Institutional report for professional investors

# BNP PARIBAS A FUND Sustainable Thematic Select - Commentary

## MONTHLY REPORT

28/03/2024 - 30/04/2024

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 30/04/2024, unless otherwise specified.

# Executive Summary

General Information

## Key Figures (USD)

| | |
|---|---|
| Fund AUM | 3,017,227.06 |
| Share class AUM | 25,146.69 |
| Number of holdings | 18 |
| Outstanding shares | 262.37 |
| NAV date | 30/04/2024 |
| NAV per share | 95.84 |
| 12M NAV max (28/03/2024) | 99.39 |
| 12M NAV min (26/10/2023) | 83.00 |

## Portfolio Characteristics

| | |
|---|---|
| Fund Name | BNP PARIBAS A FUND Sustainable Thematic Select |
| ISIN Code | LU2419394056 |
| Share Class | Classic |
| Share Type | Capitalisation |
| Share Class base Currency | USD |
| Inception date | 17/03/2022 |
| Track record inception | 17/03/2022 |
| Share class 1st NAV date | 17/03/2022 |
| Share class initial NAV | 100.00 |
| Domicile | Luxembourg |
| Legal Form | SICAV |
| Fund type | Offered to the public |
| Asset type | Balanced |
| Investment strategy | MAQS Target Allocation Growth World SRI |
| Recommended investment horizon | 5 years |
| Agreement date | 22/12/2021 |
| Initial number of shares | 0.00 |
| Classification SFDR | Article 8 |
| AMF Classification | Not Applicable |

**Classification SFDR**

**Article 8 - Promotes Environmental or Social Characteristics.**

## 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 | Michael CORNELIS |
| 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 |

30/04/2024 | 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 first three weeks of April saw global equities decline due to rising geopolitical risks and concerns over the US Federal Reserve's (Fed) policy rate cut scenario. After the air attack by Iran on Israel on 13 April, investors initially became concerned about an escalation of the conflict before concluding that such an assumption was unlikely.

- Investor nervousness about when the Fed might make a move to cut rates – which was again the main driver for markets – was reinforced by the publication on 10 April of US consumer prices in March, which, for the third consecutive time, had inflated by more than expected. The assumption of a cut in key rates in June was then entirely ruled out and only a modest number of cuts are now expected this year.

- These changes in rate expectations led to a rise in bond yields, which in turn weighed on equities and sent implied volatility to almost 20% (VIX index calculated on S&P 500 options), the highest since the end of October 2023. As of 19 April, global equities had returned to their lowest since mid-February, down by 5.1% compared to the end of March (MSCI AC World index in US dollar terms). Global equities managed to regain ground in the last week thanks to good results from major US tech companies, still solid economic data and investors gradual realisation that, despite the likely postponement of the Fed's key rate cut cycle at the end of the year, monetary conditions are expected to gradually become less restrictive in the major developed economies in the coming months.

- However, nervousness remained, as shown by a further fall in equities for the last trading day of April, on the eve of the Federal Open Market Committee (FOMC) meeting. Global equities ended the month down by 3.4%. Emerging market equities outperformed throughout the month, benefiting in particular from the encouraging news finally coming from China. Chinese first quarter GDP growth beat expectations, leading many observers to revise up their growth forecast for 2024. This did not, however, rule out further support measures, particularly for the property sector. Against this backdrop, Chinese equities gained 6.5% in April (MSCI China index), allowing the MSCI Emerging Markets index in US dollar terms to end slightly up (+0.3%).

- The sell-off seen in developed markets in the first three weeks was highly concentrated among IT stocks due to the rise in yields and probably because some investors took profit on stocks that had risen strongly. The very good results published by the tech giants led to an equally concentrated rebound. The S&P 500 lost 4.2% compared to the end of March and the Nasdaq composite index, which was down by 6.7% month-to-date as at 19 April, ended the month down by 4.4%. In the eurozone, the EuroStoxx 50 index lost 3.2% and the MSCI EMU index (in euros) lost 2.5%. Unlike in previous months, the Tokyo stock market did not benefit from the decline in the yen, which is becoming a serious concern for the authorities. The two main indices fared quite differently: The Nikkei 225 lost 4.9% and the Topix only 0.9%.

- In April, despite the rise in bond yields, the growth and value style both saw similar losses, with a 3.7% decline in the MSCI AC World Growth index and a 3.2% decline in the MSCI AC World Value index.

## Portfolio Update

In absolute terms, April turned out to be a negative month as the fund lost 3.43% on a gross basis.

## Asset Allocation Positioning

- The effect from asset allocation was flat while the stock selection in April contributed negatively.

- All regional equity building blocks had a challenging month as they all underperformed the classic indexes.

- The effect within the thematic equity bucket was negative. All thematic equity funds with the exception of BNP Paribas Easy ECPI Global ESG Hydrogen Economy and BNP Paribas Easy ECPI Global ESG Blue Economy underperformed.

- During the month, we did the following meaningful movements in the portfolio:

- We closed our long position in JPY versus short CHF at month-end.

- The equity weight in the portfolio was increased a bit with by adding to our Japanese exposure and by introducing a position in Invesco NASDAQ-100 ESG after a decent correction.

- We ended the month with a 79.68% equity position and 21.71% of fixed income weight

- Despite a now less ideal scenario for the US economy (stronger growth but stickier inflation) leading to investors putting the start of monetary easing by the US Federal Reserve on a longer finger, we believe the environment remains favourable.

- We believe the onset of a severe global economic recession can be ruled out, core inflation will gradually slow, and central banks in developed economies will be able to adopt a less restrictive monetary policy stance. We do not rule out the possibility that rate cuts could be larger in 2025 than currently expected by markets.

- In the coming months, we foresee the current expansion of the global economy gradually giving way to a slowdown. For us, this does not necessarily imply moving away from equity markets as they could still continue to rise should a slowdown occur (albeit probably less strongly and more erratically). On the other

# Performance & ex-post Risk

## Portfolio Commentary

hand, the expansion phase seems to be lasting for longer than initially predicted given the better performance of the Chinese economy, a stronger rebound in the eurozone, and a tentative decline in geopolitical risks.

- This environment, together with strong corporate fundamentals, seem to justify exposure both to equities, focusing on areas with attractive valuations and solid earnings growth, and to the credit market. The outlook for lower policy rates should eventually support government bonds.

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# Appendix

Exchange Rates

## Exchange Rates

as of 30/04/2024

| ISO Code | Currency name | 1 USD = |
|---|---|---|
| AUD | AUSTRALIAN DOLLAR | 1.540002 |
| CHF | SWISS FRANC | 0.917150 |
| CNH | CHINESE OFFSHORE YUAN (HONG KONG) | 7.252950 |
| CNY | CHINESE YUAN | 7.241500 |
| EUR | EURO | 0.935235 |
| GBP | BRITISH POUND | 0.798626 |
| HKD | HONG KONG DOLLAR | 7.821200 |
| JPY | JAPANESE YEN | 157.365000 |
| SGD | SINGAPORE DOLLAR | 1.363750 |

30/04/2024 | Report Currency: USD

# 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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