Investors often think of short-duration assets only in terms of US Treasurys and investment grade corporate bonds. However, the actual universe also includes securitized assets (mortgage-backed bonds, commercial mortgage-backed securities and asset-backed securities) and non-investment-grade securities, all of which generally offer a yield advantage over duration-matched Treasurys, but with typically less interest-rate sensitivity. One of the potential diversification advantages of this broad spectrum of fixed income assets is that at any given time, these segments of the market may be in different phases of the credit cycle and may therefore offer different valuations and yields.

Based on an assessment of valuation and the credit cycle, the Short Duration Income ETF portfolio managers can work to exploit these sectors' distinct features to construct a diversified portfolio. It is in each of these sectors that the portfolio managers look to repeatedly add value.

Conclusion

Allocating assets to the short end of the fixed income market can be a foundation for an investor's portfolio. There are a plethora of strategies offered in this part of the market. To properly differentiate one that is aligned with an investor's goals, it is critical to determine the investment manager philosophy and portfolio construction approach. Investors should also consult with a financial professional

In the case of Natixis Loomis Sayles Short Duration Income ETF, the investment team seeks to deliver excess returns while being benchmark aware. To help achieve this objective, the portfolio managers draw on their experience and the firm's research arsenal to actively build a portfolio in a disciplined way. Such an ETF strategy can adhere to its objective while providing the flexibility necessary to meet an investor's goals.

WHY AN ACTIVE ETF?

Today's ever-evolving economic cycles and complex global markets demand flexibility. Given its active management and structure as an ETF, we believe that the Natixis Loomis Sayles Short Duration Income ETF (Ticker: LSST) is positioned to meet this investor need.

An active ETF can be comparable to a passive ETF in that both vehicles have the flexibility to trade shares during market hours. But unlike a passive ETF, an active ETF offers the prospect of potentially outperforming an index. The Short Duration Income ETF is further set apart in the category because it provides a vehicle to gain access to Loomis Sayles' active management, proprietary credit and securitized research, and quantitative risk management.

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Definitions

[i] Yield curve is a curve that shows the relationship among bond yields across the maturity spectrum.

[ii] Duration is price sensitivity to interest rate changes.

[iii] Tracking error is the divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark.

Disclosure

Before investing, consider the fund's investment objectives, risk, charges, and expenses. Visit im.natixis.com for a prospectus or a summary prospectus containing this and other information. Read it carefully.

*Risks: **The Fund is new** with a limited operating history. **Exchange-Traded Funds (ETFs)** trade like stocks, are subject to investment risk, and will fluctuate in market value. Unlike mutual funds, ETF shares are not individually redeemable with the Fund and are bought and sold at market price, which may be higher or lower than the ETF's net asset value. Transactions in shares of ETFs will result in brokerage commissions, which will reduce returns. **Unlike typical exchange-traded funds**, there are no indexes that the Fund attempts to track or replicate. Thus, the ability of the Fund to achieve its objectives will depend on the effectiveness of the portfolio manager. There is no assurance that the investment process will consistently lead to successful investing. **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 U.S. securities, due to varying degrees of regulation and limited liquidity. These risks are magnified in emerging markets. **Interest rate risk** is a major risk to all bondholders. As rates rise, existing bonds that offer a lower rate of return decline in value because newly issued bonds that pay higher rates are more attractive to investors.*

Fund Objective: LSST seeks current income consistent with preservation of capital to pursue higher yield potential in short duration yield securities.

Investing involves risk, including the risk of loss. Investment risk exists within all investments. There is no assurance that any investment will meet its performance objectives or that losses will be avoided.

Diversification does not guarantee a profit or protect against a loss.

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