Institutional report for professional investors

BNP PARIBAS A FUND Dynamic Multi-Asset - Commentary

MONTHLY REPORT

29/02/2024 - 28/03/2024

BNP PARIBAS ASSET MANAGEMENT

The sustainable investor for a changing world

BNPP AM is the source for all data in this document as at end 31/03/2024, unless otherwise specified.

Executive Summary

General Information

Key Figures (USD)

Fund AUM	25,272,019.71
Share class AUM	5,988,382.23
Number of holdings	19
Outstanding shares	58,401.33
NAV date	28/03/2024
NAV per share	102.54
12M NAV max (22/03/2024)	102.64
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

28/03/2024 | Report Currency: USD

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

- The MSCI AC World index (in US dollar terms) gained 2.9% over the month and 7.8% over the first quarter. Emerging market equities rose by 2.2% in March (MSCI Emerging Markets index in US dollar terms). They have underperformed significantly since the beginning of the year (with a rise of only 1.9%) mainly due to the quarterly decline in Chinese equities (-2.2% for the MSCI China index). However, the latter, which had lost more than 12% as of 22 January compared to the end of 2023, regained some ground over the weeks thanks to reassuring comments from Beijing. The target of 'around 5%' GDP growth was renewed for 2024, which increases the likelihood of a proactive policy on employment and incomes. The People's Bank of China (PBoC) reiterated that there is ample scope for monetary policy manoeuvring. The MSCI AC Asia ex Japan index rose by 2.3% in March.

- Within developed markets the S&P 500 (+3.1%) ended the month at a new record high (above 5 250 points), outperforming the Dow Jones 30 (+2.1%), the Nasdaq composite (+1.8%) and even the 'magnificent seven' (+2.7%), which saw some profit taking. European equities rose by 4.2% (EuroStoxx 50 index) and 4.3% (MSCI EMU index in euros) on the back of a slight improvement in several business surveys, especially in Germany, raising hopes that the cyclical trough has passed in the eurozone. The Tokyo stock market benefited from the fall in the yen but also from the encouraging economic outlook. Japanese equity valuations remain attractive, as the rise in prices was accompanied by an increase in earnings growth expectations. The Nikkei 225 index rose above the symbolic threshold of 40 000 points from the beginning of the month and finished the month up by 3.1% after setting a fresh record a few days earlier at nearly 41 000 points. In addition to export-related sectors that were supported by a weak yen, financial stocks benefited when the Bank of Japan exited from its negative policy rate policy. Investors saw this decision as signalling the end of the period of deflation.

- Globally, the energy sector saw the biggest monthly rise. Crude oil prices reached their highest since November on 19 March and then stabilised to end the month up by 4.6% and 6.3%, respectively, for a barrel of Brent (at USD 87.5) and WTI (at USD 83.2).

- Still being driven by the artificial intelligence (AI) craze, the semiconductor sector was the second biggest winner over the month (or in first place when taking into account Asian markets as a whole), while other cyclical sectors saw more modest increases. Industrial metals' performance signalled some confidence in the economic outlook, but the rise in gold (+9.1%) showed that inflation remains a concern. In March, the growth style rose by 1.8% compared to the end of February (MSCI AC World Growth index), while the value style saw a more pronounced rise (+4.4% for the MSCI AC World Value index), fuelled by the good performance of banks, especially in Europe. In the first quarter, the growth style (+10.0%) outperformed the value style (+6.9%).

- The yield on the US 10-year T-note (4.25% at the end of February) moved trendless between 4.05% and 4.35% during the month. It quickly fell below 4.10% (its lowest since early February) before returning above 4.30% in mid-month on the release of higher-than-expected consumer and producer price indices. After a 0.4% rise between January and February, year-on-year consumer price inflation rose from 3.1% to 3.2%. The slowdown (from 3.9% to 3.8%) in core inflation (total index ex food and energy) seems less worrying but the fact is that the pace of slowdown has become less rapid. The 3-month annualised index moved back above 4.0% for the first time since June.

- The yield on the 10-year Bund (2.41% at the end of February) initially eased to 2.27% (its level in early February) in the wake of the ECB's monetary policy meeting. It then rose in the wake of US yields to reach its year high of more than 2.45% on 18 March. Its subsequent fall, still linked to the moves in the US markets, may have been accentuated by position adjustments, as many investors prefer to buy the Bund before the yield reaches the 2.50% threshold. The 10-year Bund yield ended the month at 2.30% (-11bp compared to the end of February). The German 2-year yield moved sideways between 2.75% and 2.95% in the face of expectations of the ECB's monetary policy and changes in US yields. It ended the month at 2.85% (-5bp compared to the end of February).

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 took profit on both equity and fixed income.

Fund Performances

By Sector

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

By Fund

- Top performance contributor: ABN AMRO Funds - Aristotle US SHRS, Pictet - Japanese Equity Oppor SHRS and Wellington Emerging Markets Re SHRS
- Top performance detractor: BARINGS EM LOCAL DEBT B USD ACC

Outlook & Positioning

- After their surge in February, global equities continued their upward, though more hesitant, trend, taking many indices to new record highs. With the consensus view on global growth improving, equity investors were reassured by central bank statements making it clear that policy rate cuts would occur in the coming months

Performance & ex-post Risk

Portfolio Commentary

in most developed economies. Expectations for the US Federal Reserve's monetary policy remained the predominant focus for global markets. Against this favorable backdrop, equities were little affected by the temporary rise in bond yields in the first half of the month, triggered by higher-than-expected US inflation. The MSCI AC World index (in US dollar terms) gained 2.9% over the month and 7.8% over the first quarter.

- Within developed markets the S&P 500 (+3.1%) ended the month at a new record high (above 5 250 points), outperforming the Dow Jones 30 (+2.1%), the Nasdaq composite (+1.8%) and even the 'magnificent seven' (+2.7%), which saw some profit taking. European equities rose by 4.2% (EuroStoxx 50 index) and 4.3% (MSCI EMU index in euros) on the back of a slight improvement in several business surveys, especially in Germany, raising hopes that the cyclical trough has passed in the eurozone. The Tokyo stock market benefited from the fall in the yen but also from the encouraging economic outlook. Japanese equity valuations remain attractive, as the rise in prices was accompanied by an increase in earnings growth expectations. The Nikkei 225 index rose above the symbolic threshold of 40 000 points from the beginning of the month and finished the month up by 3.1% after setting a fresh record a few days earlier at nearly 41 000 points. In addition to export-related sectors that were supported by a weak yen, financial stocks benefited when the Bank of Japan exited from its negative policy rate policy. Investors saw this decision as signaling the end of the period of deflation. Emerging market equities rose by 2.2% in March (MSCI Emerging Markets index in US dollar terms). They have underperformed significantly since the beginning of the year (with a rise of only 1.9%) mainly due to the quarterly decline in Chinese equities (-2.2% for the MSCI China index). However, the latter, which had lost more than 12% as of 22 January compared to the end of 2023, regained some ground over the weeks thanks to reassuring comments from Beijing. The target of 'around 5%' GDP growth was renewed for 2024, which increases the likelihood of a proactive policy on employment and incomes. The People's Bank of China (PBoC) reiterated that there is ample scope for monetary policy maneuvering. The MSCI AC Asia ex Japan index rose by 2.3% in March.

- Globally, the energy sector saw the biggest monthly rise. Crude oil prices reached their highest since November on 19 March and then stabilized to end the month up by 4.6% and 6.3%, respectively, for a barrel of Brent (at USD 87.5) and WTI (at USD 83.2). Still being driven by the artificial intelligence (AI) craze, the semiconductor sector was the second biggest winner over the month (or in first place when taking into account Asian markets as a whole), while other cyclical sectors saw more modest increases. Industrial metals' performance signaled some confidence in the economic outlook, but the rise in gold (+9.1%) showed that inflation remains a concern. In March, the growth style rose by 1.8% compared to the end of February (MSCI AC World Growth index), while the value style saw a more pronounced rise (+4.4% for the MSCI AC World Value index), fueled by the good performance of banks, especially in Europe. In the first quarter, the growth style (+10.0%) outperformed the value style (+6.9%).

- No policy rate cuts were expected from the US Federal Reserve's (Fed) monetary policy meeting on 19/20 March but there remained doubt about the message the Federal Open Market Committee (FOMC) would choose to relay through its growth, inflation and policy rate forecasts. Investors were reassured when the Fed seemed to validate the scenario of a soft landing for the economy. Core inflation, as measured by the core PCE (personal consumption expenditures) excluding food and energy price index, was revised up for the end of 2024 (from 2.4% to 2.6%) but forecasts for 2025 and 2026 remained unchanged (at 2.2% and 2.0%, respectively), which implies that the Fed is not particularly concerned about higher-than-expected consumer price indices, the publication of which had shaken bond markets. At the very end of the month, the core PCE came in at 2.8% year-on-year (YoY) in February (after an upward revision of 2.9% in January)

- The yield on the US 10-year T-note (4.25% at the end of February) moved trendless between 4.05% and 4.35% during the month. It quickly fell below 4.10% (its lowest since early February) before returning above 4.30% in mid-month on the release of higher-than-expected consumer and producer price indices. After a 0.4% rise between January and February, year-on-year consumer price inflation rose from 3.1% to 3.2%. The slowdown (from 3.9% to 3.8%) in core inflation (total index ex food and energy) seems less worrying but the fact is that the pace of slowdown has become less rapid. The 3-month annualized index moved back above 4.0% for the first time since June.

- 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 US equity, EM Equity, US Investment grade and emerging market debt on profit taking.

- The broad positioning is as below:

- US equities (Neutral). There is increasing caution on US growth and corporate earnings, weakening US consumer data and softening labor market. Valuations are sufficiently demanding to hold us back from turning positive.

- European equities (Negative). 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 (Positive). 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.

- Emerging Market equities (Positive). Tactically seeking to take advantage of bombed out/'un-investible' valuations of China with two near term triggers – first, increasing policy support, as the 'red line' for policy intervention seems to be around current growth levels, and second, broadening improvements in global manufacturing and new orders, with low inventory stock.

Performance & ex-post Risk

Portfolio Commentary

- 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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Appendix

Exchange Rates

Exchange Rates

as of 28/03/2024

ISO Code	Currency name	1 USD =
AUD	AUSTRALIAN DOLLAR	1.532802
EUR	EURO	0.925926
GBP	BRITISH POUND	0.791609
SGD	SINGAPORE DOLLAR	1.349600

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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