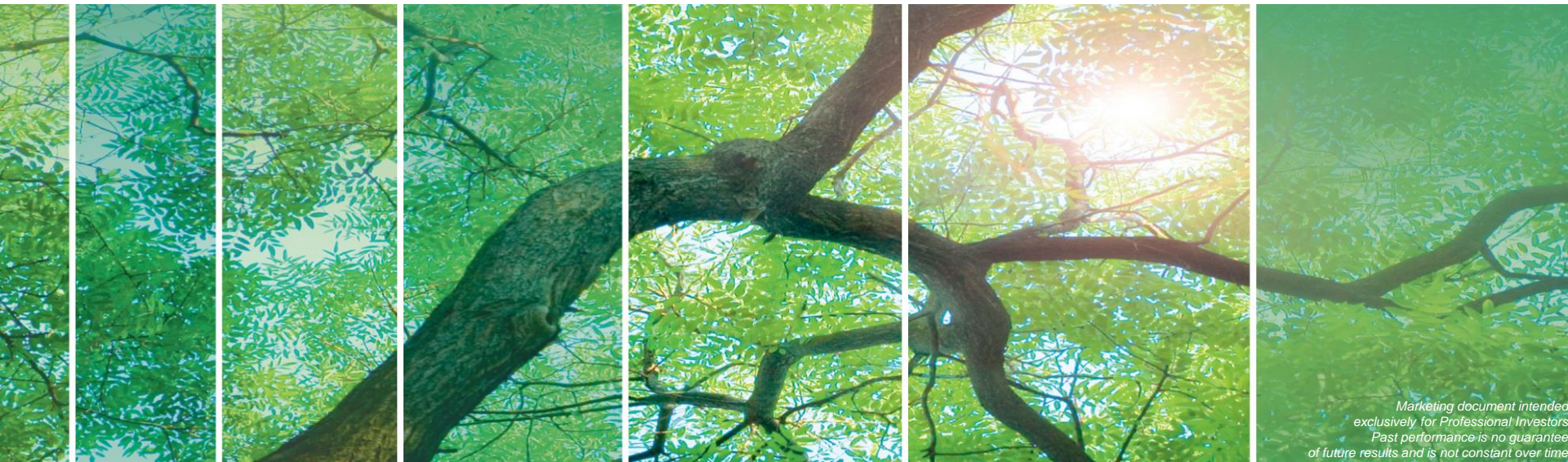


EMERGING DEBT: SUSTAINABLE & RESPONSIBLE INVESTING IN EM DEBT



*Marketing document intended
exclusively for Professional Investors
Past performance is no guarantee
of future results and is not constant over time*

SRI AND EMD EXPERTISE AT CANDRIAM

SRI FRAMEWORK

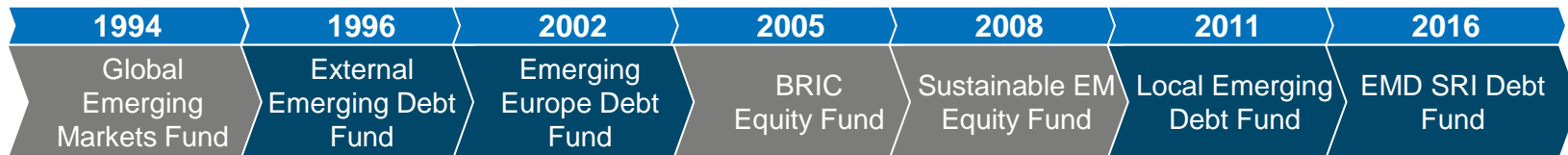
EMD APPROACH & POSITIONING

OUTLOOK

KEY HIGHLIGHTS

Longstanding Emerging Market Expertise

Aiming to achieve consistent risk-adjusted excess return



Our strengths

Long standing expertise in Emerging Markets

- Over 19 years of experience in Emerging Markets Debt
- Over 20 years of experience in Emerging Markets Equities

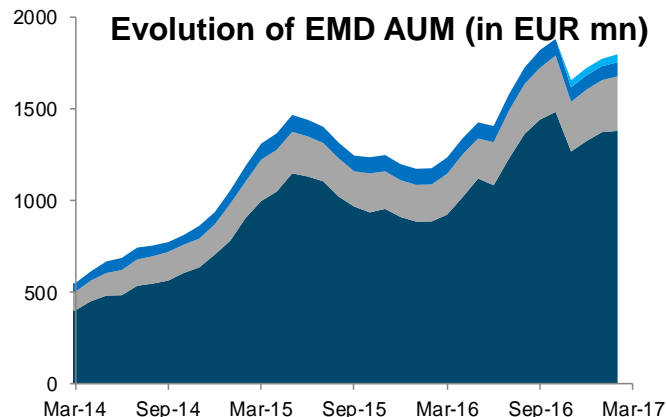
Robust performance

- 5 Morningstar rated over 3Y, 5Y, 10Y and overall for Candriam Bonds Emerging Markets
- 4 Morningstar rated overall for Candriam Bonds Emerging Debt Local Currencies
- 5 Morningstar rated overall for Candriam Bonds Euro Convergence
- Regular fund award winner

A dedicated and experienced emerging markets debt team

- All EMD fund managers have a product and regional research focus
- EM specialist teams exchange views on a consistent basis

Evolution of EMD AUM (in EUR mn)



- Candriam SRI Bond Emerging Markets
- Candriam Bonds Euro Convergence
- Candriam Bonds Emerging Debt Local Currencies
- Candriam Bonds Emerging Markets

The Emerging Market Debt Team



Nicolas Forest

Global Head of Fixed Income

15 years of experience

Helena Clijsters
Fund Manager / Lead EC

37 years of experience
Europe HC / LC



Magda Branet, CFA
Fund Manager / Lead TR

13 years of experience
Asia / MENA HC/LC



Dilitana Deltcheva, CFA
Head of EMD / Lead HC

15 years of experience
Latam / Africa HC/LC



Christopher Mey
Fund Manager / Corporates

8 years of experience
Global Corporates



Julien Fabre
Fund Manager / LC

10 years of experience
Global LC



Marie-Bénédicte Guignan
Fund Manager / Lead SRI

5 years of experience
Europe HC

CROSS-SHARING EXPERTISE

Macro Economic Research

Anton Brender
Head of economic research
Team of 5 Macro
Economists

Fixed Income

Nicolas Forest
Global Head of Fixed Income
Team of 19 Investment
Professionals

Emerging Market Equity

Jan Boudewijns
Head of EM Equity
Team of 5 Investment
Professionals

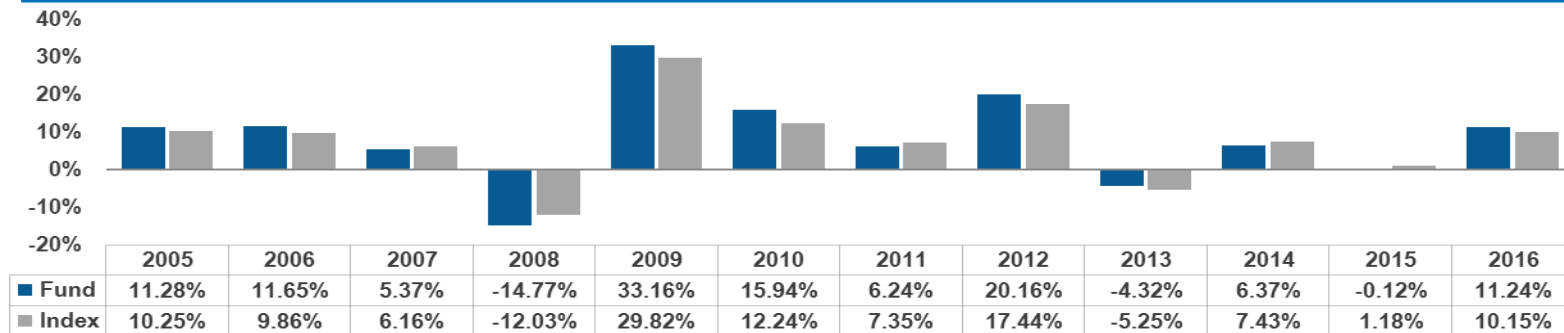
Investment Engineering

Koen Van De Maele
Head of Investment Engineering
Team of 9 Investment
Professionals

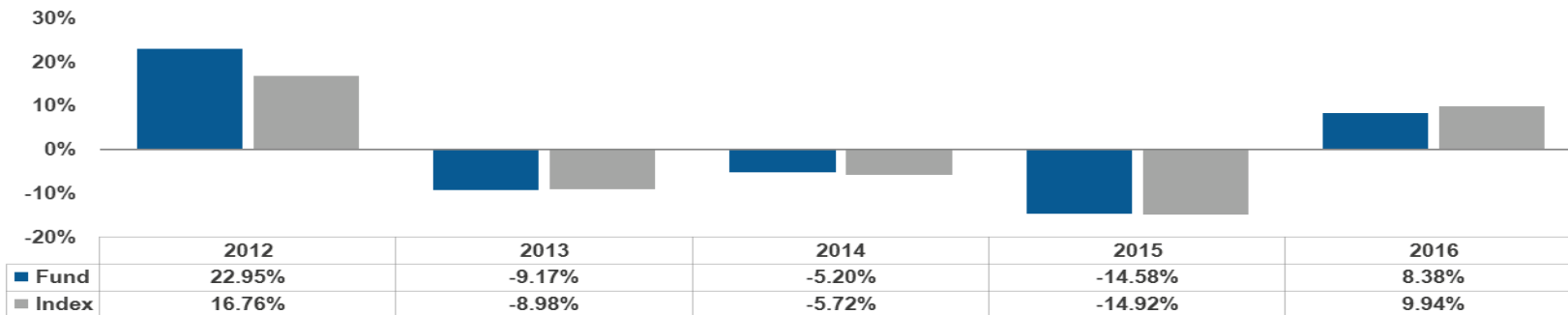
A Long-Standing and Consistent Track Record

Historical Performance as of End of April 2017 (1 Cap. Share)

Candriam Bonds Emerging Markets



Candriam Bonds EM Debt LC



The investment process does not replicate the reference index which is mentioned for information purposes only.

Past performance is no guarantee of future results and is not constant over time. Morningstar category: EAA OE Global Emerging Markets Bond Local Currency

June 7th, 2017

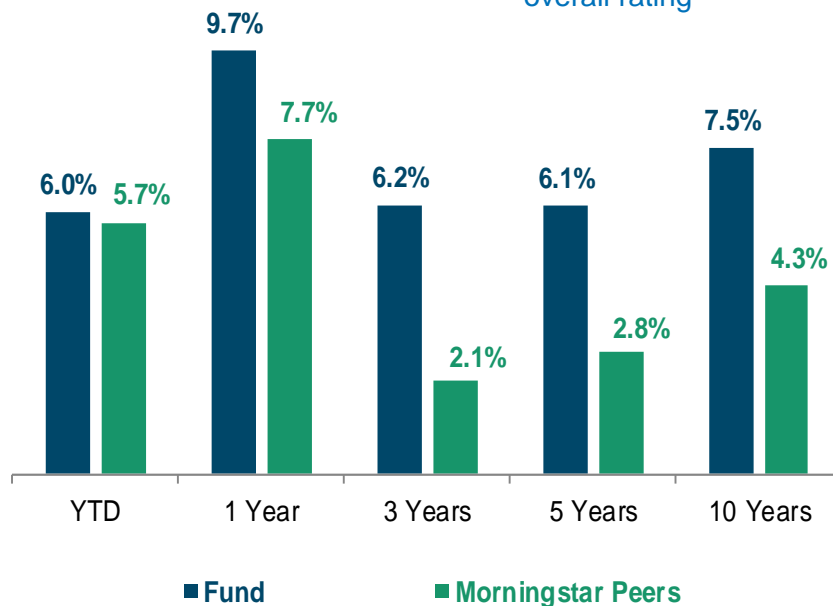
Marketing document intended exclusively for Professional Investors

A Long-Standing and Sturdy Track Record

Net annualized performance as of end April 2017 (I Cap. Share) vs. Peers

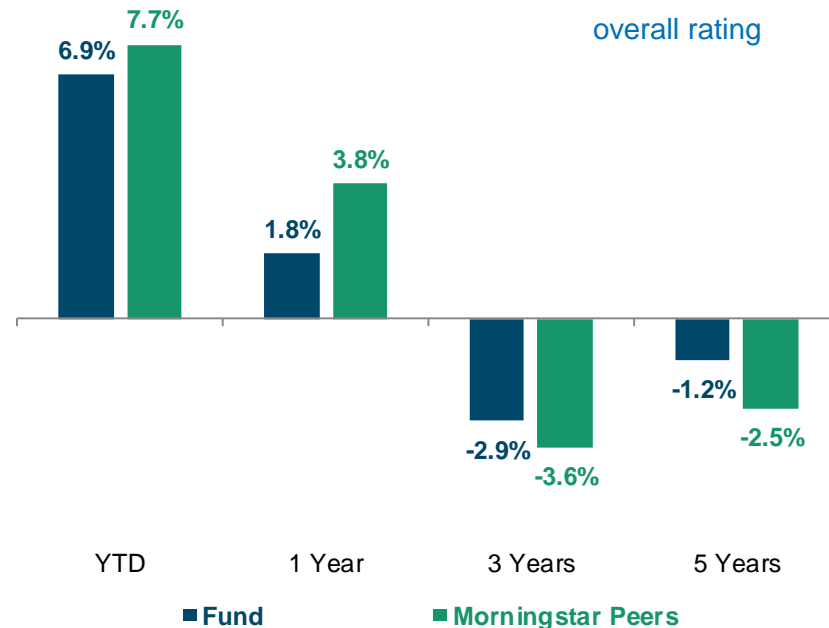
Candriam Bonds Emerging Markets

★★★★★
overall rating



Candriam Bonds EM Debt LC

★★★★
overall rating



Source: Morningstar, Candriam. As of end April 2017.

Sustainable And Responsible Investments Team

Key Decision Makers



Wim VAN HYFTE, PhD

Global Head of Responsible Investments & Research
19 years of experience

ESG Analysis and Research



Isabelle CABIE

Global Head of Responsible Development
28 years of experience

Engagement and Proxy Voting



Elisa Vergine

Senior SRI Analyst
12 years of experience



Florent Griffon

Senior SRI Analyst
13 years of experience



Lucia Meloni

SRI Analyst
11 years of experience



Sophie Deleuze

Senior SRI Analyst
19 years of experience



Quentin Stevenaert

SRI Analyst
1 year of experience



Alexis Gouin

SRI Analyst
4 years of experience,

SRI Analyst
Joined end of April



Patrick Haustant

SRI Analyst
14 years of experience



Ben Peeters

Senior Client Portfolio Manager SRI
28 years of experience

Sustainable & Responsible Investment at Candriam

Expertise developed over 20 years

Proven track record

- Accountability and attribution from both ESG research and investment teams
- Outperformance vs. Morningstar Sustainable Investment peer group average

Broad coverage

- Strategies covering all geographic regions and liquid asset classes
- Active/Passive management
- Tailor-made solutions



Historical leader

- 1996 – First Equity Sustainable fund
- 2006 – One of the founding signatories to the UN Principles of Responsible Investment (PRI)



€ 27.3bn

25% of Total AuM

Broadest range of
Sustainable funds
in continental Europe

Core Sustainable Investment approaches

- Best-In-Class
- Norms-based screening
- Exclusionary screening (controversial activities check)

Active engagement and ownership

- One dedicated Team
- Proxy voting policy since 2003
- Ongoing dialogue with companies

Dedicated and independent Research Team

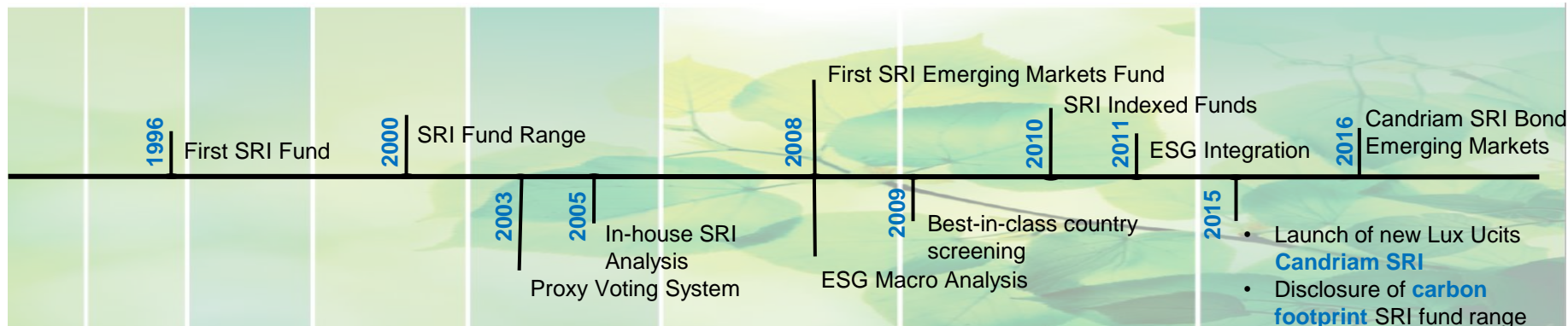
- Experienced analysts building sector specific models
- Extensive and proprietary database rating each company based on ESG criteria



Data as of 31-March-2017

June 7th, 2017 | Marketing document intended exclusively for Professional Investors

SRI Expertise @ Candriam



- One of the founding signatories to the UN Principles of Responsible Investment (PRI) back in 2006



- All our SRI funds are signatory to the European SRI Treaty

- Active Promotion of sustainable development as a member of many associations



SRI AND EMD EXPERTISE AT CANDRIAM

SRI FRAMEWORK

EMD APPROACH & POSITIONING

OUTLOOK

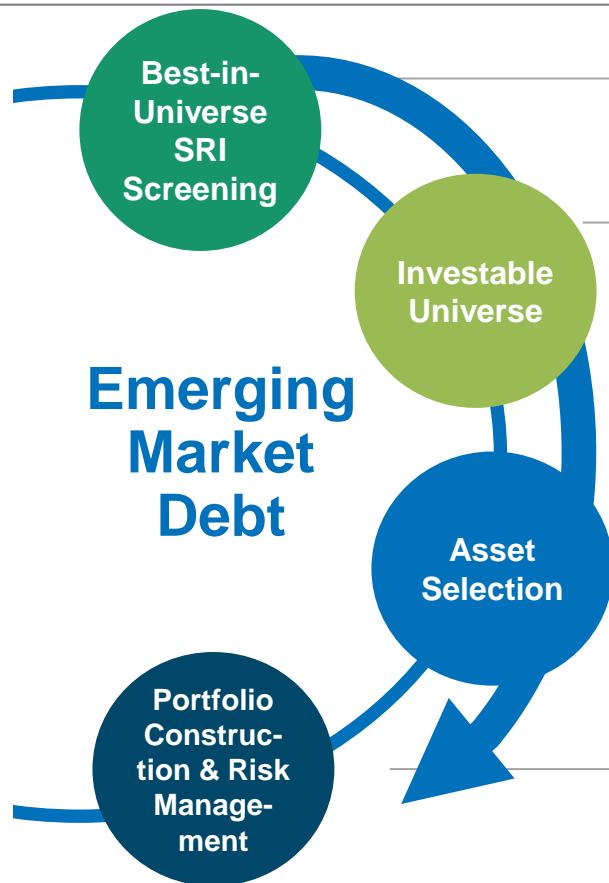
KEY HIGHLIGHTS

Investment Philosophy

Best-In-Universe SRI Approach

- Sovereign creditworthiness analysis addresses **debt sustainability** but does not typically assess a **country's long-term sustainable development potential**
- **Sustainable development** ensures the welfare of current generations without compromising the welfare of future generations
- Country-specific **Environmental, Social and Governance (ESG) indicators** can be used to
 - ▶ Evaluate **non-financial risks** and **opportunities** that impact long term value creation
 - ▶ Assess a country's **long-term sustainable development potential**
- Our Best-In-Universe SRI approach identifies countries that score highest in terms of **managing** their **human, natural, social and economic assets in order to ensure long term sustainable development and welfare across generations**

Strategy Investment Process: Overview

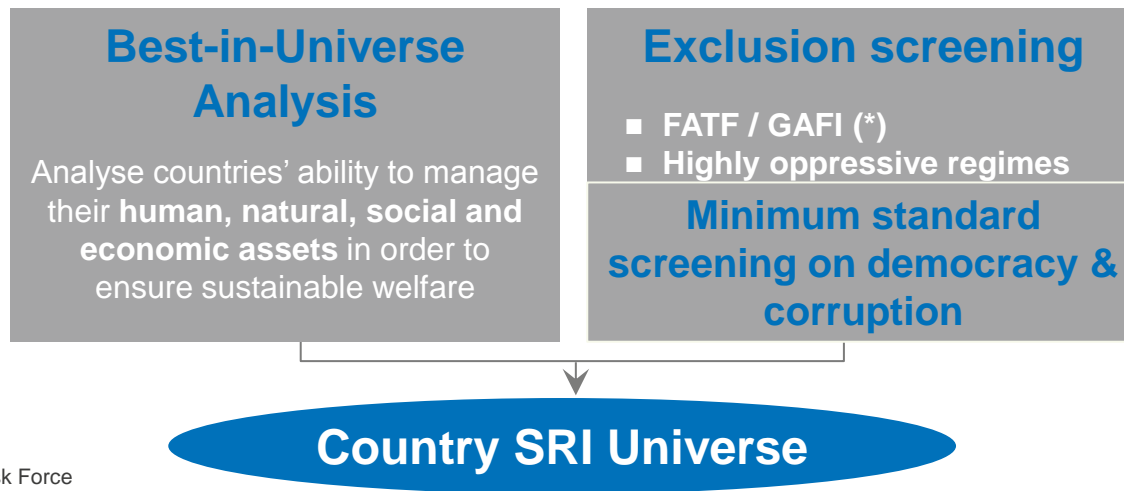


- Each sovereign issuer undergoes Best-in-Universe SRI screening
 - Issuers with **SRI scores lower than 35 are excluded** from the investable universe
 - Exposure to each issuer is limited on the basis of level of development (nominal GDP) and sustainability (SRI score)
 - The **Relative Country** analysis establishes a common risk scale based on financial and non-financial (ESG) variables
 - The **Cross Country and Curve valuation** identifies the most attractive RV opportunities
- The most compelling RV opportunities are implemented in the Fund based on level of conviction and liquidity
- Inherent strategy risks are monitored continuously on ex-ante and ex-post basis



■ Our Best-In-Universe SRI approach

- ▶ Identifies countries that score highest in terms of managing their human, natural, social and economic assets in order to ensure sustainable welfare
- ▶ Integrates a **minimum** norms based screening on **democracy** and **corruption**
- ▶ Applies an **exclusion screening** for countries defined as **highly-oppressive regimes** and/or **high-risk, uncooperative jurisdictions** relating to international integrity standards



(*) FATF or Financial Action Task Force
GAFI ou Groupe d'Action Financière

Best-in-universe SRI Screening

The Four Main Domains



Human Capital

Stock of human productivity potential of individual people based on their knowledge, skills, labor and health



Natural Capital

Stock of natural resources in the form of renewable and non-renewable resources and in the form of environmental services/processes



Social Capital

Refers to social interactions:
Stocks of trust, norms and institutions that people can rely on to solve common problems and create social cohesion



Economic Sustainability


Sustainability of the economic fundamentals
“To what extent is the current level of economic activity viable?”

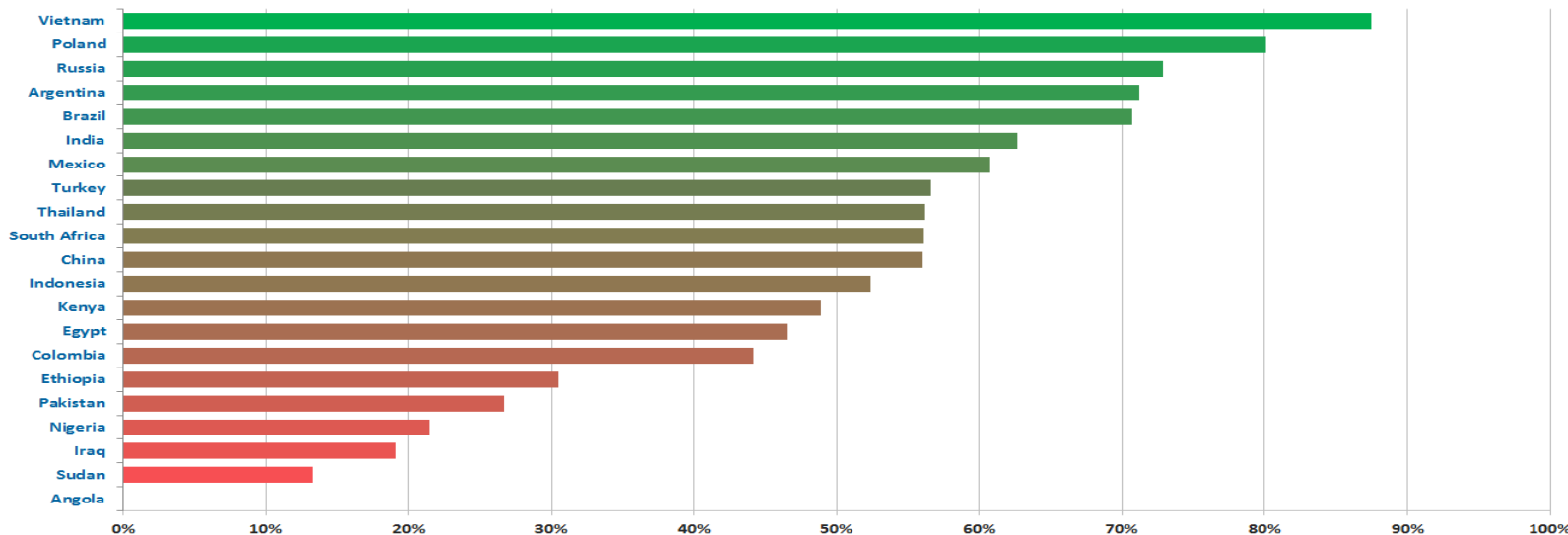
Candriam’s **Best-In-Universe Country ESG analysis** covers the 17 UN Sustainable Development Goals through its four “Capital” screening building blocks

Best-in-universe SRI Screening

Covers 75 Themes organized under 23 Sub-domains and 4 Main Domains



DOMAIN	SUB-DOMAIN	THEME
 HUMAN CAPITAL	Labour	Unemployment Job precariousness/uncertainty Essential labour rights...
	Health	Health budget Medical infrastructure, Diseases prevalence & treatment ...
	Knowledge	Access to education Education level Innovation effort Patents...



Best-in-universe SRI Screening

Weighting Framework



■ The Best-In-Universe **Weighting Framework**:

- ▶ A fixed **25% weight** is set for each of the four main domains – Human/Natural/Social Capital and Economic Sustainability
- ▶ For each sub-domain and for each indicator, weights are determined on the basis of **materiality**, that is **exposure** and **impact** on countries in terms of economic development, geography and demography. Country scores take into account

DOMAIN	SUB-DOMAIN (S-D)	S-D WEIGHTINGS	S-D WEIGHTINGS within final scores
HUMAN CAPITAL	Labour	25%	6.25%
	Health	30%	7.50%
	Knowledge	45%	11.25%
	Total	100%	25%

SUB-DOMAIN	THEMES	THEME WEIGHTINGS
Knowledge 45%	Education & Training	65%
	Innovation	35%

Strategy & Policies

1. Allocation of resources to themes;
2. Type of institutions;
3. Ratification of and Signatory to international agreements

Performance

1. Current performance versus other countries,
2. Changing performance over time

- ### ■ The final SRI score ranges between 0 and 100 and is calculated as a weighted average score across all indicators

Best-in-universe SRI Screening

Minimum Norms-based Screening on Democracy and Corruption



- Countries with poor democracy and corruption track records are penalized by assigning the **lowest “Social Capital” score**
- The minimum norms-screening on democracy and corruption is based on the following indicators:
 - ▶ Freedom House’s Freedom in the World index
 - ▶ The World Bank’s Voice & Accountability Index
 - ▶ The World Bank’s Control of Corruption index



THE WORLD BANK



Best-in-universe SRI Screening

Exclusion Screening



■ Highly Oppressive Regimes Filter

- ▶ Objective
 - Ensures that we have no exposure to the most brutal dictatorships
- ▶ In practice
 - Countries with **the most repressive political regimes** are allocated a **SRI score of zero** and, are, therefore, excluded from the SRI universe
- ▶ Indicators used
 - The Freedom House “Freedom in the World” index and the World Bank’s “Voice & Accountability” index



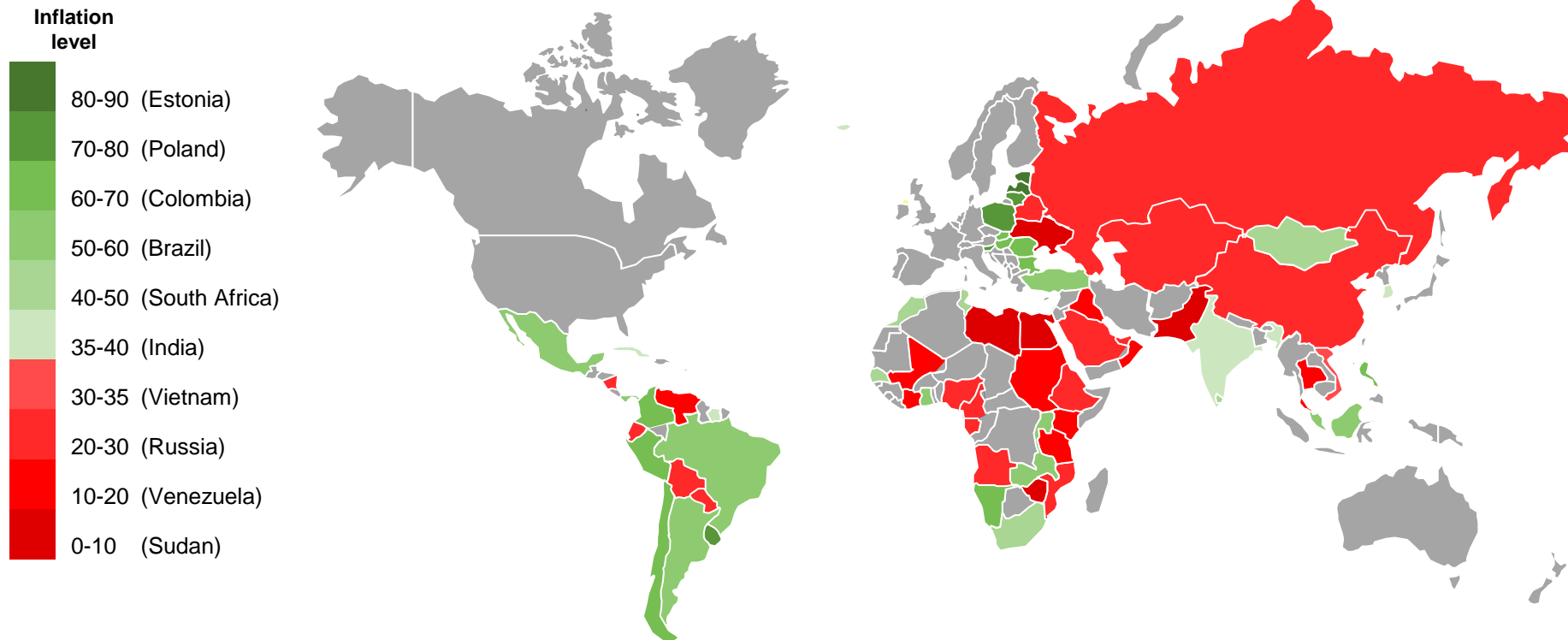
■ Financial Action Task Force (FATF) Filter

- ▶ Objective
 - Ensures that we have no exposure to countries that jeopardize the integrity of the global financial system and are repeat offenders with respect to money laundering, terrorist financing and the proliferation of weapons of mass destruction
- ▶ In practice
 - Countries identified by **FATF as high-risk, uncooperative jurisdictions** are allocated a **SRI score of zero** and, are, therefore, excluded from the SRI universe
- ▶ Indicators used
 - FATF list of high-risk, uncooperative jurisdictions



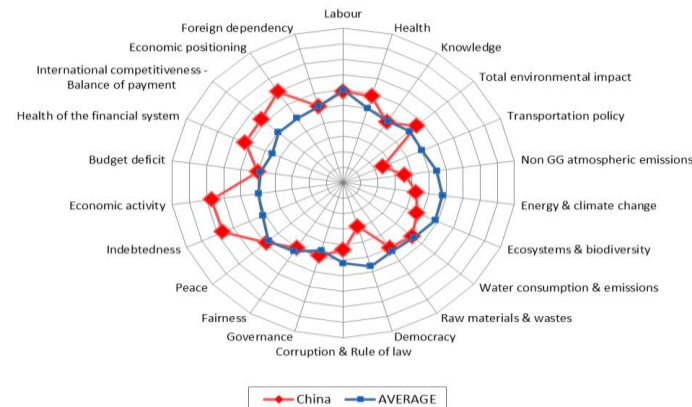
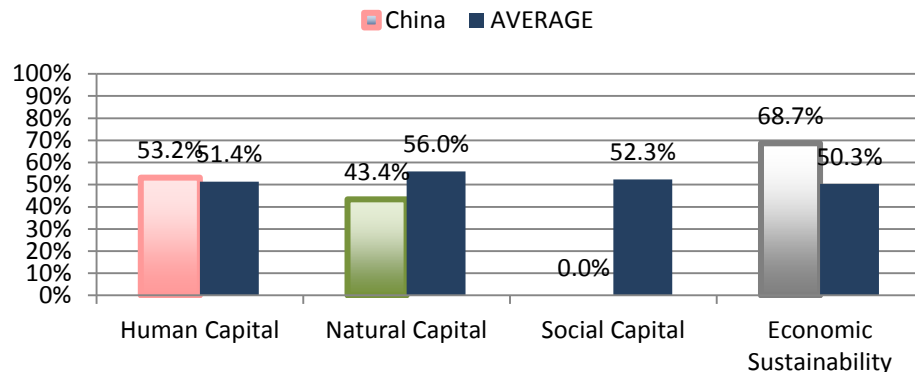
Best-in-universe SRI Screening

Break-down of resulting investment universe



Best-in-universe SRI Screening

Country Profile – CHINA



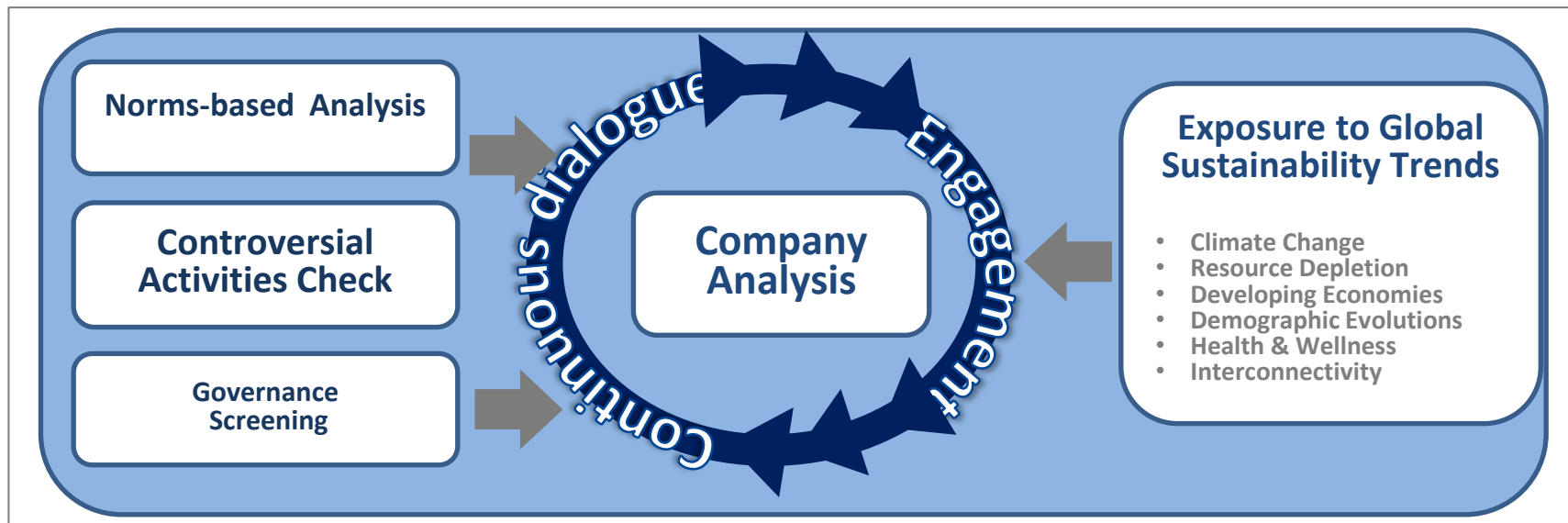
- China scores high in terms of **Economic Sustainability** and **Human Capital**. However, China's management of its **Environmental Capital** is **unsatisfactory**
- China does not pass the minimum norms-based screening for **Democracy and Corruption** and receives a zero **Social Capital** score
- The biggest sustainable development challenges facing China are:
 - ▶ **Acceleration of energy generation** from coal to renewable energy
 - ▶ Transition to a more **democratic political system** and **reduction of corruption**
 - ▶ **Neutralization of the environmental impact** of China's substantial economic growth

Best-in-Universe analysis

Quasi-Sovereign Issuers



- For Quasi-Sovereign Corporate issuers, we apply **Candriam's Emerging Market Corporate Framework**



SRI Emerging Markets Corporate Universe

SRI AND EMD EXPERTISE AT CANDRIAM

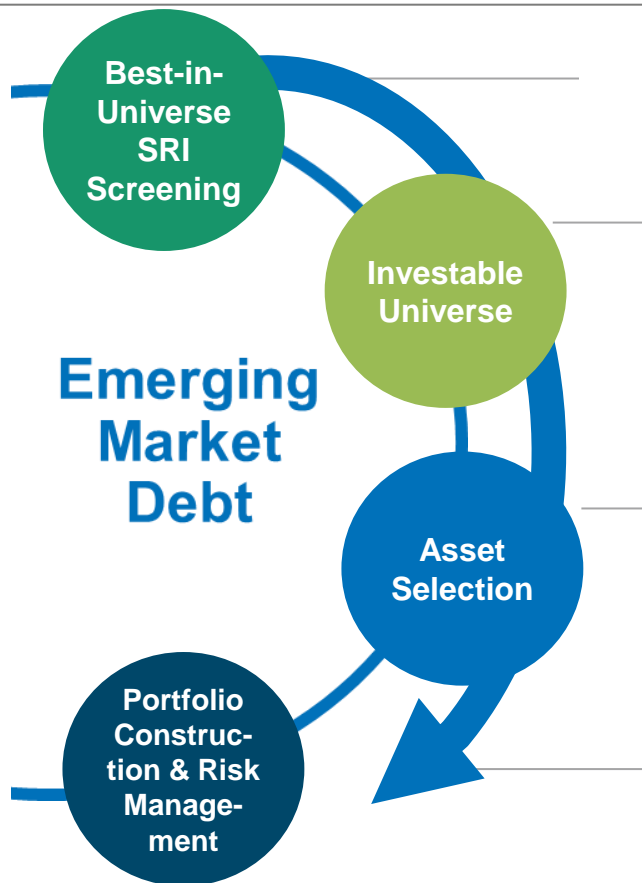
SRI FRAMEWORK

EMD APPROACH & POSITIONING

OUTLOOK

KEY HIGHLIGHTS

Investment Process Overview

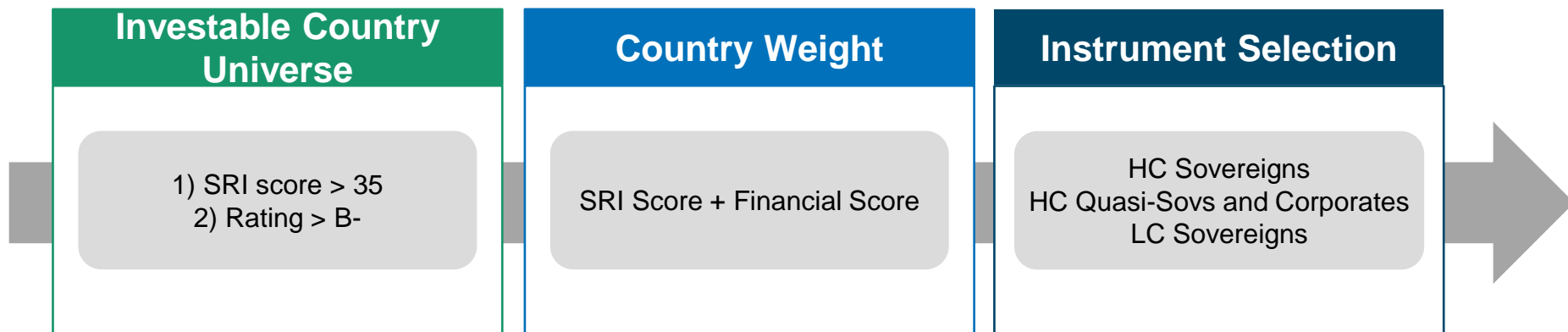


- Each sovereign issuer undergoes Best-in- Universe SRI screening
 - ▶ Issuers with **SRI scores lower than 35 are excluded** from the investable universe
 - ▶ Exposure to each issuer is limited on the basis of level of development (nominal GDP) and sustainability (SRI score)
 - ▶ The **Relative Country** analysis establishes a common risk scale based on financial and non-financial (ESG) variables
 - ▶ The **Cross Country and Curve valuation** identifies the most attractive RV opportunities
- The most compelling RV opportunities are implemented in the Fund based on level of conviction and liquidity
- Inherent strategy risks are monitored continuously on ex-ante and ex-post basis

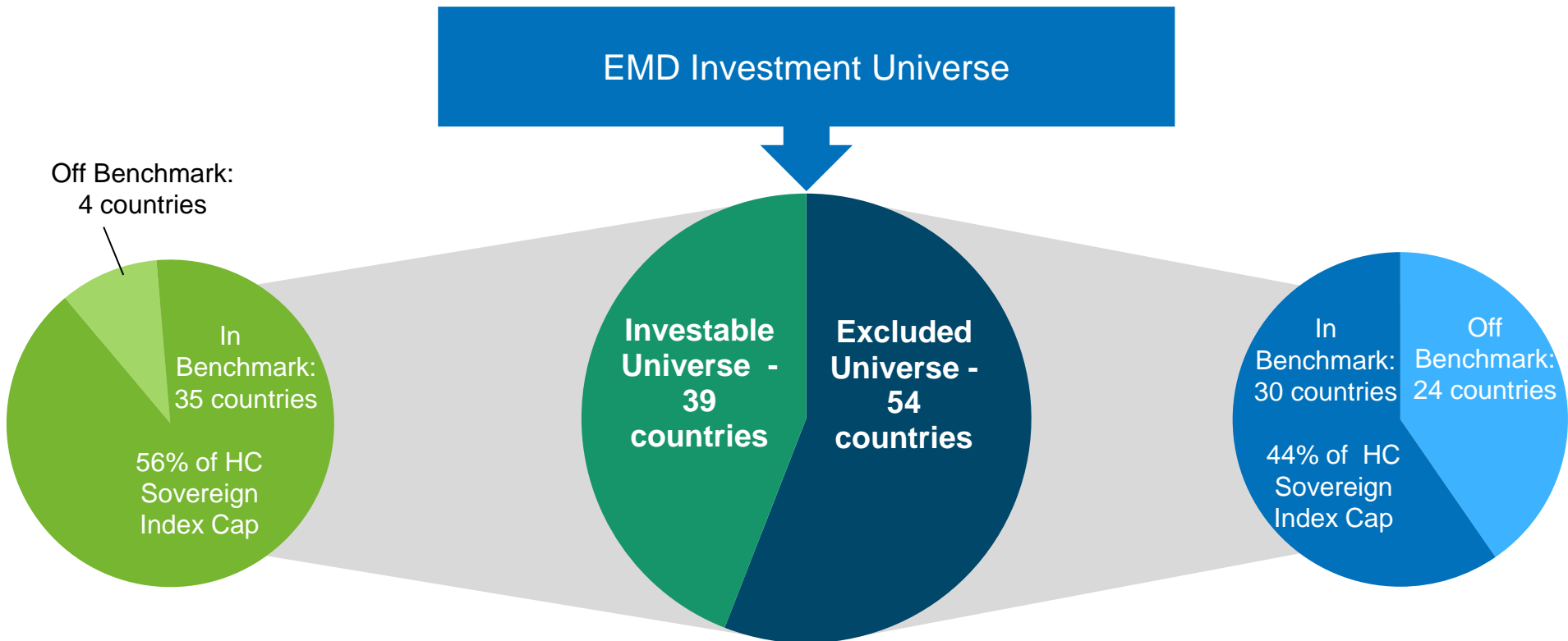
Investable Universe Overview



- The **SRI scores** are a result of the SRI Country Screening produced by Candriam's SRI team
- The **Financial score** is an accounting measure of Nominal GDP for sovereign issuers
- **Country limits** are computed as **equal weighted scores of SRI and Financial Scores**



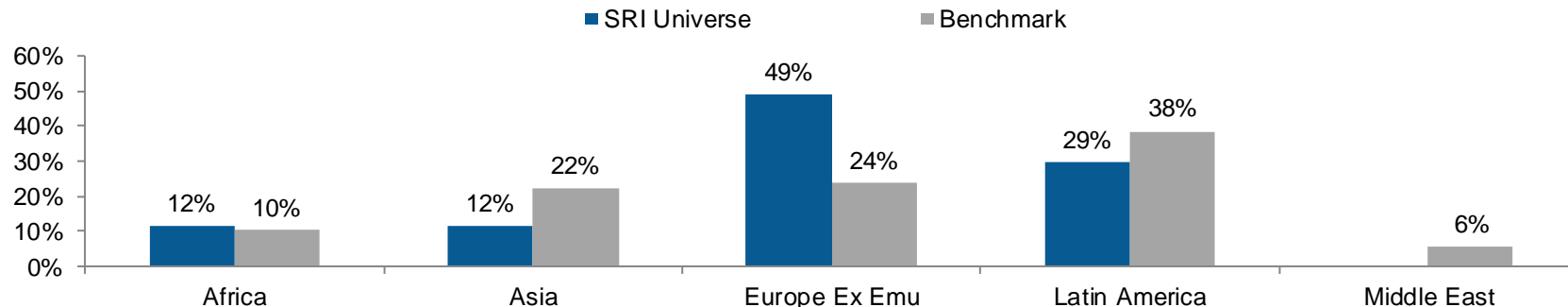
Investable Universe Overview



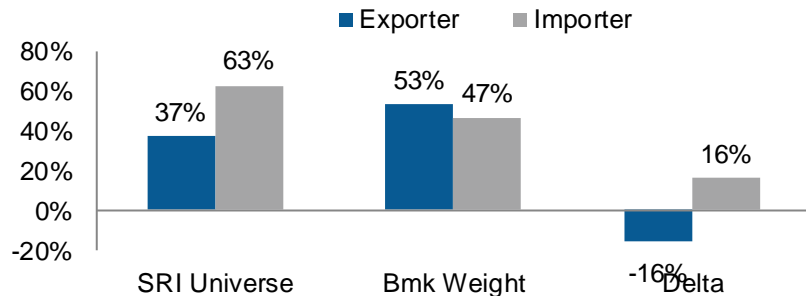
Investable Universe versus the Hard Currency Sovereign Benchmark



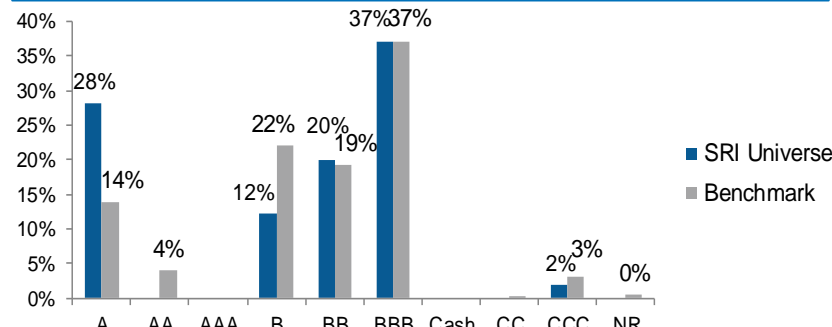
Regional Breakdown



Commodity Breakdown



Ratings Breakdown



Source: Candriam. Data as of May 12th, 2017

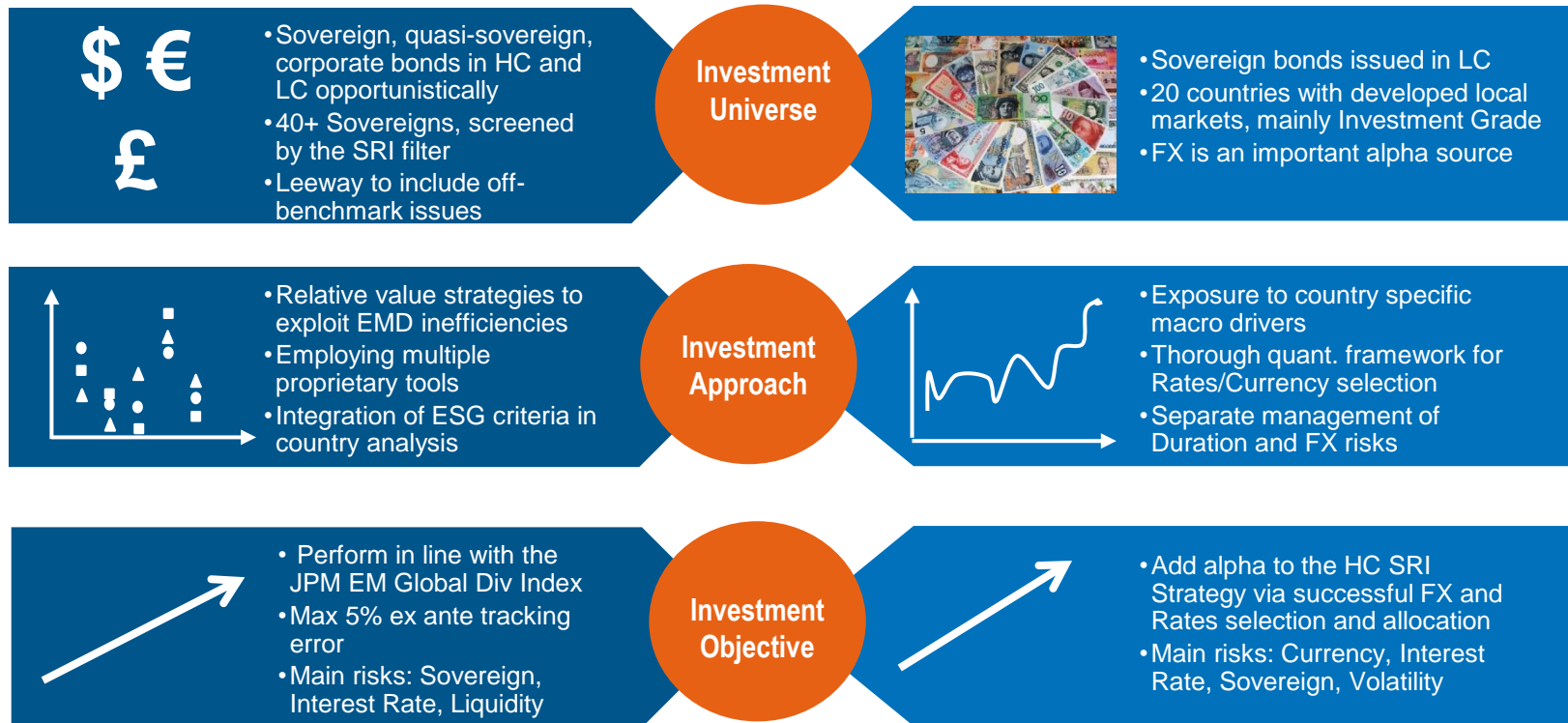
*Reference Benchmark: JPMorgan EMBI Global Diversified

Investment Process Overview – Hard Currency & Local Currency



Hard Currency Strategy - Core

Local Currency Strategy - Opportunistic



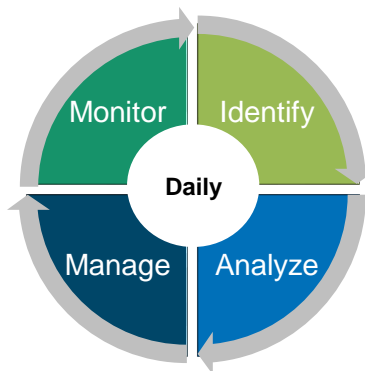
Independent Risk Management and Main Sources of Risks

Rational Awareness of Risk at Every Level



INDEPENDENT RISK MANAGEMENT

- Risk identification for each investment strategy and set-up of risk limits
- State of the art tools to monitor risks (RiskMetrics®, CharlesRiver®)
- Independent reporting to the CEO and the Executive Committee



INVESTMENT MANAGEMENT

- Disciplined risk management techniques tailored to each specific strategy
- Consider risk at all stages of the investment process
- Robust sell discipline

MONITORING AND FOLLOW UP COMMITTEES

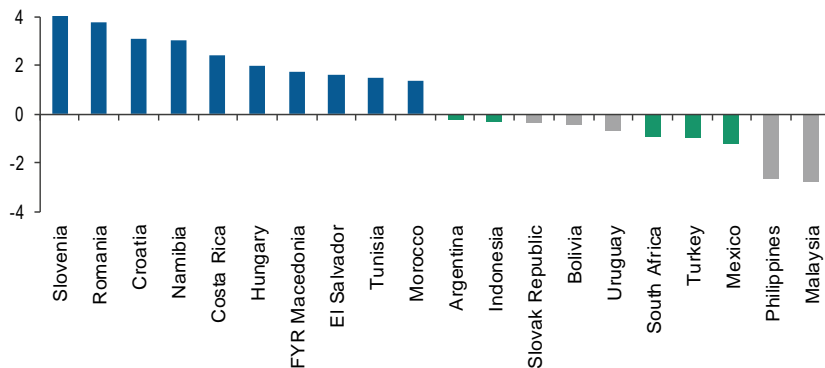
Risks the Fund is Exposed to

Default Risk	Interest Rate Risk	Volatility Risk
Sovereign Risk	Liquidity Risk	Currency Risk
Derivatives Risk	Counterparty Risk	Systematic Risk

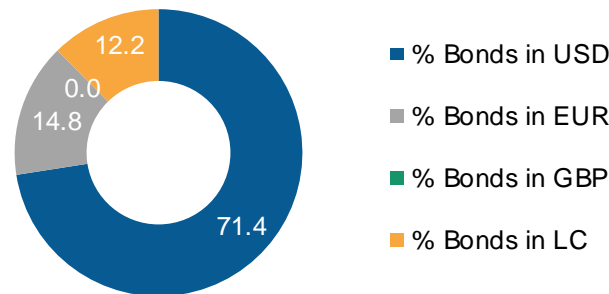


Candriam SRI Bond Emerging Markets Offers a Yield in Excess of 4.5%

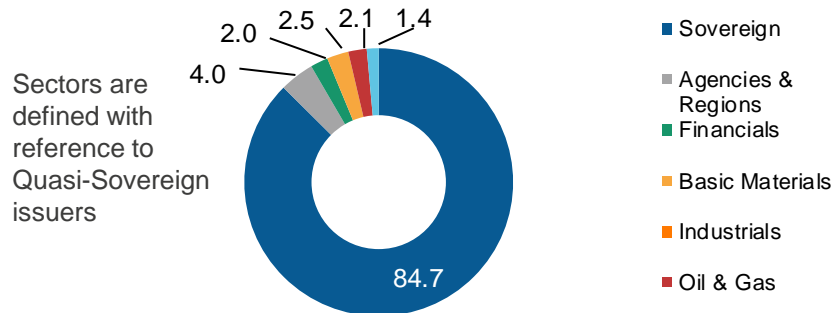
Main strategy positions (in %)



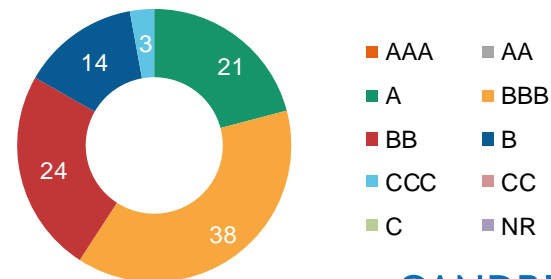
Bond denomination breakdown (in %)



Sector allocation (in %)



Rating allocation (in %)



SRI AND EMD EXPERTISE AT CANDRIAM

SRI FRAMEWORK

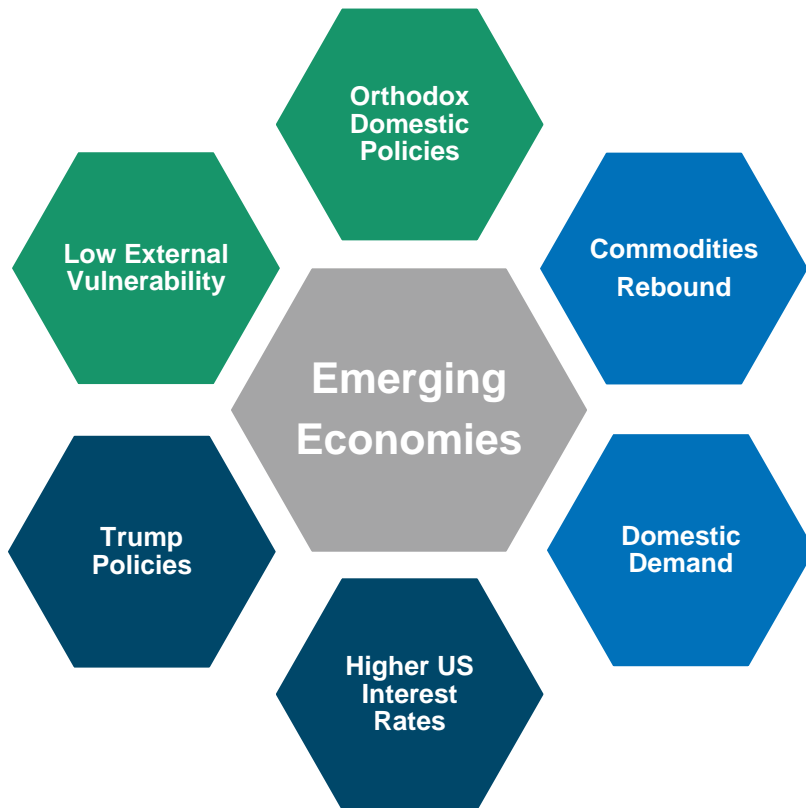
EMD APPROACH & POSITIONING

OUTLOOK

KEY HIGHLIGHTS

EM Economies Facing a post-Trump World from a Solid Position

***Structural
Strengths***



***Cyclical
Tailwinds***

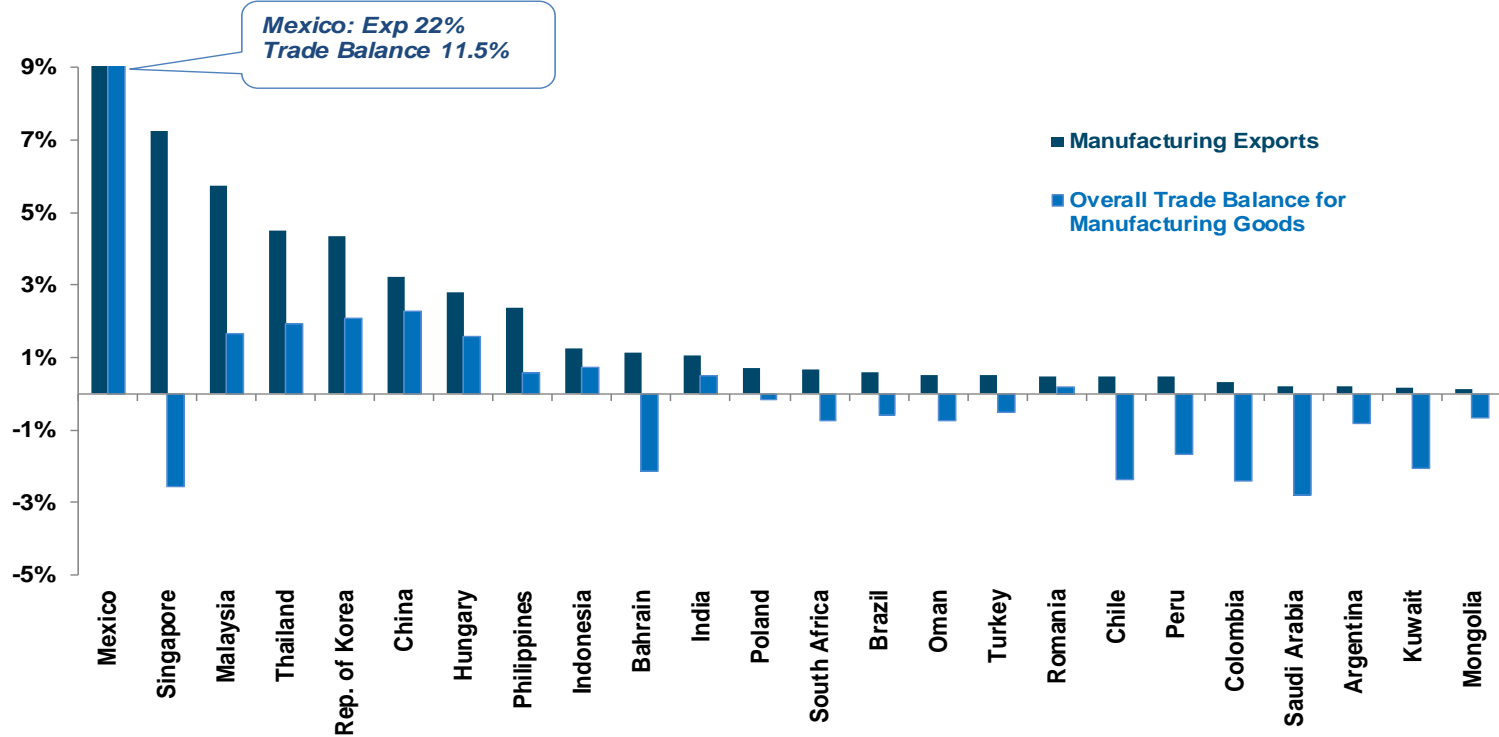
***External
Risks***

US Policies to Have Mixed Effects on EM

Country differentiation is key if the US administration pursues trade protectionism

Trump
Policies

Trade Exposure to the US (% of GDP)



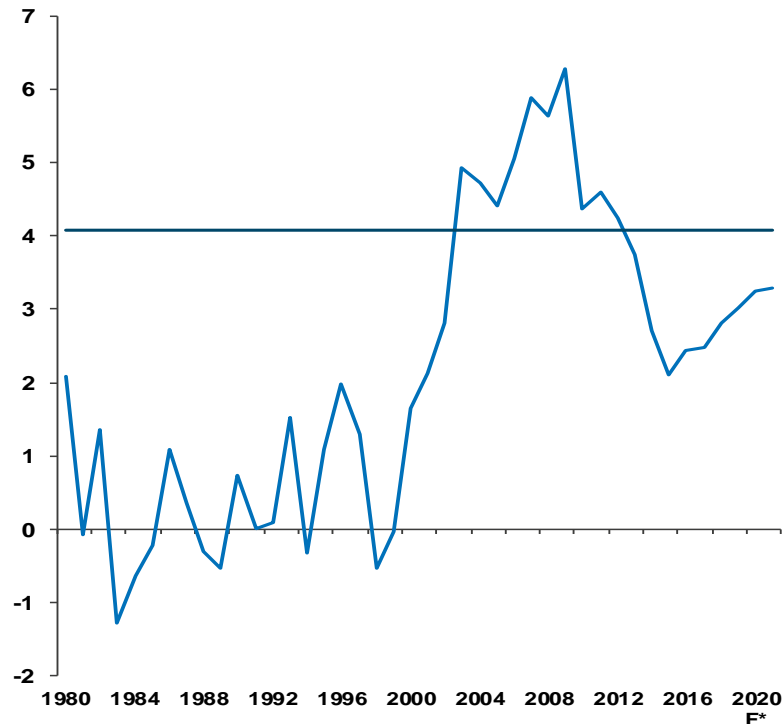
Source: Candriam, UN Comtrade, February 2017

EM Growth Rebound Gathering Momentum

A synchronized global recovery across EM and DM is supportive of risky assets

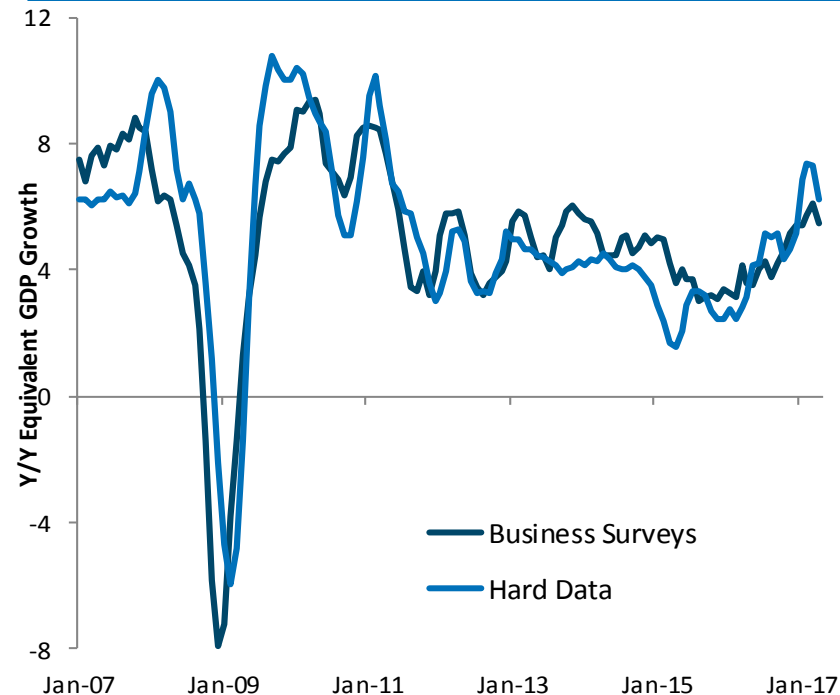
Structural
Strengths

EM-DM growth differential (in %)



Source: IMF. World Economic Outlook. As of April 2017

EM Growth Tracker



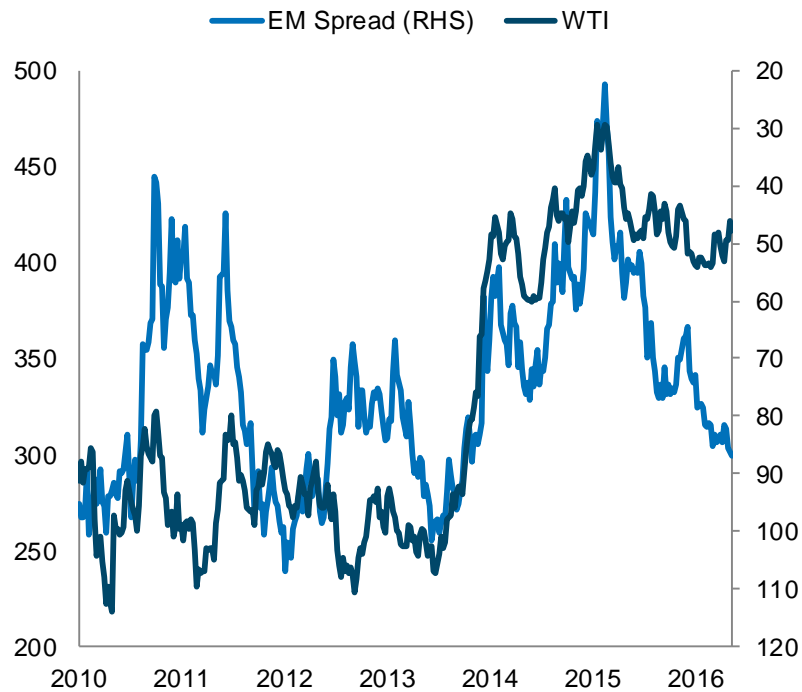
Source: IIF, Candriam, As of May 2017

Commodities Have Turned a Corner

Commodity exporters have adjusted to the new reality

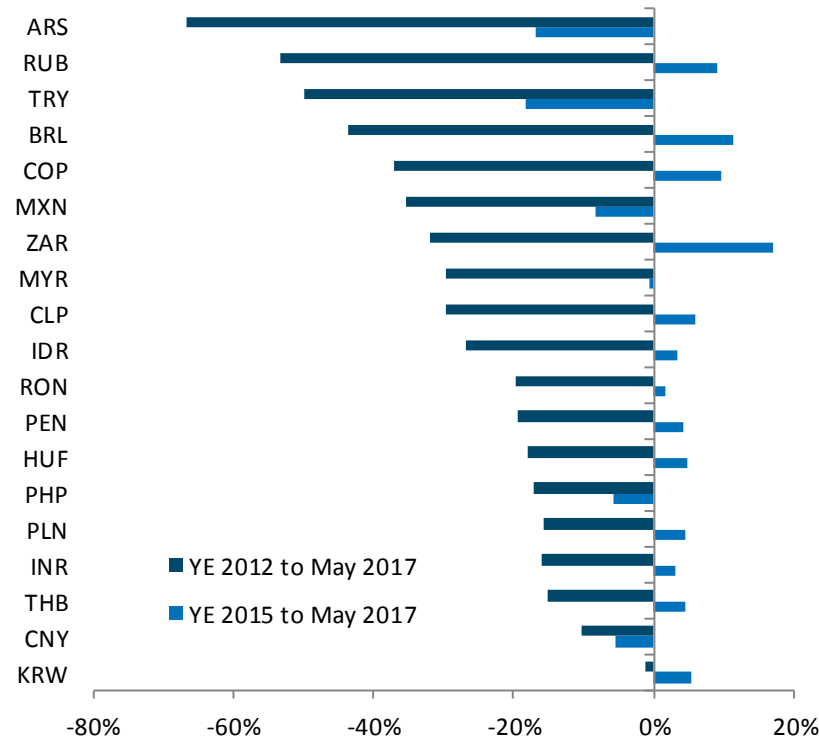
Cyclical
tailwinds

The correction in oil is over



Source: Bloomberg, Candrium, May 2017

Commodity FX have depreciated materially



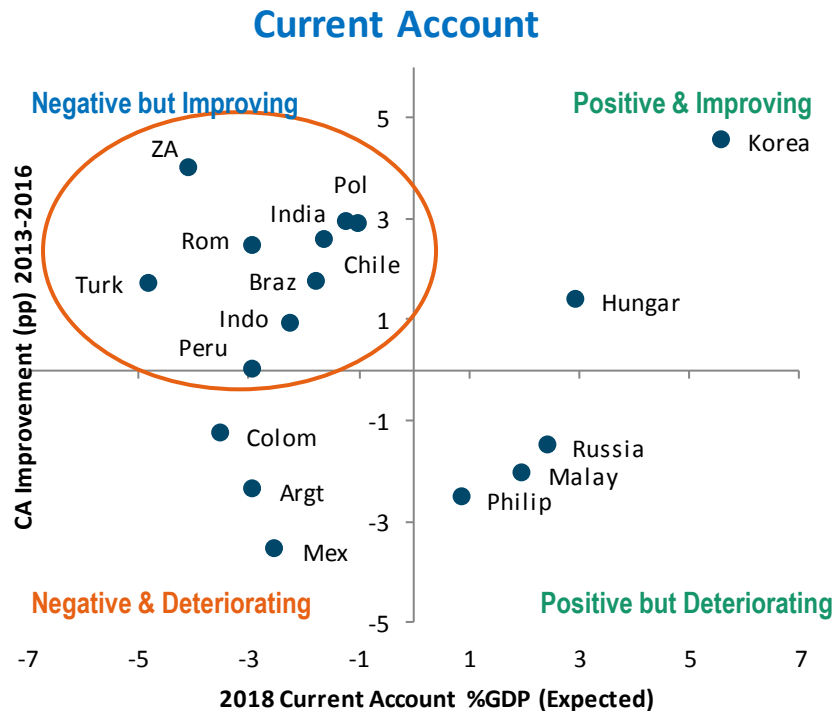
Source: Bloomberg, Candrium, May 2017

EM Is No Longer Experiencing Sharp External Sector Imbalances

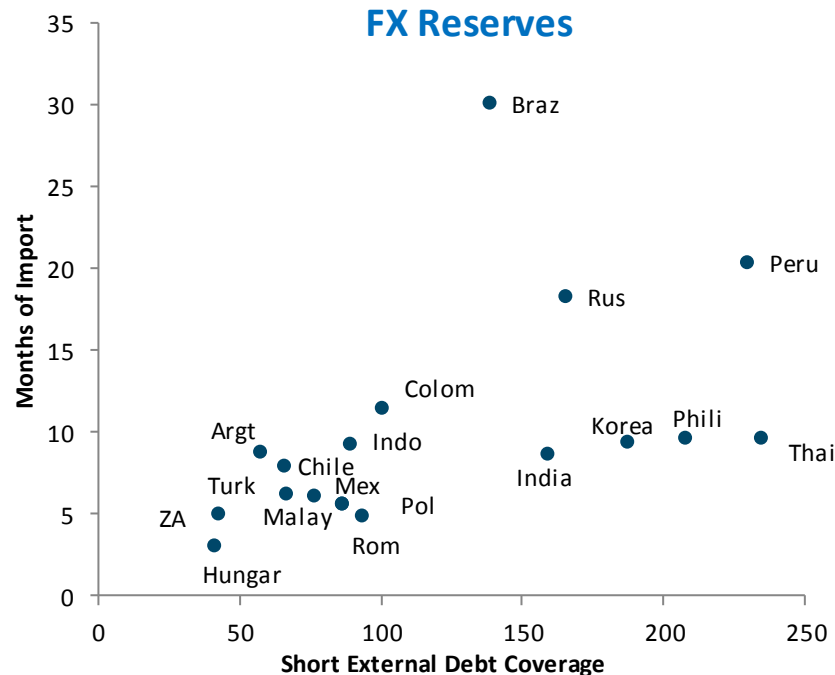
EM current account balances have improved and FX reserve coverage is adequate

Structural
Strengths

EM current account deficits are improving



EM FX Reserves coverage is adequate



Source: Bloomberg, Candriam. As of May 2017

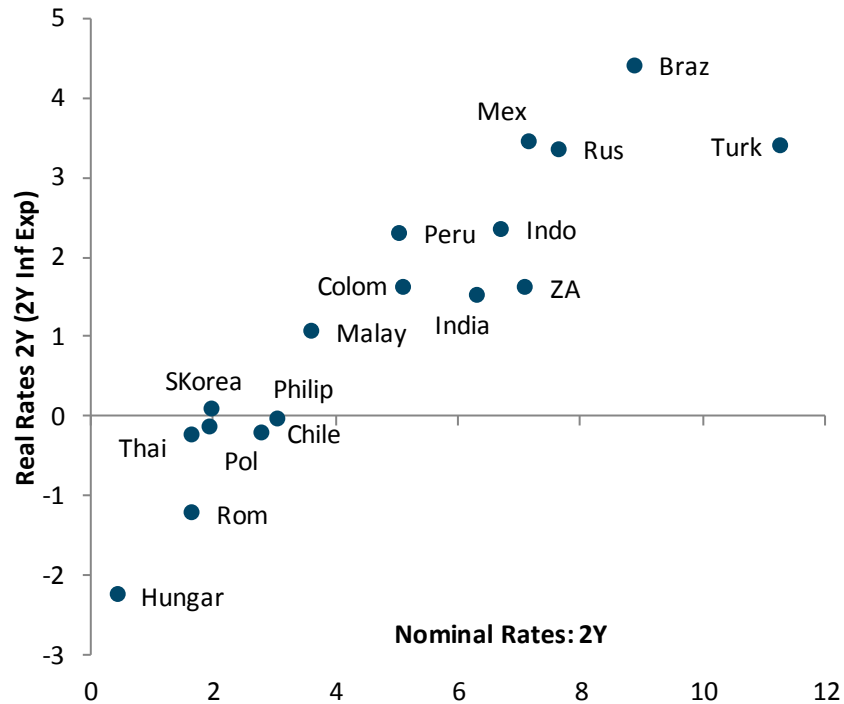
Source: World Bank, Bloomberg, Candriam. As of May 2017

Prudent Macro Policies Support Disinflation

EM LC markets are cushioned by high real rates and falling inflation

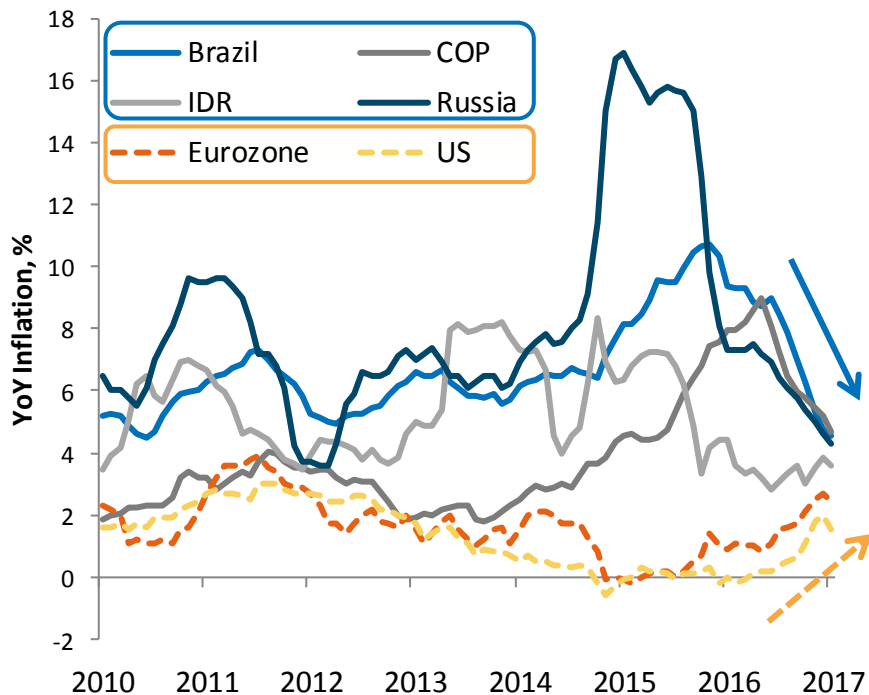
Structural
Strengths

Real rates are attractive across EM



Source: Bloomberg, Candriam. As of May 2017

Major EM Economies' Rate Still Falling



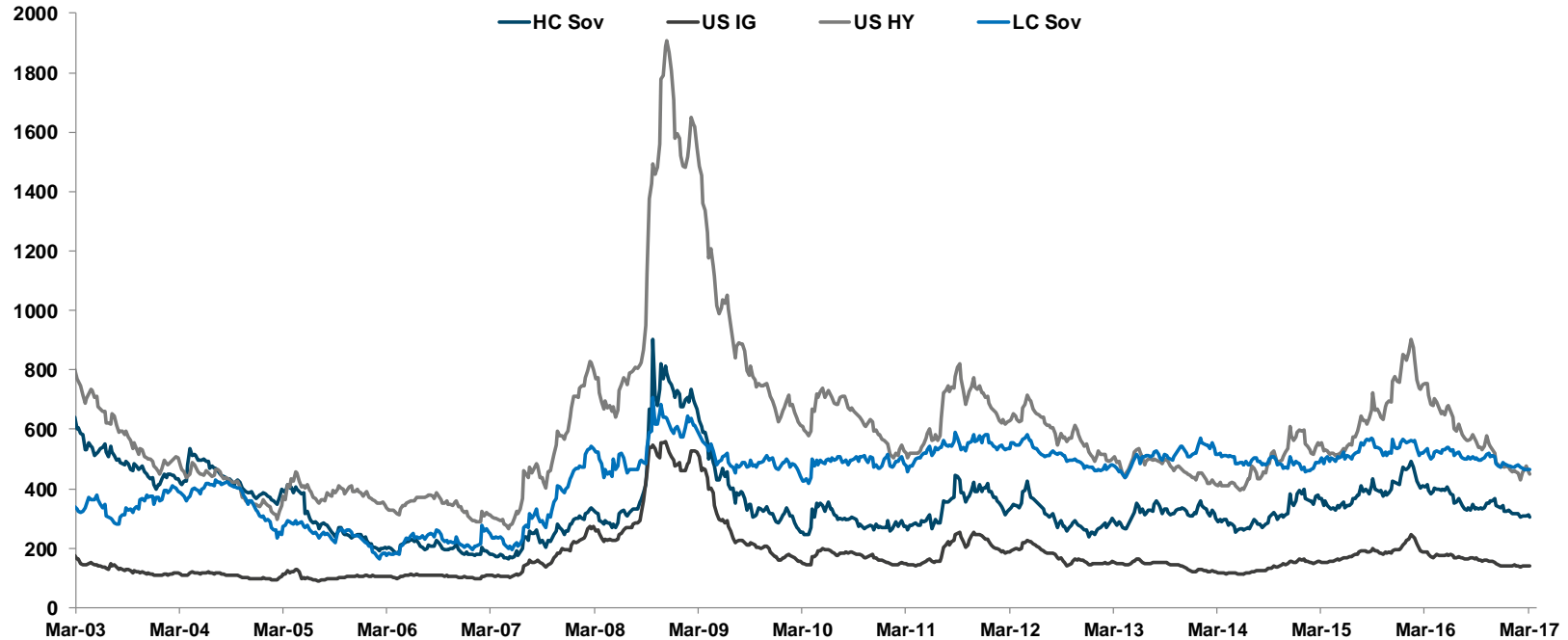
Source: Bloomberg, Candriam. As of May 2017

EMD Valuations Offer Value to Fixed Income Alternatives

EM spreads are attractive relative to US IG and HY spreads

Valuation

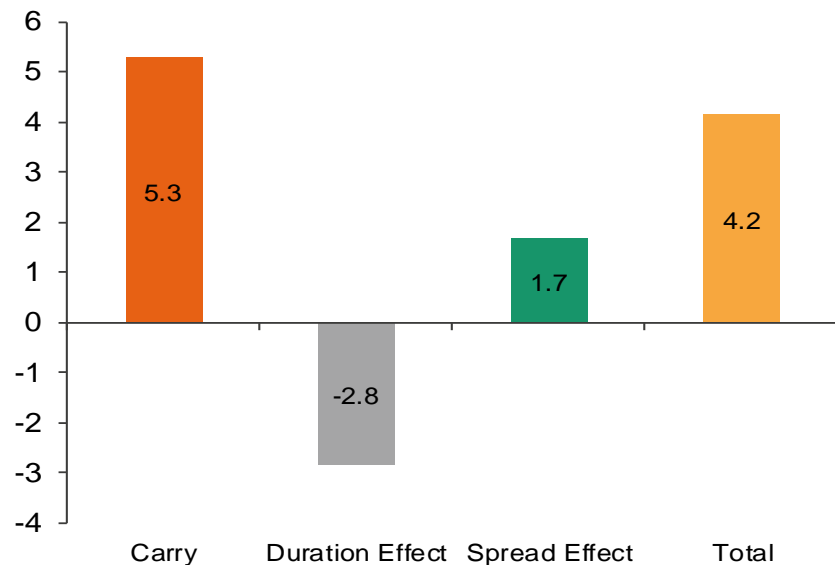
EMD HC and LC versus US Investment Grade and US High Spreads over US Treasuries, bps



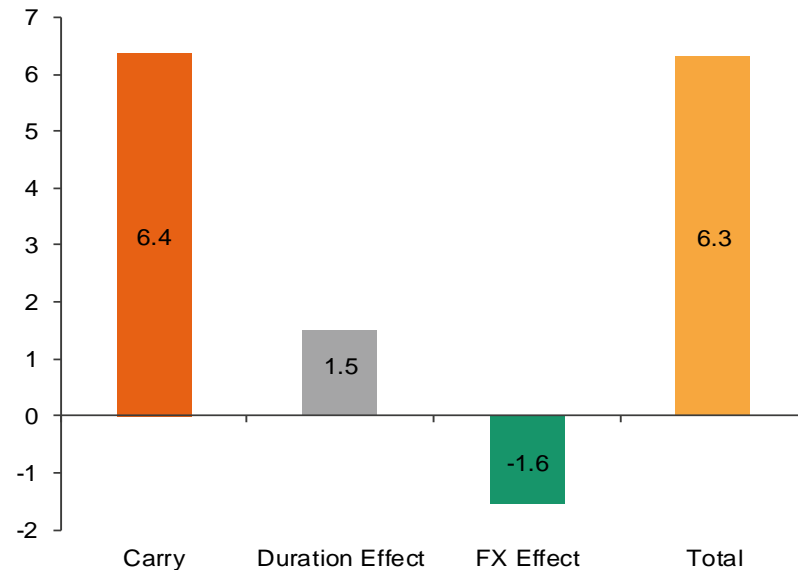
Source: JP Morgan. Data as of April 7th, 2017

Expected Returns around 4% for HC and 6% for LC

Expected return hard currency – 1Y horizon (%)



Expected return local currency – 1Y horizon (%)



Source: JP Morgan. Data as of May 2017

Source: Candriam, JP Morgan. As of May 2017

SRI AND EMD EXPERTISE AT CANDRIAM

SRI FRAMEWORK

EMD APPROACH & POSITIONING

OUTLOOK

KEY HIGHLIGHTS

Candriam SRI Bond Emerging Markets

SOLID EXPERIENCE



- Historical leader with close to 20 years of experience in EMD and SRI
- Dedicated SRI and EMD teams who work closely together
- Accountable EMD team with well-defined regional and product focus

UNIQUE APPROACH



- Added value delivered via a proprietary SRI sovereign screen
- Focus on alpha enhancing relative value strategies through rigorous country and instrument analysis
- Proprietary analytical toolkit deployed to screen the EMD universe and identify opportunities

OUTSTANDING TRACK RECORD



- Proven outperformance versus benchmark and peers in EMD HC
- Recognized EMD expertise with numerous awards and 5 Morningstar rating



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