Institutional report for professional investors

BNP PARIBAS A FUND Sustainable Thematic Select - 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	4,122,417.49
Share class AUM	27,069.95
Number of holdings	17
Outstanding shares	272.37
NAV date	28/03/2024
NAV per share	99.39
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

28/03/2024 | Report Currency: USD

Executive Summary

Risk Disclaimer

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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

- 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 in most developed economies. Expectations for the US Federal Reserve's monetary policy remained the predominant focus for global markets.

- Against this favourable 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. 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%).

Portfolio Update

In absolute terms, March turned out to be a positive month as it advanced 2.77% on a gross basis.

Asset Allocation Positioning

- On the contrary to last month, the stock selection in March contributed positively.

- The regional equity building blocks in Europe, US and Emerging Markets had a challenging month but this was more than compensated by the positive effect of the thematic equity bucket.

- The effect within the thematic equity bucket was positve. Sparinvest Sicav Ethical Global Value had a very strong month while Golden Age continued to struggle.

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

- We introduced a long position in JPY versus short CHF
- On the thematic equity side, some changes were made. We used the opportunity of the large outflows the fund faced in March to exit some positions. The holdings in Bnp Paribas Funds Climate Impact, Smart Food, Energy Transition, Ishares Healthcare Innovation and Liontrust Gf Sustainable Future Global Growth were sold completely.

- We ended the month with a 79.26% equity position and 20.25% of fixed income weight
- Most developed market central banks appeared to confirm that 2024 would see policy rate cuts begin. The loosening cycle started in March in Switzerland and the US Federal Reserve and the European Central Bank seem ready to act in June. While higher-than-expected inflation data in the US raised some questions marks on the timing, investors were reassured by central bankers' rhetoric. The pace reflected in market-based expectations of a cut in key rates is now roughly in line with central bank guidance, although changes in expectation levels at the very end of the month showed they are not yet rock solid.

- It looks like investors had difficulty fully believing in the scenario of a soft landing resulting in a steady easing of monetary policies that is priced in equity and bond markets. Their nervousness could also be explained by

Performance & ex-post Risk

Portfolio Commentary

stretched technical configurations on the major equity indices, while bond yields struggle to settle on a firm trend. Many fixed-income investors have positioned themselves tactically so far this year, adjusting their portfolios quickly when certain thresholds are crossed, both upwards and downwards.

- There are two scenarios currently dominating trading: The consensus is for a soft landing and so-called immaculate disinflation, but there are moments of market consolidation that correspond to an alternative scenario in which growth remains at its potential and inflation proves persistent. The good economic news of recent weeks (still resilient US economy, green shoots in the eurozone, Chinese authorities' commitment to 5% GDP growth this year) seems to have negated the hard landing scenario. Now, central banks seem unconcerned about the risk of renewed overheating and rising inflation.

- This environment and strong corporate fundamentals seem to warrant exposure to equities and the credit market, while the prospects of lower policy rates should support government bonds.

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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
CHF	SWISS FRANC	0.900700
CNH	CHINESE OFFSHORE YUAN (HONG KONG)	7.260400
CNY	CHINESE YUAN	7.227450
EUR	EURO	0.925926
GBP	BRITISH POUND	0.791609
HKD	HONG KONG DOLLAR	7.826450
JPY	JAPANESE YEN	151.345000
SGD	SINGAPORE DOLLAR	1.349600

28/03/2024 | 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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