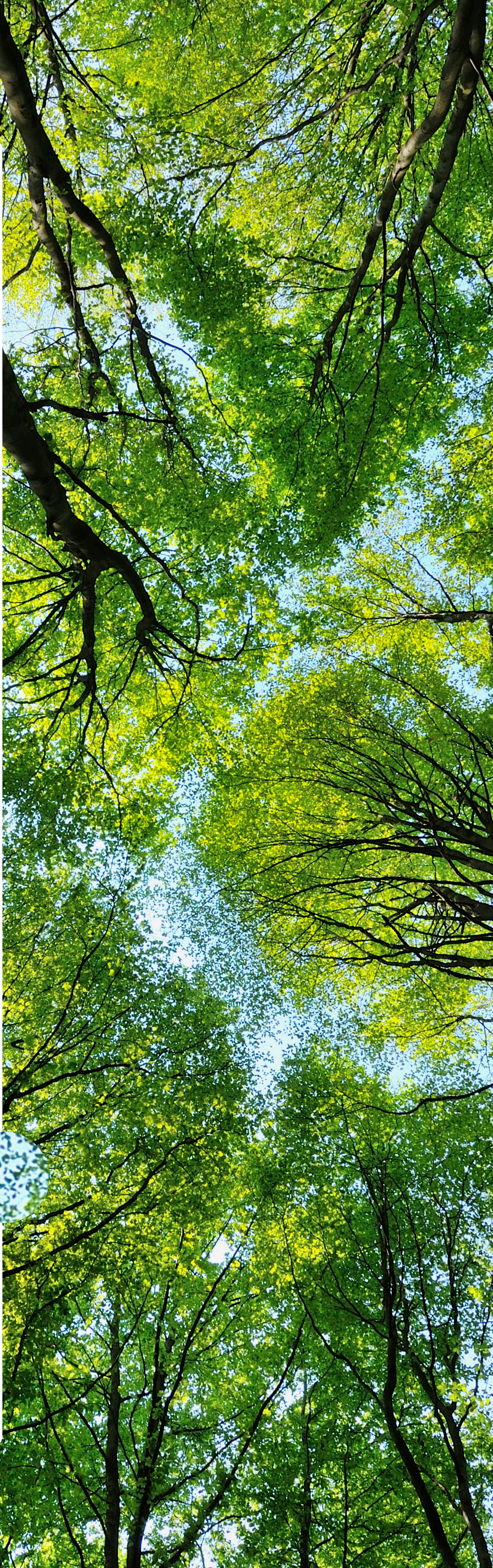

CANDRIAM
A NEW YORK LIFE INVESTMENTS COMPANY

Improve the ESG profile of your high-yield investments

60 seconds with the portfolio manager

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This marketing communication is intended for non-professional investors.

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The Global High Yield strategy management team, consisting of Thomas Joret, Jean-Claude Tamvakis and Nicolas Jullien, combine their 20 years of high-yield bond investment expertise with ESG analysis (Environmental, Social & Governance), represented by Vincent Compiègne, can provide real added value in identifying the extra-financial opportunities and risks of the companies in the universe.

Why did you launch a sustainable investment strategy in high yield bonds?

There is a growing awareness of certain ESG issues within the investment community, with some members now turning their backs on purely financial objectives to consider the impact of ESG factors.

In the high yield market, we believe that governance plays an important role in the evaluation of issuers. In fact, it has been a decisive element of our investment process since the launch of our very first high yield strategy in 1999. In launching this specific strategy, we wanted to go one step further by integrating environmental and social factors into our investment process.

For almost 25 years, Candriam has been a pioneer in sustainable investment and high yield.

By combining our two teams, we are able to integrate ESG factors into every stage of the investment process.

How do you approach your ESG strategy[1] ?

Our approach is based on comprehensive fundamental and financial research on each issuer, combined with an active management style and strong convictions, to take advantage of inefficiencies in the high-yield market. Our bond selection process is based on fundamental analysis, with priority given to higher-rated securities (B-/B3). We look for quality companies with strong fundamentals in resilient sectors, niche businesses, and price influencers. We exclude financial names, as we believe they are too sensitive to political and regulatory issues, and prefer corporate debt, which is sensitive to operational risks.

We combine our high-yield philosophy with an ESG analysis[2] accepting only issuers considered "Best-in-Universe[3]", i.e. companies with a profile of best sustainable practices. We believe in active engagement and responsibility, and maintain an ongoing[4] and growing dialogue with these companies.

How does ESG analysis work?

Our in-house ESG analysis team establishes ESG scores using our proprietary method, which determines the quality of issuers from an ESG perspective. To define our investable universe, each issuer is evaluated according to a normative analysis, an exclusion of companies that do not respect the 10 Principles of the United Nations Global Compact, as

60 SECONDS WITH THE FUND MANAGER

(1) We only consider sectors that are not excluded by the Candriam Exclusion Policy. This document can be consulted at https://www.candriam.fr/fr/ professional/market-insights/sri-publications/.
(2) The ESG analysis described above for bonds is applied to at least 90% of the strategy's investments, excluding deposits, cash and index derivatives.
(3) "Best in universe" is an approach to ESG company selection that favors the best-rated companies from an extra-financial point of view, regardless of their sector of activity.
(4) For further details on our dialogue and voting policy, please refer to our reference documents on our website.

well as those whose activities are controversial such as armaments, tobacco, thermal coal and other activities that we consider «unsustainable», and an exclusive dual approach:

• Stakeholder analysis: i.e. analyzing the ability of companies to implement a strategy that promotes ESG best practices at both operational and managerial levels.

• Business activities: i.e. identifying the companies that are most advanced in providing solutions to the major challenges of sustainable development (climate change, overexploitation of resources, demographic evolution, etc.).

These ESG scores are based on the ability of the companies to create value by integrating ESG sustainability factors into their financial and operational management processes.

Our aim is to invest in issuers with a strong positive impact on society, i.e. companies that use best ESG practices and contribute the most to the economy, the environment and society.

We integrate extra-financial criteria into our credit analysis by using, for example, our in-house macro ESG analysis to assess a company's exposure to key sustainability challenges and measure its ability to take shareholders' interests into account in its long-term strategy. Shareholder and investor consideration influences our recommendation process and therefore our assessment of the relative value of its bonds compared with those of its peers.

Why invest in sustainable bonds?

The reasoning behind sustainable investment is simple, but powerful: a company's activities are a source of both opportunities and risks. However, not all of them can be fully assessed using traditional financial data alone. This is where ESG analysis comes in.

Bonds have an asymmetrical risk/return profile, with limited upside potential, but considerable downside potential, notably due to the risk of downgrading. The analysis of ESG issues is important if the full range of risks that could affect the issuer's ability to repay its debts is well understood. Poor ESG practices can lead to inefficiencies, operational disruptions, litigation and reputational damage, which can impact the issuer's ability to repay its debts.

Who is this strategy for?

A growing number of investors are placing ESG considerations at the heart of their investment decisions.

ESG strategies provide investors with a different approach to investing. Over and above purely financial criteria, ESG strategies provide investors with other criteria on which to assess a company's responsibility and sustainability. For institutional investors looking for a sustainable and responsible way to invest for the long term, high yield ESG strategies can be a solution.

This strategy appeals to investors who have applied ESG criteria to their equity portfolios and wish to do the same with their bond portfolios. It is particularly suited to the needs of investors operating in jurisdictions where they are required to report on the impact of their sustainable investment. This obligation already exists in some countries, and is set to spread as a result of the Paris Agreement on climate change. Investors are also under increasing pressure from civil society to disclose and reduce their carbon footprint.

Could this strategy outperform high-yield bond strategies?

Performance is also, of course, a key issue for investors. Candriam's high-yield strategy integrates the alpha of our ESG screening methodology with that of our fundamentals analysis process.

As a result of the ESG approach adopted, the strategy has a geographic overweight in the European high yield segment and no exposure to the Energy sector compared to a traditional global high yield universe. The strategy's performance will depend to a large extent on market behaviour, in a similar way to more traditional strategies. For example, at any given time, the oil sector can strongly outperform other sectors. Our strategy, which excludes oil companies, is therefore likely to underperform. But we believe that over time, the impact of good governance, and companies' awareness of their impact on society, will potentially enable them to outperform.

The main risks of the strategy are:

• Risk of capital loss:

There is no guarantee for investors relating to the capital invested in the strategy in question, and investors may not receive back the full amount invested.

• Credit risk:

Risk that an issuer or a counterparty will default. This risk includes the risk of changes in credit spreads and default risk. Some strategies may be exposed to the credit market and/or specific issuers in particular whose prices will change based on the expectations of the market as regards their ability to repay their debt. These strategies may also be exposed to the risk that a selected issuer will default, i.e. will be unable to honour its debt repayment, in the form of coupons and/or principal. Depending on whether the strategy is positively or negatively positioned on the credit market and/or some issuers in particular, an upward or downward movement respectively of the credit spreads, or a default, may negatively impact the performance. When evaluating the credit risk of a financial instrument, the Management Company will never rely solely on external ratings.

• ESG investment risk:

The non-financial objectives presented in this document are based upon the realization of assumptions made by Candriam. These assumptions are made according to Candriam's ESG rating models, the implementation of which necessitates access to various quantitative as well as qualitative data, depending on the sector and the exact activities of a given company. The availability, the quality and the reliability of these data can vary, and therefore can affect Candriam's ESG ratings.

• Interest rate risk:

A change in interest rates, resulting in particular from inflation, may cause a risk of losses and reduce the performance of the strategy (especially in the event of a rate increase if the strategy has a positive rate sensitivity and in the event of a rate reduction if the strategy has a negative rate sensitivity). Long term bonds (and related derivatives) are more sensitive to interest rate variations. A change in inflation, in other words a general rise or fall in the cost of living, is one of the factors potentially affecting interest rates.

The risks listed are not exhaustive, and further details on risks are available in regulatory documents.

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Information on sustainability-related aspects: the information on sustainability-related aspects contained in this communication are available on Candriam webpage https://www.candriam.com/en/professional/sfdr/.