Institutional report for professional investors

BNP PARIBAS A FUND Dynamic Multi-Asset - Commentary

MONTHLY REPORT

29/12/2023 - 31/01/2024

BNP PARIBAS
ASSET MANAGEMENT

The sustainable investor for a changing world

Executive Summary | p 3

General Information
Risk Disclaimer

Performance & ex-post Risk | p 8

Portfolio Commentary

Appendix | p 10

Exchange Rates
Glossary
Legal Disclaimer

BNPP AM is the source for all data in this document as at end 31/01/2024, unless otherwise specified.

Executive Summary

General Information

Key Figures (USD)

Fund AUM	26,624,620.42
Share class AUM	6,630,371.79
Number of holdings	19
Outstanding shares	67,409.63
NAV date	31/01/2024
NAV per share	98.36
12M NAV max (29/12/2023)	98.74
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.

Executive Summary p 3

General Information

Risk Disclaimer

Performance & ex-post Risk p 8

Portfolio Commentary

Appendix p 10

Exchange Rates

Glossary

Legal Disclaimer

BNPP AM is the source for all data in this document as at end 31/01/2024, unless otherwise specified.

Performance & ex-post Risk

Portfolio Commentary

Market Review

- Global equities see-sawed during January in line with rising and falling expectations over whether there might be a rapid cut in key rates by the Fed. While inflation data reassured, the strong growth momentum in the US weighed on investor sentiment and on equities. After sharp swings, the MSCI AC World index (in US dollar terms) ended the month up by only 0.5%.
- Emerging market equities underperformed markedly, with the MSCI Emerging Markets index (in USD terms) falling by 4.7%, again hampered by the MSCI China index, which fell by 10.6% despite Beijing's numerous announcement of supportive measures. Investors remained sceptical. The MSCI AC Asia ex Japan index also ended the month down, losing 5.5%.
- Despite the continued fragility of the eurozone economy, investors were reassured by inflation continuing to slow and that a technical recession had been avoided. The EuroSTOXX 50 and MSCI EMU indices rose by 2.8% and 2.2% respectively (in euro terms).
- In the US, equity indices were buoyed by a good earnings season. The S&P 500 posted a monthly rise of 1.6%, having been knocked to some extent by scares over a troubled bank and a mediocre stock performance by some of the mega techs.
- In Japan, the Tokyo stock exchange has a strong start to the year, driven by exporters helped by the yen's decline over the month. The Nikkei 225 index rose by 8.4%.
- Globally, the technology sector outperformed thanks to strong semiconductor and software activity. The growth style (+1.3% for the MSCI World Growth index) outperformed the value style, which fell by 0.3% (MSCI World Value index).
- The yield on the US 10-year T-note rose from the outset in the wake of the solid economic momentum. Boosted by the release of strong December retail sales data, it surpassed 4.10% in mid-month. Over the second half of January, the yield moved erratically on fluctuating monetary policy expectations, The 10-year T-note yield ended the month at 3.91%, up by just 3bp from end-December. The 2-year yield (4.25% at the end of December) ranged from 4.15% to 4.40% to end January at 4.21%.
- A fall in eurozone bond markets came in the wake of US markets, after an impressive rally in December, and large bond issuances from the beginning of the year. The 10-year Bund yield rose almost without interruption from 2.02% at the end of 2023 to 2.35% on 18 January, its highest since early December. Consumer price indices in December, released in early January, were one of the factors driving the rise. Despite a 10bp slip on 31 January, the 10-year Bund yield ended the month at 2.17% (+15bp compared to the end of December). The German 2-year yield rose from 2.40% at the end of 2023 to almost 2.75% on 19 January (its highest since the end of November) then eased to end the month at 2.43%.
- Credit market performance was mixed in January. Credit spreads tightened for much of the month, taking advantage of the risk-on environment which helped the flow of new issues to be well absorbed at the beginning of the year, with primary market activity historically high. In the Investment Grade (IG) segment, spreads fell back to their lowest since January and April 2022 for US dollar and euro securities, respectively. Spreads widened at the very end of the month when a US regional bank reported losses in the fourth quarter, which, added to Fed Chair Powell signalling that a March rate cut was unlikely, triggered a fall in risky assets. Total monthly returns were slightly positive on Euro IG and High Yield (HY) and US IG, but slightly negative for US HY.

Portfolio Activity & Positioning

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

Fund Performances

By Sector

Top sector performance contributor: Japan Equity, North America Equity and Europe Equity

Top sector performance detractor: Emerging Equity, Real Estate Global and Convertibles Global

By Fund

Top performance contributor: Pictet - Japanese Equity Oppor SHRS, AB SICAV I - American Growth P SHRS and Comgest Growth PLC - Europe SHRS

Top performance detractor: Wellington Emerging Markets Re SHRS, Vontobel Fund - mtx Sustainabl SHRS and Principal Global Investors Fun SHRS

Outlook & Positioning

Performance & ex-post Risk

Portfolio Commentary

- After their year-end rally, global equities moved in line with monetary policy expectations, reacting to events or comments that appeared to confirm or knock back the assumption of a rapid cut in policy rates by the US Federal Reserve. Movements on the MSCI AC World index (in US dollar terms) echoed such ups and downs during the month. After falling year-to-date by 2.0% by 17 January global equities had risen by 1.6% year-to-date by 29 January. While inflation data was reassuring, the strong growth momentum in the US weighed on investor sentiment and on equities. Fed Chair Jerome Powell explicitly rejected on Jan 31 the idea of a first rate cut occurring in March. After sharp swings, the MSCI AC World index (in US dollar terms) ended the month up by only 0.5%.

- The sharp underperformance of emerging markets (-4.7% for the MSCI Emerging Markets index in US dollar terms) was again due to difficulties for Chinese equities (the MSCI China index lost 10.6%) despite Beijing's numerous recent announcements of supportive measures. Investors remain skeptical even about measures directly targeting equity markets to boost confidence, such as a package of moves intended to stabilise the stock market and the tightening of rules on the lending of shares for short selling. The MSCI AC Asia ex Japan index ended January down by 5.5%. Within developed markets, Japan saw a strong start to the year, with the Nikkei 225 up by 8.4%, driven by exporters who were helped by the decline in the yen over the month (-4.0% against the US dollar) and by the financials sector, which benefited from the prospects of the Bank of Japan ending its negative rate policy in the coming months. The eurozone economy remains fragile and the ECB tried to repel expectations of a rapid cut in its key rates. Investors were reassured that a technical recession has been avoided and by inflation beginning to slow again after its rebound in December. Eurozone equity indices rose (+2.8% for the EuroSTOXX 50 and +2.1% for the MSCI EMU index in euros). Several equity indices set new all-time highs or approached their previous records. This was also seen in the US for the S&P 500 and the Dow Jones 30, which were buoyed by a good earnings season. At the end of January, with just under half of S&P 500 companies having reported, the rate of positive surprise on earnings growth was high. A regional bank, which took over some of the assets of the failed Signature Bank last year, announced a loan-loss provision, mostly for real estate - news that rekindled bad memories. At the same time, a Japanese bank reported losses on loans to US commercial real estate. While the fall in both stocks was sharp, the reactions on bank indices were less dramatic than those seen in March 2023. Despite a 1.6% fall in the S&P 500 index on 31 January, the index posted a monthly rise of 1.6%. In January, the rise of the 'magnificent seven' mega tech stocks was only 1.8% as some stocks fell at the very end of the month on results deemed disappointing due to significant increases in costs. Such reactions suggested a degree of nervousness related to stretched valuations.

- The status quo at the Federal Open Market Committee (FOMC) meeting on 30/31 January came as no surprise. As expected, the federal funds target rate was held in the 5.25% -5.50% range in which it has moved since the end of July 2023. Four monetary policy meetings have been held since then and the hiking cycle (+525bp since March 2022) clearly appears to be at an end. The main question in investors' minds now is the date of the first policy rate cut. Jerome Powell failed to commit on this during his press conference and made efforts to reduce market expectations of an imminent rate cut. The FOMC believes it will need 'to gain greater confidence that inflation is moving sustainably toward 2%' to reduce policy rates. In the same statement, there was no longer mention of 'any additional policy firming' and the FOMC is now pondering over when to start cutting rates. While stressing that this will not be in March, unless economic growth were to weaken notably, Jerome Powell confirmed that a rate cut is likely later this year.

- The yield on the US 10-year T-note (3.88% at the end of 2023 after an impressive rally) rose from the beginning of the year. The assumption of a rapid cut in Fed policy rates was quickly challenged by solid economic indicators and then by comments from FOMC members to push back expectations of an imminent 'pivot'. Bond markets reacted to economic data: The release on 17 January of retail sales showing a sharp rise in December sent the 10-year T-note yield above 4.10%, a level not seen since the December FOMC meeting. Movements were erratic after that as monetary policy expectations fluctuated and indicators confirmed, or not, the scenario of a soft landing. Given their reactions, investors appeared to be getting used to the strength of growth and employment and focused on signs of a slowdown in inflation (producer prices, GDP and private consumption deflators). Over the weeks, more attention was paid to official comments, which weakened expectations of a cut in key rates as early as March.The other element that had animated markets in the second part of 2023 - announcements about US Treasury refunding - had less influence in January. The US Treasury announced it will increase the size of its (mainly short maturity) bond issues for the quarter starting in February, and that further increases should not be needed for 'at least the next several quarters'. Long-term bond yields eased on 31 January in a flight to safety triggered by concerns over a regional bank's problems linked to commercial real estate. Against this background, and despite Jerome Powell's unambiguous comments at his press conference on 31 January excluding a first rate cut in March, the yield on the 10-year T-note fell by 12bp that day, ending the month at 3.91% (+3bp compared to the end of 2023). The 2-year yield (4.25% at the end of December) ranged from 4.15% to 4.40% to end January at 4.21%.

- 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 added US equity and Europe Equity. On the other hand, we slashed EM equity, US IG and Commodities.

- 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.

Performance & ex-post Risk

Portfolio Commentary

- Japanese equities (Neutral). A broadly positive set of score on earnings (supported by shareholder reform and structural shifts in economy) and policy, with neutrality on valuations that appear fuller in the Japanese context but still at a meaningful discount to global equities.

- Emerging Market equities (Neutral). While broad caution on earnings is optically counterbalanced by positive expectations on policy and attractive valuations, developments in China continue to have an outsized impact. With lacking visibility on stimulus that in turn seems necessary to unlock deep value.

- 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.

Executive Summary p 3

General Information
Risk Disclaimer

Performance & ex-post Risk p 8

Portfolio Commentary

Appendix p 10

Exchange Rates
Glossary
Legal Disclaimer

BNPP AM is the source for all data in this document as at end 31/01/2024, unless otherwise specified.

Appendix

Exchange Rates

Exchange Rates

as of 31/01/2024

ISO Code	Currency name	1 USD =
AUD	AUSTRALIAN DOLLAR	1.512745
EUR	EURO	0.920598
GBP	BRITISH POUND	0.785268
SGD	SINGAPORE DOLLAR	1.336350

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

This material is issued and has been prepared by BNP PARIBAS ASSET MANAGEMENT Singapore Limited ("the Company"), with its registered office at 20 Collyer Quay, #01-01, 20 Collyer Quay, Singapore 049319, Company Registration No. 199308471D. Its contents have not been reviewed by the Monetary Authority of Singapore.

It is produced for information purposes only and does not constitute:
1. an offer to buy nor a solicitation to sell, nor shall it form the basis of or be relied upon in connection with any contract or commitment whatsoever or
2. investment advice.

The information contained in this material is provided without prior knowledge of your circumstances, including your financial position, risk profile and investment objectives. Investors are recommended to seek the advice of their usual financial adviser(s) in order to assess the suitability of the product or strategy mentioned herein as an investment. In the event that an investor chooses not to seek advice from a financial adviser, he/she should consider whether the financial instrument is suitable for him/her.

Investors considering subscribing to the financial instrument(s) should read carefully the most recent prospectus, offering documents or other information material for further details including the risk factors and consult the financial instrument(s') most recent financial reports, available at the Company or its authorised distributors.

Opinions included in this material constitute the judgement of the Company at the time specified and may be subject to change without notice. The Company is not obliged to update or alter the information or opinions contained within this material. While all efforts are taken to ensure the accuracy of the information and data included in this material, no warranty is given and no liability shall be accepted in the event of any error, inaccuracy or discrepancy of such information and data. Investors should consult their own legal and tax advisors in respect of legal, accounting, domicile and tax advice prior to investing in the financial instrument(s) in order to make an independent determination of the suitability and consequences of an investment therein, if permitted. Please note that different types of investments, if contained within this material, involve varying degrees of risk and there can be no assurance that any specific investment may either be suitable, appropriate or profitable for an investor's investment portfolio.

Investments involve risks. Investments in emerging markets involve above-average risk. Given the economic and market risks, there can be no assurance that the financial instrument(s) will achieve its/their investment objectives. Returns may be affected by investment strategies or objectives, markets and economic conditions. The different strategies applied to financial instruments may have a significant effect on the results presented in this material. Past performance and any economic and market trends/forecasts are not a guide to future performance and the value of the investments in financial instrument(s) may go down as well as up. Investors may not get back the amount they originally invested.

The performance data, as applicable, reflected in this material, do not take into account the commissions, costs incurred on the issue and redemption and taxes.