Institutional report for professional investors

BNP PARIBAS A FUND Sustainable Thematic Select - Commentary

MONTHLY REPORT

31/01/2024 - 29/02/2024

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 29/02/2024, unless otherwise specified.

Executive Summary

General Information

Key Figures (USD)

Fund AUM	8,848,510.28
Share class AUM	26,369.38
Number of holdings	23
Outstanding shares	272.37
NAV date	29/02/2024
NAV per share	96.81
12M NAV max (28/12/2023)	96.88
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

29/02/2024 | 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

- Global equities did very well in February, with several indices setting new all-time highs despite forward-looking scenarios yo-yoing in response to varying economic indicators. In the end, equity investors plumped for a fairly positive view on global growth and seemed only moderately concerned about services inflation remaining stubbornly high. While the major central banks' first policy rate cut has likely been postponed, investor assumptions of policy easing in 2024 remain firm. The MSCI AC World index in US dollar terms gained 4.2%, ending the month at a record high. Emerging markets did even better (+4.6% for the MSCI Emerging Markets index in US dollar terms) thanks to the rally in Chinese equities, which had a good start to the year of the Wood Dragon (+8.4% for the MSCI China index after falling by 10.6% in January). Beijing finally appears willing to take more proactive measures, especially on monetary policy. While the initial consumption data on the Lunar New Year festivities was encouraging, China's Prime Minister called for 'pragmatic and forceful' action to boost confidence in the economy.

- Despite the significant adjustment in expectations of Fed policy easing and the resulting rise in bond yields, equities rose across the board. Solid corporate results strengthened the upward trend, although some investors may have been jittery prior to seeing the results of several major players. More generally, while earnings surprises were high, surprises on sales were more modest. Overall, guidance remained cautious. However, the significance of the artificial intelligence investment theme was underlined by industry comments about very strong demand for semiconductors. Against this backdrop, the MSCI AC Asia ex Japan index rose by 5.5%.

- For developed market indices, their performance reflected the renewed enthusiasm for technology stocks: The S&P 500 surpassed its previous record at close of trading on 9 February, but it didn't stop there. Its upward momentum continued, and the index ended the month at nearly 5 100 points, up by 5.2% from the end of January. The Nasdaq composite index rose by 6.1% and the 'Magnificent Seven' by 12%. In short, the rise in US indices remains highly concentrated.

- European stock markets also beat their previous records to reach symbolic thresholds (8 000 points for the CAC 40, for example). Their returns were lower than those of the US indices due mainly to different sector weighs within the indices on either side of the Atlantic. The EuroSTOXX 50 gained 4.9% on the month and the MSCI EMU rose by 3.2% (in euro terms).

- In Japan, the Nikkei 225 index surpassed a record high that had stood since 1989. It rose by 7.9% in February (thus by 17% since the start of the year) despite a mixed economic performance. It was helped by the fall in the yen (-6.0% against the US dollar compared to the end of 2023) as investors questioned the Bank of Japan's willingness to end its ultra-accommodative monetary policy.

- Globally, the outperformance of technology stocks was driven almost entirely by semiconductor companies. The rise in other sectors was smaller. The second biggest was consumer discretionary, which signalled encouraging news for the economy, particularly in emerging markets where the sector is on a par with semiconductors, confirming the strength of domestic demand. The growth style took advantage of the surge in technology stocks to rise by 5.9% compared to the end of January (MSCI AC World Growth index), thus outperforming the value style (+2.4% for the MSCI AC World Value index).

Portfolio Update

In absolute terms, February turned out to be a positive month as it advanced 1.73% on a gross basis.

Asset Allocation Positioning

- In terms of stock selection however, February was again a difficult month.

- The regional equity building blocks had a challenging month. Especially USA and Japan were lagging a lot (versus classical benchmarks) in February.

- The effect within the thematic equity bucket was negative. Janus Henderson Horizon Global Sustainable, Liontrust Gf Sustainable Future Global Growth Fund and BNP Paribas Easy ECPI Circular Economy managed to outperform. This positive effect was unfortunately erased by the important corrections in BNP Paribas Funds Energy Transition and BNP Paribas Easy ECPI Global ESG Hydrogen Economy. Although these 2 were the main laggards, many other thematic equity funds underperformed.

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

- We opened a position in Chinese equity (22/02) funded by bonds
- We increased our weight in Japanese equities on 22/02 funded by bonds

- We ended the month with a 77.11% equity position and 21.39% of fixed income weight
- In February, major central banks managed to convince investors that they did not see an urgent need to start cutting their key rates. In the US, market-based expectations gradually joined the Fed's forward guidance, issued in December and reaffirmed since the beginning of 2024: A very low probability of any action before June and a total of three 25pb policy rate cuts in 2024. Government bonds suffered as a result, but risk appetite remains thanks to strong corporate fundamentals.

Performance & ex-post Risk

Portfolio Commentary

- Now that the earnings season is coming to an end in the US and equity index valuations are not supportive (particularly for cyclical sectors), investors will have to agree on a scenario for 2024. With the recent improvement in eurozone business surveys and limited disappointments over US data, which are still reflecting a solid economy, the consensus is shifting towards a more optimistic view. The hypothesis of a recession, which was the central scenario a year ago, appears abandoned. In its interim report on the economic outlook, the OECD concludes that 'recent economic indicators point to continued moderate global growth'.

- The rise in equity markets in February overshadowed risks in the eyes of investors, fuelling a favourable momentum on risky assets. While equities seem to be moving in an ideal world, it could be upset at any time: Disappointing indicators would rekindle the scenario of a recession, sticky inflation would remove expectations of a cut in key rates, concerns about real estate or China could re-emerge. Geopolitical and political risks have not receded.

- Current configurations do not seem conducive to significant directional positions in asset allocations, in our view. The risks mentioned above are not part of our central scenario but could lead to spikes in volatility and nervousness across asset classes. After the widespread deterioration in government bond yields in February, the thresholds reached, or about to be reached, by yields seem to us to justify gradually increasing our exposure. We remain slightly overweight equities, favouring markets with more attractive valuations.

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Appendix

Exchange Rates

Exchange Rates

as of 29/02/2024

ISO Code	Currency name	1 USD =
AUD	AUSTRALIAN DOLLAR	1.535744
CNH	CHINESE OFFSHORE YUAN (HONG KONG)	7.205250
CNY	CHINESE YUAN	7.193250
EUR	EURO	0.924086
GBP	BRITISH POUND	0.790545
HKD	HONG KONG DOLLAR	7.828800
JPY	JAPANESE YEN	149.670000
SGD	SINGAPORE DOLLAR	1.344600

29/02/2024 | 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.

R²

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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