Institutional report for professional investors

BNP PARIBAS A FUND Dynamic Multi-Asset - Commentary

MONTHLY REPORT

31/05/2024 - 28/06/2024

BNP PARIBAS
ASSET MANAGEMENT

The sustainable investor for a changing world

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BNPP AM is the source for all data in this document as at end 30/06/2024, unless otherwise specified.

Executive Summary

General Information

Key Figures (USD)

Fund AUM	21,030,732.72
Share class AUM	4,826,503.12
Number of holdings	18
Outstanding shares	46,678.33
NAV date	28/06/2024
NAV per share	103.40
12M NAV max (21/05/2024)	103.65
12M NAV min (26/10/2023)	88.37

Portfolio Characteristics

Fund Name	BNP PARIBAS A FUND Dynamic Multi-Asset
ISIN Code	LU2019216196
Share Class	Classic
Share Type	Capitalisation
Share Class base Currency	USD
Inception date	14/02/2020
Track record inception	14/02/2020
Share class 1st NAV date	14/02/2020
Share class initial NAV	100.00
Domicile	Luxembourg
Legal Form	SICAV
Fund type	Offered to the public
Asset type	Balanced
Investment strategy	MAQS Institutional Dynamic Solution World
Recommended investment horizon	4 years
Agreement date	14/08/2019
Initial number of shares	29,791.75
Classification SFDR	Article 6
AMF Classification	Not Applicable

Classification SFDR

This product integrates sustainability risk analysis into its investment process within the meaning of Article 6 of EU Regulation 2019/2088.

Involved Parties

Custodian	BNP PARIBAS, Luxembourg Branch
Administrator	BNP PARIBAS ASSET MANAGEMENT Luxembourg
External auditor	PricewaterhouseCoopers Société Coopérative
Management Company	BNP PARIBAS ASSET MANAGEMENT Luxembourg
Portfolio manager	Tina YAO
Fiscal closing rule	March 31st

Order Centralisation & NAV Information

Order centralisation frequency	Daily
Order centralisation time - STP	12:00 CET
NAV centralisation timing / date	Reference Date
NAV calculation frequency	Every business day in Luxembourg
NAV calculation timing / date	Reference Date + 1
NAV valorisation frequency	Daily
NAV valorisation date	Reference Date
NAV settlement timing	Reference Date + 4

Executive Summary

Risk Disclaimer

Risk Disclaimer

Risk of Capital Loss

The investments in the portfolios are subject to market fluctuations and the risks inherent in investments in securities. The value of investments and the income they generate may go down as well as up and it is possible that investors will not recover their initial outlay, the portfolios described being at risk of capital loss.

Risk Linked to the Asset Class

The risks associated with investments in equities (and similar instruments) include significant fluctuations in prices, negative information about the issuer or market and the subordination of a company's equities to its bonds. The value of investments and the income they generate may go down as well as up and it is possible that investors will not recover their initial outlay. Portfolios investing in growth stocks may be more volatile than the market in general and may react differently to economic, political and market developments and to specific information about the issuer.

Credit Risk

This risk relates to the ability of an issuer to honour its commitments: downgrades of an issue or issuer rating may lead to a drop in the value of associated bonds.

Operational and Custody Risk

Some markets are less regulated than most of the international markets; hence, the services related to custody and liquidation for the subfund on such markets could be more risky.

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Performance & ex-post Risk

Portfolio Commentary

Market Review

- Global equities continued to trend upward, rising by 2.1% compared to the end of May (MSCI AC World index in US dollar terms) while emerging market equities outperformed (+3.6% for the MSCI Emerging Markets index in US dollar terms) despite the decline in Chinese equities (-2.6% for the MSCI China). The enthusiasm towards artificial intelligence as an investment theme continued to support the tech sector in general and, in particular, semiconductors, which again outperformed. South Korean and Taiwanese equities in particular benefited from this pattern in June, allowing the MSCI AC Asia ex Japan index to rise by 3.9%.

- In addition, the economic environment reassured investors: The assumption that inflation would slow has been backed up by data released in recent weeks, and global growth appears to be stabilising. Against this background, the prospect that monetary easing in most developed economies will continue or start this year (especially in the case of the US) strengthened. These factors explain the clear outperformance of the growth style (+4.7% for the MSCI AC World Growth) over the value style (-0.7% for the MSCI AC World Value) in June.

- Within developed markets, US indices outperformed: The S&P 500 set a new all-time high on 20 June after a virtually uninterrupted rise and then stabilised until the end of the month. It rose by 3.5% in June, while the Nasdaq composite index gained 6.0%. It is notable that such increases were recorded despite the nervousness that characterised the performance of some key technology sector stocks in June.

- Eurozone equities suffered from rising uncertainties related to the political situation in France, which weighed on the Paris stock market. The CAC 40 lost 6.4% and is now slightly down from the end of 2023 (-0.8%). The EuroSTOXX 50 finished down by 1v.8% and the MSCI EMU by 2.6% (in euros). The underperformance of the financials sector was sharp (-6.8% in June in the EURO STOXX Banks index). In addition, purchasing managers' surveys (PMIs) for June seemed a little less favourable than the data seen since the beginning of the year, which had suggested a significant rebound in activity. Other business surveys reflected a stabilisation rather than the setback reflected in the decline in the preliminary estimate composite PMI from 52.2 in May to 50.8 in June.

- In Japan, the Nikkei 225 index rose by 2.1% after moving trendless in the first half of the month. It rose sharply in the last week, ending on 26 June at its highest since 9 April. The upturn in equities stemmed mainly from the prospects of a hike in the Bank of Japan's (BoJ) policy rate, which may seem paradoxical with equity investors other developed economies hoping for monetary policy easing. The normalisation of BoJ monetary policy (which remains very accommodative) spells an exit from the period of deflation after several decades. The financials sector should benefit from this new monetary stance. A weak yen (-2.2% against the US dollar) continued to support export-oriented sectors.?

- The yield on the US 10-year T-note moved erratically between 4.20% and 4.50% to end the month at 4.40%, a 10bp fall compared to the end of May. The 2-year T-note yield eased by 12bp to 4.75% at the end of June. Futures markets point to a 60% probability for a first rate cut in September. It was only 47% at the end of May.

- The yield on the 10-year French OAT ended at 3.30% (+16bp) while the German Bund yield eased by 16bp to 2.50% (-27bp for the 2-year German yield to 2.83%).

Portfolio Activity & Positioning

Our portfolio remains largely unchanged. We remain cautious towards taking on more risk, and the portfolio continues to be well-diversified. We trimmed both equity and fixed income.

Fund Performances

By Sector

- Top sector performance contributor: Emerging Equity, North America Equity and Japan Equity
- Top sector performance detractor: Europe Equity, Thematic Equity and EMD LC Sovereign Bond

By Fund

- Top performance contributor: AB SICAV I - American Growth P SHRS, Pictet - Japanese Equity Oppor SHRS and Vontobel Fund - mtx Sustainabl SHRS
- Top performance detractor: Comgest Growth PLC - Europe SHRS, iShares Core MSCI Europe UCITS ETFS and BARINGS EM LOCAL DEBT B USD ACC

Outlook & Positioning

- The Federal Open Market Committee (FOMC) met on 11/12 June. Unsurprisingly, the federal funds target rate was kept in the 5.25% -5.50% range in which it has been moving since July 2023. The press release pointed out that 'inflation eased over the last year, but remained elevated. In recent months, there has been modest further progress towards the committee's 2% inflation objective'. At the press conference, Fed Chair Jerome Powell's assessment of employment appeared quite optimistic ('the labour market is doing well'). Powell reiterated that the Fed remains 'highly attentive to inflation risk'. Investors' attention was focused on the Fed's growth forecasts (unchanged over the entire period at 2.1% at the end of 2024, 2.0% at the end of 2025 and 2026, and above the long-term growth estimated at 1.8%) and inflation (revised up slightly in 2024 and 2025 and back to 2% in 2026 for total and core inflation as measured by personal consumption expenditures deflators). The dot plot, which illustrates the level of policy rates each FOMC member deems appropriate at

Performance & ex-post Risk

Portfolio Commentary

the end of each year (here 2024, 2025 and 2026), appeared at first reading more hawkish than in March. The median point for the federal funds rate is now 5.125%, which corresponds to just one 25bp rate cut this year. The detailed results show that in fact four members are contemplating a status quo until the end of the year, seven members are in favour of one cut and eight of two cuts. The overall message could be seen as one of caution rather than fundamental doubts over the direction of US inflation.

- The yield on the US 10-year T-note moved erratically between 4.20% and 4.50% to end the month at 4.40%, a 10bp fall compared to the end of May. The 10-year yield initially eased to below 4.30%, its lowest since the end of March, as indicators signalled a slowdown in activity. It spiked back sharply when strong and well-above-expectations net job creations were released. The rise of almost 15bp in a single day's trading on 7 June was exceptional, likely reflecting investor hesitancy over directional positioning. Inflation data released the following week reassured investors. After surprising on the upside from January to March and being roughly in line with expectations in April, inflation was lower than expected in May. Core inflation fell from 3.6% to 3.4% year-on-year, its lowest since April 2021 (3.0%). The diffusion of inflation was also less widespread, with fewer index components experiencing sharp increases.

- We expect the market will continue to be volatile as we are entering the end of the rate hike cycle, and so our portfolio remain largely unchanged. We remain cautious towards taking on more risk, and the portfolio continue to be well diversified. We slashed equity and bond on profit taking.

- The broad positioning is as below:

- US equities (Positive). We turned more positive on US tech exposure. From a fundamental perspective, cash flows - earnings + dividends - increasingly hold the key for equity returns, and US tech are earning strongly, corroborated so far this season. Earnings dynamism is judged to be strong in the short term, form both the bottom up and top down, and with good and growing support from themes such as AI for earnings longer term. As 'longer duration' equities, they also stand to benefit from lower discount rates, while being less exposed to a higher for longer than a pure duration play with firm anticipated cash flows. Valuations are not cheap, but the delta on the P and E have both moved favorably for an add to our position; importantly, valuations are justified by elevated RoE and profitability.

- European equities (Neutral). In our opinion, inflation might soften but also growth in the months to come. ECB is near its end of rate hiking cycle but not yet ready to cut rate.

- Japanese equities (Neutral). forward PE ratios trade at a 15% discount to global equities, and P/B is 50% of ACWI. With a clear structural focus on raising shareholder returns, and high operational leverage to tentative 'green shoots' in global manufacturing as well as to the technology sector, Japan is particularly well placed to benefit from the current market set up. Tighter policy may be supportive for financials. However, earnings are no longer outpacing other equity regions and global appetite for Japanese Equity is also waning. So we turned neutral.

- Emerging Market equities (Positive). From a macroeconomic standpoint South Korea is a typical beneficiary of a potential upturn in the global manufacturing cycle; and this especially knowing the low levels of the inventories. From a microeconomic point of view, 2 companies dominate in Korea: Samsung and Hynix. Those are set to benefit from Nvidia revenue growth. Hynix and TSMC are known beneficiaries from Nvidia supply chain.

- Commodities (Neutral). More positive towards precious metals. The supply-demand imbalance softens in the energy and base material space. Only precious metal in the commodities space can perform as the rate hike cycle coming to an end.

- Credit (Positive). Especially towards European investment grade bonds. European IG appears to be pricing in a particularly adverse scenario, making valuation attractive.

- Emerging market local sovereign (Positive): with inflation dynamics for almost all EMs sharply to downside recently, real policy rates are quite elevated. Hence, lower policy rate and long end rate ahead DMs.

- We hold other positions like real estate and US inflation linker for diversification

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Exchange Rates

Exchange Rates

as of 28/06/2024

ISO Code	Currency name	1 USD =
AUD	AUSTRALIAN DOLLAR	1.497342
EUR	EURO	0.933053
GBP	BRITISH POUND	0.791077
SGD	SINGAPORE DOLLAR	1.355250

Appendix

Glossary

Benchmark or benchmark index

Index used to represent the market(s) which a fund is supposed to be invested. It is the standard by which the performance of an investment fund is measured.

Maturity

The time that remains until the rights associated with a financial asset expire. The maturity of a share is in theory infinite, while that of a bond depends on its principal repayment date, or ''maturity date''. A bond's actual maturity may be cut short if the issuer is able to call or redeem the bond before the maturity date.

Maximum drawdown

The maximum loss that a portfolio incurs over a given period (expressed as a percentage), taking into account monthly performance observations.

Basis point

A hundredth of a percentage point, or 0.01% (abbreviated as bp).

Information ratio

The difference between a portfolio's returns and those of its benchmark, divided by the portfolio's tracking error. Measures a fund manager's risk-adjusted performance relative to the benchmark.

$$IR = \frac{Ret_{Fund} - Ret_{Bench}}{TE}$$

Sharpe ratio

A measure of an investment's performance relative to the risk incurred. It is calculated by dividing the difference between the portfolio's return and the risk-free interest-rate by the portfolio's volatility.

$$Sharpe = \frac{Ret_{Fund} - Rate_{riskfree}}{\sigma_{ann.}}$$

Duration

Expresses the potential variation between the price of a bond (or bond portfolio) in response to a 1% change in the interest rate.

$$Modified\ Duration = \frac{Duration}{(1+r)}$$

$$r = bond\ yield$$

Tracking error

The standard deviation of the differences between fund and benchmark returns over time. It represents the risk that the fund manager takes in straying from the benchmark.

$$TE_{ann.} = \sqrt{\frac{\sum_{i=1}^{N}(PR_i - Av(PR_i))^2}{n}} x\sqrt{k}$$

$$PR_i = excess\ return$$

Volatility

A measure of risk as the standard deviation of a portfolio's returns above and below its average return over a specified investment period. For example, if a portfolio has a volatility (risk) of 8% this means that it will on average vary 8% above or below its average return over the investment period.

$$\sigma_{ann.} = \sqrt{\frac{\sum_{i=1}^{N}(P_i - Av(P_i))^2}{n}} x\sqrt{k}$$

Where Avg (P_iis the average of n returns and k is the number of investment periods in the year.

R^2

Statistical measure that represents the proportion of a fund or security's movements that can be explained by movements in a benchmark index. R^2 values range from 0 to 1. An R^2 of 1 means that all movements of a security are completely explained by movements in the index.

Appendix

Legal Disclaimer

Legal Disclaimer

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