

## INVESTMENT REPORT – 31 MAY 2020

# BNP PARIBAS ENVIRONMENTAL EQUITY TRUST

### OBJECTIVE

The BNP Paribas Environmental Equity Trust seeks to achieve sustainable, above market returns over the longer-term by investing globally in companies active in the growing resource efficiency and environmental markets.



### DISTINGUISHING FEATURES

- **Deep Knowledge of Sub-sectors:** one of the most established resource efficiency managers in the world seeking opportunities in an under-researched area of the market.
- **Strong Investment Expertise:** investment team with diverse backgrounds that has a strong track record of delivering returns in excess of broader equity markets.
- **Demonstrated Environmental Impact:** a proprietary universe of companies where underlying exposure to resource efficiency of each company has been assessed so clients understand the environmental impact of their investments.

### TOP 10 HOLDINGS

SECURITY	SUB-SECTOR	TRUST
Linde Plc	Diversified Environmental	3.4%
Schneider Electric SE	Energy Efficiency	3.4%
Agilent Technologies Inc	Pollution Control	3.3%
Waste Mgt Inc	Waste Management & Technologies	3.3%
Idex Corp	Water Infrastructure & Technologies	3.0%
Autodesk Inc	Energy Efficiency	3.0%
Suez	Water Infrastructure & Technologies	3.0%
American Water Works	Water Infrastructure & Technologies	2.9%
Trimble Inc	Food, Agriculture & Forestry	2.9%
Koninklijke Dsm	Food, Agriculture & Forestry	2.7%
Source: BNP Paribas Securities Services, Impax Asset Management.		<b>30.9%</b>

### TRUST PERFORMANCE

	TRUST GROSS	TRUST NET	BENCHMARK
1 Month (%)	5.98	5.88	2.92
3 Months (%)	-1.46	-1.74	-2.94
6 Months (%)	-2.37	-2.91	-4.17
FYTD (%)	4.25	3.20	4.61
1 Year (%)	11.51	10.28	10.04
2 Year (%)	10.12	8.92	8.91
Since Inception (%) Inception Date 6 June 2017	8.67	7.48	9.40

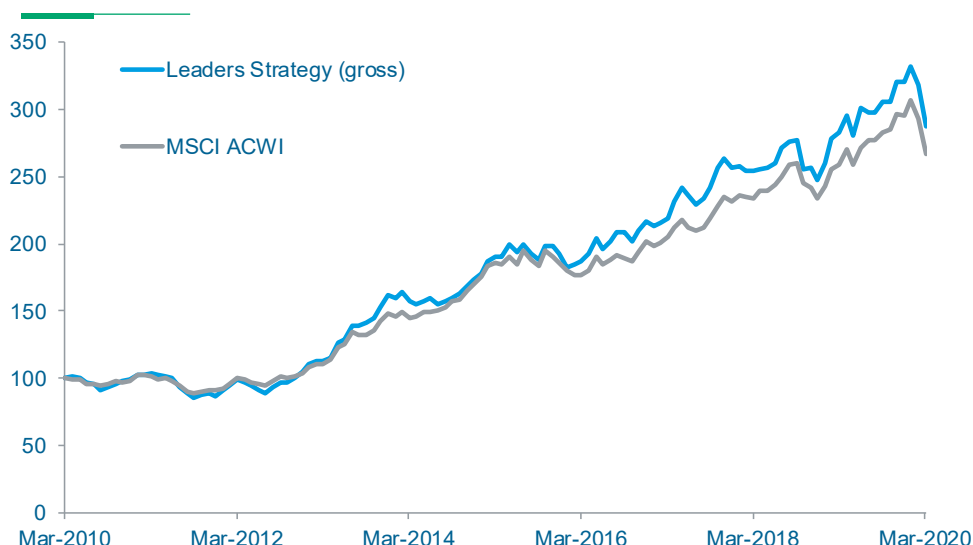
Source: BNP Paribas Securities Services. Benchmark: MSCI All Country World Index. Net Dividends Reinvested measured in Australian Dollars. Gross returns are calculated before fees and net returns are calculated using exit prices net of ongoing fees of 1.10% p.a. (inclusive of RITC and GST) and assuming reinvestment of distributions. No allowance is made for tax when calculating these figures. Gross returns are provided for wholesale investors only, retail investors should refer to net returns.



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The BNP Paribas Environmental Equity Trust outperformed the MSCI ACWI benchmark in May

## LONG TERM PERFORMANCE – AS AT 31 MARCH 2020



Source: Impax Asset Management. AUD. Strategy Inception March 2008. The Trust commenced on 6 June 2017. To give a longer-term view, the above chart shows the composite returns for Impax Asset Management's Leaders Strategy (gross of fees as at 31 March 2020), according to which the Trust is managed. The performance of the Trust will however differ from the Leaders Strategy due to factors such as fees and charges applicable to the Trust, and the impact of applications and withdrawals. Please note the performance calculation methodology applied to the Trust may differ from the composite returns presented.

## TRUST CLASSIFICATION OF ENVIRONMENTAL MARKETS



Water



New Energy

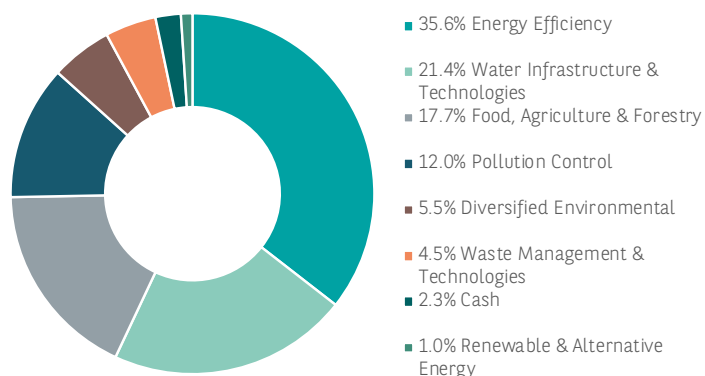


Waste/Resource Recovery

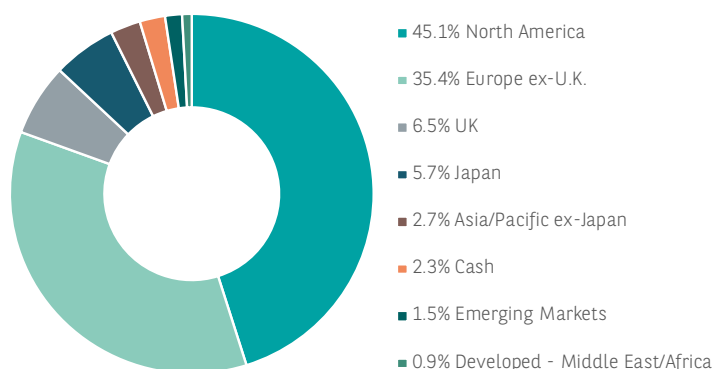


Sustainable food, Agriculture & Forestry

## SUB-SECTOR ALLOCATION



## REGIONAL ALLOCATION



## Winners!

BNP Paribas Asset Management, along with Impax Asset Management have been named the inaugural winners of the Sustainable and Responsible Investments category at the 2019 Zenith Fund Awards.



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## RISKS OF MANAGED INVESTMENT SCHEMES

All investments carry risk.

Some of the general risks of managed investment schemes include:

Active Management Risk, Company Specific Risk, Concentration Risk, Counterparty Credit Risk, Currency Risk, Emerging Markets Risk, Interest Rate Risk, Legal Risk, Liquidity Risk, Market Risk, Operational Risk, Political Risk, Stock Selection Risk, and Trust Risk.

For further details of the risks associated with the Trust, a Product Disclosure Statement (PDS) for the Trust is available at [www.bnpparibas-am.com.au](http://www.bnpparibas-am.com.au)



Visit our [COVID-19 Updates](#) on our website for the latest information and commentary.

## COMMENTARY

The BNP Paribas Environmental Equity Trust outperformed the MSCI ACWI benchmark in May.

### MARKET REVIEW

Global equity markets continued to perform well in May. COVID-19 cases appear to have levelled out in some countries, resulting in the easing of restrictive lockdowns in parts of Europe and several US states. There was also positive sentiment around the production of a vaccine, with the first published data from a human trial.

The reopening of numerous economies was tempered by rising US-China conflict over the period. The US has signaled that tariffs may be imposed on Hong Kong following China's National People's Congress approval to impose national security laws directly on Hong Kong. The US argues that this raises significant questions over the autonomy of the region. Asia-Pacific was the weakest region as a result.

Cyclical sectors outperformed during the month, with Information Technology leading performance, benefiting from the relative earnings growth strength. Defensive sectors including Consumer Staples and Utilities were weaker on a relative basis after some profit taking and equity flows into economically sensitive sectors.

There was breadth of performance from across Environmental Markets.

### CONTRIBUTORS

**GEA (Logistics, Food Safety & Packaging, Germany)** – GEA is a farm technology, mechanical equipment, process industry and refrigeration technology company. The company's products contribute to improved energy efficiency, food waste reduction and production optimisation. The stock outperformed in May as better than expected results, order intake in the food area, and improved working capital provided a positive outlook for the stock.

**Agilent Technologies (Environmental Testing & Gas Sensing, US)** – Agilent is a Health Care company and a leading provider of liquid chromatography and mass spectrometry equipment, which serve environmental and life science markets. It provides analytical instruments, software and services to laboratories which in turn sell to the food, environmental and pharmaceutical industries. The company outperformed on the announcement of better than expected results.

**Siemens (Industrial Energy Efficiency, Germany)** – Siemens is a large German conglomerate active in electrical engineering and electronics, with a core focus on the industrial megatrends of electrification, automation of production processes and digitalisation of the factory environment. From renewable energy equipment to the more efficient transmission of power, smart grid solutions, buildings energy efficiency, lower carbon transportation and more efficient digital factories, Siemens' products address an array of environmental challenges brought about by increased global population, urbanisation and rising living standards. The stock rose in May, as the company disclosed Siemens' Energy business would be divested by September 2020, providing a catalyst for a rerating of core digital factory and smart infrastructure capabilities.

**Schneider Electric (Power Network Efficiency, France)** – Schneider is a leading global specialist in efficiency solutions across the energy management spectrum. Powered by the 'digitization of everything' -- technology driving the ability to measure, analyze, and therefore manage everything in real time -- Schneider enables customers in a breadth of industries realise powerful efficiencies and cost savings. Whether in the context of industrial automation, commercial building management, smart homes, or data centers, 'intelligent functionality' and connected systems can be put to work to optimize energy efficiency and infrastructure performance across a vast array of applications. The company saw strong performance in May, following some key deals within the data centre segment.



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## ENVIRONMENTAL IMPACT OF AUD 10M INVESTMENT

Total water treated, saved or provided: **400 megalitres**



Equivalent to  
**2550**  
households' annual  
water consumption

Total renewable electricity  
generated: **860 mwh**



Equivalent to  
**230**  
households' annual electricity  
consumption

Total materials recovered /  
waste treated: **1840 tonnes**



Equivalent to  
**1900**  
households' annual  
waste arising

Source: Impax Asset Management. These figures refer to the past. Past performance is not a reliable indicator of future results. Impact of AUD10m invested in the strategy for one year. Based on most recently reported annual environmental data for holdings in the Impax Leaders strategy as at 31 December 2018 for one year. Impax's impact methodology is based on equity value.

**Trimble (Sustainable & Efficient Agriculture, United States)** – Trimble is a market leading pioneer in GPS data collection and manipulation for sustainable agriculture, irrigation and engineering applications. Trimble's products utilise integrated positioning, wireless and software technology to enable farmers to improve resource efficiency and maximise yield. Better than expected results demonstrated an improving business model with >50% recurring revenues and clear articulation of liquidity and balance sheet strength.

### DETRACTORS

**Zhuzhou CRRC Times Electric (Transport Energy Efficiency, China)** – The Chinese railroad company researches, manufactures and sells locomotive power converters and control systems, and benefits from the upward trend in rail-related infrastructure investment in China. During May, the stock suffered from low visibility on new orders from China Rail Corporation.

**Westrock (Logistics, Food Safety & Packaging, US)** – WestRock is focused on reducing waste and materials consumption, energy consumption, GHG emissions and water consumption. The company is also working to improve recyclability and compostability of its products and works actively with sustainable forest management and fibre procurement standards. The stock suffered after a slight cut in dividend to preserve cash and safeguard the balance sheet; and cautious outlook for remainder of the year.

**Xylem (Water Infrastructure, US)** – Xylem is a diversified global water technology company. It is the leading name in water pumps, valves and water testing, with important end markets in both developed countries and emerging markets. Interesting new technologies include award-winning storm water tunnels, submersible pump technologies for flash flooding, energy efficient wastewater equipment that cuts energy use and therefore emissions by more than half, and advanced wastewater treatment solutions such as innovative mobile treatment containers. Xylem underperformed in May after releasing worse than expected results.

**Delta Electronics (Industrial Energy Efficiency, Taiwan)** – Delta Electronics is a leading manufacturer of power management electronics and automation equipment. It is set to benefit from the trend towards greater data gathering, cloud computing and industrial automation. The stock fell in May, following strong performance in April.

**Hubbell (Power Network Efficiency, US)** – Hubbell manufactures electrical and electronic products for a broad range of commercial, industrial, utility, residential, and telecommunications markets with a focus on energy efficiency, specifically for buildings and the power sector. The company suffered from a change in sentiment after strong recovery over the past two months.

### KEY PORTFOLIO ACTIVITY

The portfolio exited its position in Sekisui Chemical (Buildings Energy Efficiency, Japan) due to slower expected earnings recovery relative to recent portfolio additions.

### OUTLOOK

As long-term investors, Impax invests in the transition to a more sustainable economy which incorporates macroeconomic trends such as the impact of rising global populations and wealth, urbanization, rising consumption and the resultant increases in the demand for resources. Governments and central banks have moved to provide large amounts of monetary liquidity and fiscal stimulus to reassure markets and alleviate the impact of the resulting economic shock.

The Impax investment team continues to monitor the strength of corporate balance sheets and indicators such as the spread of the COVID-19 virus globally, testing implementation, national timetables for ending quarantine periods, and the development of vaccines and antibody tests. A global recession seems assured, with the market pricing in a recovery in 2021. The portfolio managers are working off this central thesis when assessing the longer-term valuation of investee companies.



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It is likely that as a result of this unprecedented global crisis, there will be a greater focus by consumers, governments and regulators on areas like health infrastructure and sanitation, water quality and water infrastructure, food systems and food safety. In addition, topics such as the health, safety and stability of the labour force, along with employee benefits, will be prominent issues going forward. Lastly, of potential significance for environmental markets opportunities, some European governments are discussing the inclusion of green infrastructure in COVID-19 stimulus packages.



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## HAVE QUESTIONS?

All enquiries welcome. Please contact your local sales representative.

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## CHARACTERISTICS

APIR Code	ETL8171AU
Benchmark	MSCI All Country World Index Net Dividends Reinvested measured in Australian Dollars.
Trust Size (AUD)	\$45.7m
Inception date	6 June 2017
Distribution Frequency	Usually annually, as at 30 June
Minimum Investment	\$25,000
Delegated Investment Manager	Impax Asset Management
Management Costs (includes GST after allowing for RITCs)	Capped at 1.10% p.a.
Performance Fee	Nil
Currency	AUD, unhedged
Buy/Sell Spread	+0.30% / -0.30%

## DISCLOSURE

This document is issued by BNP PARIBAS ASSET MANAGEMENT Australia Limited (ABN 78 008 576 449 AFSL 223418) (BNPP AMAU), the investment manager of the BNP Paribas Environmental Equity Trust (ARSN 615 479 662) (Trust). The Responsible Entity of, and issuer of units in, the Trust is Equity Trustees Limited (ABN 46 004 031 298 AFSL 240975). Equity Trustees Limited is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). A Product Disclosure Statement (PDS) for the Trust is available at [www.bnpparibas-am.com.au](http://www.bnpparibas-am.com.au). You should consider the PDS in deciding whether to acquire or to continue to hold an investment in the Trust. This document has been prepared by BNPP AMAU to provide you with general information only. BNPP AMAU has not considered the financial objectives, situation or needs of any person in preparing this document. You should consider obtaining independent advice before making an investment decision in relation to the Trust. Neither BNPP AMAU, Equity Trustees nor any of its related parties, their employees or directors, provide any warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. The value of investments can go up and down. Past performance is not necessarily indicative of future performance. Any opinions expressed in this document constitute the judgement of the document's author at the time specified and are subject to change without notice. There can be no assurance that the investment objectives of the Trust will be achieved.

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For more information regarding the Trust please call the Client Service Team on 1800 267 726 (Australia) or +612 9619 6041 or visit our website [www.bnpparibas-am.com.au](http://www.bnpparibas-am.com.au)

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