

FIXED INCOME ALLOCATION

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**Global Fixed Income Forecast
& Allocations
Short Term & Long Term Views**

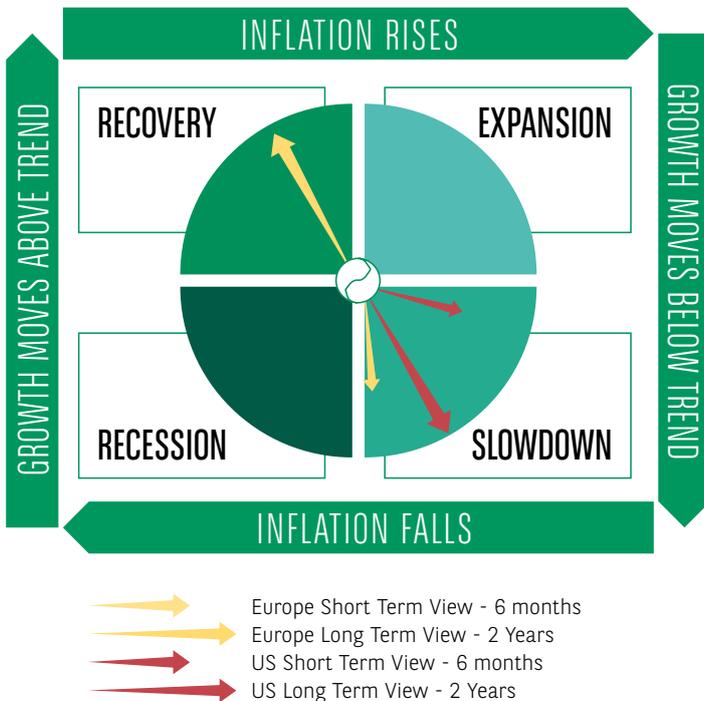


**BNP PARIBAS
ASSET MANAGEMENT**

The sustainable
investor for a
changing world

In this document, the Global Fixed Income Team at BNP Paribas Asset Management presents you their market outlook and based on it three proposals for allocations to fixed income strategies, with alternatives for short- and long-term investment horizons.

MACRO OUTLOOK



- While the gradual normalisation of US monetary policy was well underway, the trade war initiated by Donald Trump has reinforced expectations of rate cuts, against a backdrop of growing fears of an economic slowdown in the US.
- Within the Eurozone, the overall picture from recent survey data remains consistent with flattish growth in Q2 rather than a sharp contraction, but business sentiment is set to remain subdued over coming months while US trade policy uncertainty looms over the euro area's economy.
- Investors are concerned about the impact of tariffs on growth and inflation in the US and Europe. In this climate of uncertainty, monetary policy expectations have been adjusted. The market now anticipates just over three further rate cuts by the ECB and the Fed in 2025.

GFI MARKET FORECAST

						
Rates	ECB rate	↓	Fed Fund	↓		
	€ 10 years	↓	\$ 10 years	↓		
	€ 2-10	↑	\$ 2-10	↑		
Spreads	€ Investment Grade	→	\$ Investment Grade	→	Emerging Sovereign	↓
	€ High Yield	↑	\$ High Yield	↑	Emerging Corporate	→
Currencies		EUR/USD	→			

Our View for the next 6 months:

- In Europe, the beginning of the year was marked by a rise in yields, particularly at the long end of the curve, triggered by the announcement of fiscal stimulus measures in Germany and the increase in European defence budgets.
- In April, the market configuration, marked by a risk-off move saw credit spreads widen. At the same time, European sovereign bond yields fell, particularly those of German bonds, whose 10-year yield fell close to 2.50%
- Despite this volatile backdrop, European credit continues to demonstrate a certain resilience, underpinned by solid fundamentals overall. The carry trade remains an attractive driver of buying-interest, with yields still high compared with those seen over the last ten years.
- In terms of Model Portfolios, we reduce marginally the modified duration of all allocations after the flight-to-quality. We still prefer Investment Grade credit, for which spreads have re-compressed after the sell-off of April, rather than High Yield.
- We prefer the ABS market within the short term model portfolios since this asset class has lagged during the rally seen since early April.

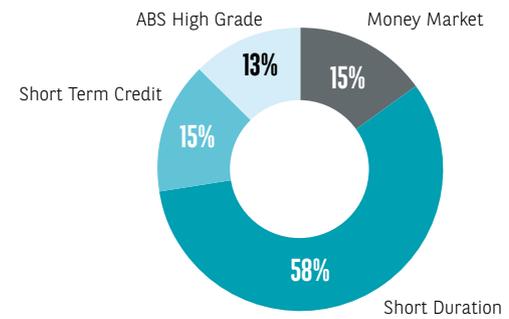
DEFENSIVE ALLOCATION

1st allocation to diversify from a money market portfolio and to protect against erosion due to inflation

STRATEGIES CONSIDERED

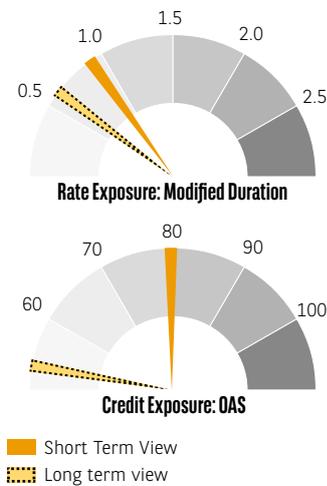
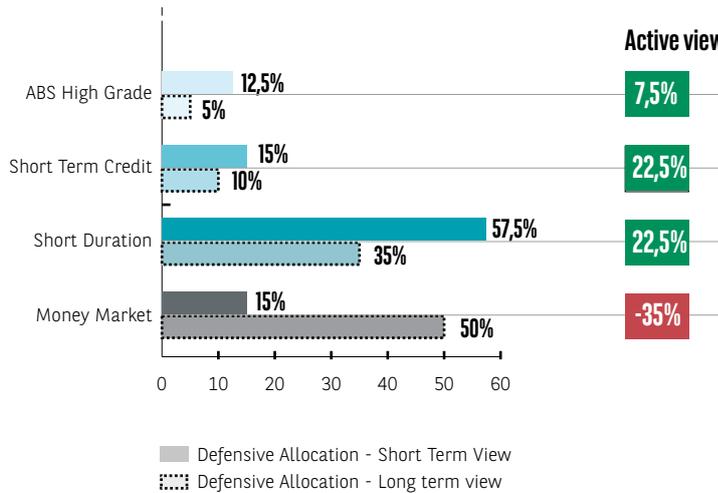
- **Money Market**
- **Short Duration:** Aggregate flexible strategies in long short and long only with a maximum duration of 3.
- **Short Term Credit:** IG & HY active strategies with a maximum duration of 3
- **ABS High Grade:** AAA and Investment Grade ABS in floating rates

Defensive Allocation - Short Term View



Defensive

TACTICAL POSITIONING LINKED TO MARKET OUTLOOK



MAIN INDICATORS

	SRI	Yield to Maturity	Modified Duration	OAS	Effective Rating	1 year Return	Annualized 52 weeks Volatility	Maximum Drawdown
Long term view	1,50	2,45%	0,59	53,37	A	3,66%	0,36%	-0,01%
Short Term View	1,85	3,21%	0,89	79,53	A	4,14%	0,56%	-0,07%

Source: Internal BNPP AM - May 2025
 Source effective rating: S&P rating
 SRI: Summary Risk Indicator

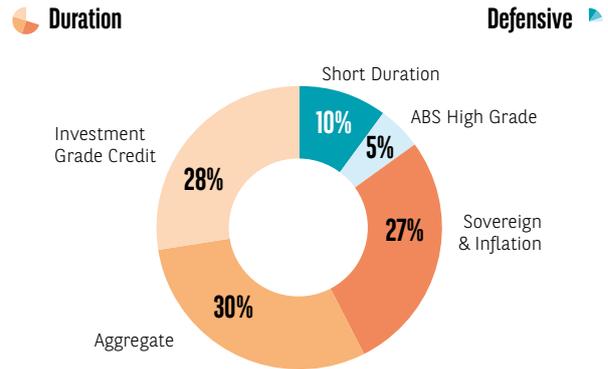
DURATION ALLOCATION

2nd Allocation to increase the duration of your exposition to rates

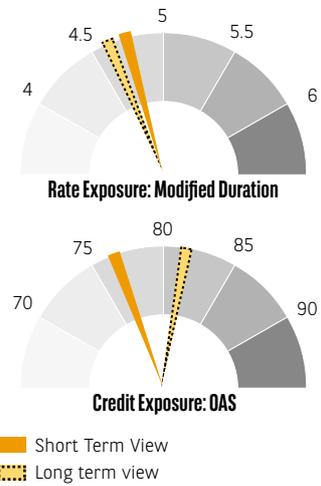
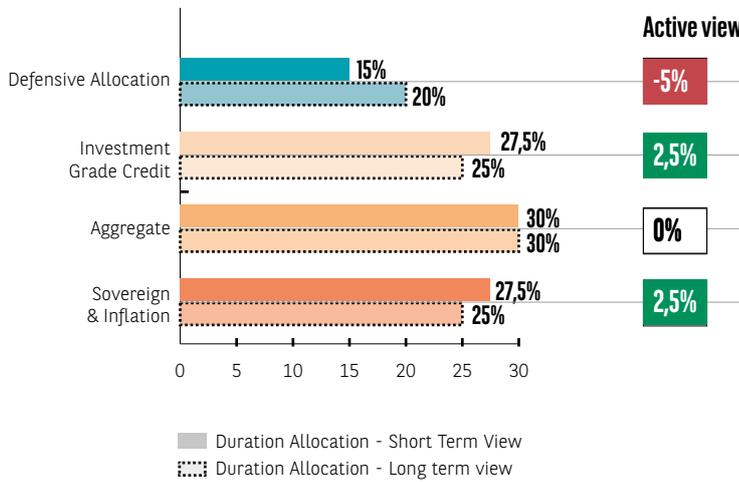
STRATEGIES CONSIDERED

- **Defensive Allocation**
- **Sovereign & Inflation:** Euro & global government bond strategies and inflation-linked
- **Aggregate:** Euro & global aggregate and thematic strategies
- **Investment Grade Credit:** Euro & global IG credit strategies

Duration Allocation - Short Term View



TACTICAL POSITIONING LINKED TO MARKET OUTLOOK



MAIN INDICATORS

	SRI	Yield to Maturity	Modified Duration	OAS	Effective Rating	1 year Return	Annualized 52 weeks Volatility	Maximum Drawdown
Long term view	2,98	3,85%	4,63	81,66	A-	2,45%	4,33%	-2,29%
Short Term View	2,91	3,59%	4,74	76,75	A	2,35%	4,52%	-2,49%

Source: Internal BNPP AM - May 2025

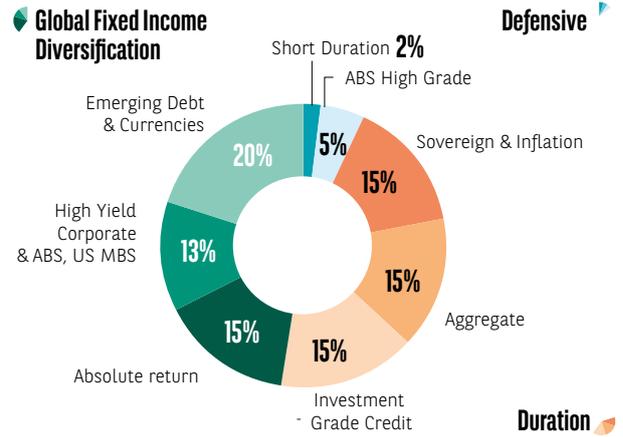
GLOBAL FIXED INCOME ALLOCATION

A diversified fixed income allocation mixing a large range of BNPP AM capabilities

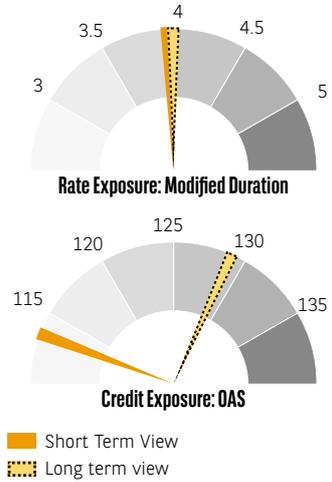
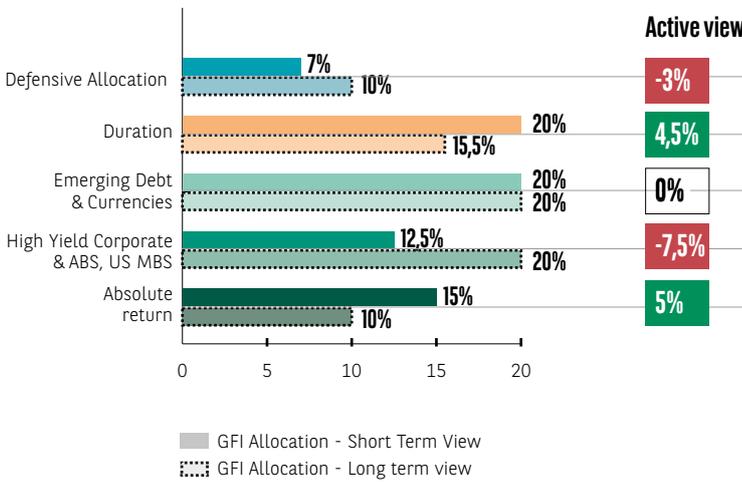
STRATEGIES CONSIDERED

- **Defensive Allocation**
- **Duration Allocation**
- **Absolute Return:** Long short & long only euro and global strategies
- **High Yield Corporate & ABS, US MBS:** Euro & global HY in fixed income and ABS
- **Emerging Debt & Currencies:** Emerging debt both in hard & local currencies and short-term US dollar

Global Fixed Income Allocation - Short Term View



TACTICAL POSITIONING LINKED TO MARKET OUTLOOK



MAIN INDICATORS

	SRI	Yield to Maturity	Modified Duration	OAS	Effective Rating	1 year Return	Annualized 52 weeks Volatility	Maximum Drawdown
Long term view	2,69	4,63%	3,99	128,90	A	4,28%	3,88%	-1,91%
Short Term View	2,65	4,43%	3,95	113,63	A	3,99%	3,86%	-1,88%

Source: Internal BNPP AM - May 2025

APPENDIX : INDICATORS PER STRATEGIES

Strategies	SRI	Yield to Maturity	Modified Duration	OAS	Effective Rating	1 year Return	Ann. 52 weeks Volatility	Maximum Draw-down
Money Market	1,00	0,01	0,08	15,08	A+	3,45%	0,06%	-
Short Duration	2,00	0,03	1,00	60,84	A-	4,28%	0,50%	-0,06%
Short Term Credit	2,00	0,05	1,92	190,62	BBB-	6,15%	1,81%	-0,44%
ABS High Grade	2,00	0,04	0,11	109,53	AA+	6,36%	0,38%	-0,03%
Sovereign & Inflation	3,00	0,01	4,05	49,34	A+	1,30%	5,86%	-4,61%
Aggregate	2,75	0,03	6,89	44,64	AA	2,35%	5,14%	-3,88%
Investment Grade Credit	2,40	0,04	5,26	114,64	BBB+	6,16%	4,77%	-2,23%
Absolute return	2,00	0,04	0,08	44,71	A	3,53%	1,48%	-0,54%
High Yield Corporate & ABS, US MBS	3,00	0,06	2,88	262,67	BBB+	7,88%	3,61%	-2,07%
Emerging Debt & Currencies	3,00	0,08	5,47	177,67	BBB+	8,57%	6,31%	-3,49%

Source: Internal BNPP AM - May 2025

For illustrative purpose only, do not constitute any investment recommendation.

Past performances or achievement is not indicative of current or future performance.

For more information on risks, please see the "Investment risks" section of the Fund's prospectus, which is available at www.bnpparibas-am.com

Please contact your BNPP AM Client relationship manager to discuss further about your need of diversification of fixed income investment.

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VIEWPOINT



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