Institutional report for professional investors

BNP PARIBAS A FUND Sustainable Thematic Select - Commentary

MONTHLY REPORT

29/12/2023 - 31/01/2024

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 31/01/2024, unless otherwise specified.

Executive Summary

General Information

Key Figures (USD)

Fund AUM	8,828,677.34
Share class AUM	25,955.62
Number of holdings	21
Outstanding shares	272.37
NAV date	31/01/2024
NAV per share	95.30
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

31/01/2024 | 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

- 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 (aka the Fed pivot). 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 wielded the coup de grâce on 31 January by explicitly rejecting 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 sceptical 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, the Tokyo Stock Exchange 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 European Central Bank 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. Globally, the technology sector outperformed thanks to semiconductors and software. The biggest losers were in the materials and listed real estate sectors, reflecting investor fears about the consequences for real estate of restrictive monetary policies. The growth style (+1.3% for the MSCI AC World Growth index) rose in January while the value style posted a slight decline (-0.3% for the MSCI AC World Value index).

Portfolio Update

After a great month of December, January proved to be more challenging as the fund lost 1.26% in January on a gross basis.

Asset Allocation Positioning

- Fixed Income had a small positive contribution while equity contributed negatively to the absolute performance.

- In terms of stock selection, January was quite challenging. On the regional (thematic) blocks, BNP Paribas Funds Green Tigers had a more difficult month.

- Most of the thematic equity funds didn't manage to outperform the global benchmark. BNP Paribas Funds Energy Transition, BNP Paribas Easy ECPI Global ESG Hydrogen Economy and BNP Paribas Funds Climate Impact were the main laggards this month. Janus Henderson Horizon Global Sustainable and Theam Quant World Climate Carbon Offset Plan managed to outperform.

- During the month of January, we did 2 meaningful movements in the portfolio:

- We opened a long JPY position (2%) versus EUR as an insurance trade towards the Taiwanese elections. We closed the trade the next week with a small loss

- Around mid-month we reintroduced a small short on European Equities but this was closed again around month end

- We ended the month with a 75.10% equity position and 24.05% of fixed income weight

- After hopes of a rapid cut in key rates from the US Federal Reserve supported risky markets in December (the 'pivot' celebration), investors were gripped by doubts in January when economic data did not entirely support the ideal 'soft landing' scenario that prevailed in late 2023.

Performance & ex-post Risk

Portfolio Commentary

- In addition, central bankers have tried to push back the presumption of an imminent cut in key rates, again raising some concerns. The reactions on financial markets at the very end of January, when Jerome Powell made it clear that a first cut in key rates in March was off the table, illustrated the nervousness of investors. The end of the monetary tightening cycle (except in Japan where the central bank has yet to end its ultra-accommodative policy) looks a done deal, but central banks in developed economies do not seem to want to rush any rate cut. It is important to them to be assured that inflation will return to the 2% target in a sustainable and stable manner. Recent higher oil prices (and freight prices more generally) related to the Red Sea attacks on shipping do not seem so far to have affected the fall in G7 inflation from 7.3% year-on-year in November 2022 to 3.1% a year later. Faced with sticky inflation in services, central banks are hesitant about claiming victory.

- Moreover, the risk of the global economy desynchronising could further complicate the analysis in 2024. While the chances of a soft landing for the US economy this year have undeniably increased, the outlook for Europe is less favourable, and the path for China remains uncertain. The transition from the 2022-2023 tightening cycle to the 2024 easing is not yet over. The resulting dithering nervousness in financial markets could persist in the short term and delay the onset of a sustained trend in both the bond markets and in equities after their all-around rally at the end of 2023.

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Appendix

Exchange Rates

Exchange Rates

as of 31/01/2024

ISO Code	Currency name	1 USD =
AUD	AUSTRALIAN DOLLAR	1.512745
CNH	CHINESE OFFSHORE YUAN (HONG KONG)	7.173700
CNY	CHINESE YUAN	7.179550
EUR	EURO	0.920598
GBP	BRITISH POUND	0.785268
HKD	HONG KONG DOLLAR	7.817250
JPY	JAPANESE YEN	146.175000
SGD	SINGAPORE DOLLAR	1.336350

31/01/2024 | 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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