

INVESTMENT REPORT – 31 AUGUST 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
Suez	Water Infrastructure & Technologies	3.6%
Linde Plc	Diversified Environmental	3.3%
Waste Mgt Inc	Waste Management & Technologies	3.3%
IDEX Corp	Water Infrastructure & Technologies	3.3%
Agilent Technol Inc	Pollution Control	3.2%
American Water Works	Water Infrastructure & Technologies	3.2%
Schneider Electric S	Energy Efficiency	2.9%
Koninklijke Dsm Nv	Food, Agriculture & Forestry	2.6%
Autodesk Inc	Energy Efficiency	2.6%
Kubota Corporation	Food, Agriculture & Forestry	2.5%
		30.5%

Source: BNP Paribas Securities Services, Impax Asset Management.

TRUST PERFORMANCE

	TRUST GROSS	TRUST NET	BENCHMARK
1 Month (%)	3.02	2.93	2.91
3 Months (%)	6.78	6.49	3.49
6 Months (%)	5.22	4.64	0.45
FYTD (%)	7.65	7.45	4.02
1 Year (%)	12.44	11.20	6.16
2 Year (%)	10.02	8.82	6.60
3 Year (%)	12.39	11.16	11.56
Since Inception (%) Inception Date 6 June 2017	10.18	8.97	9.80

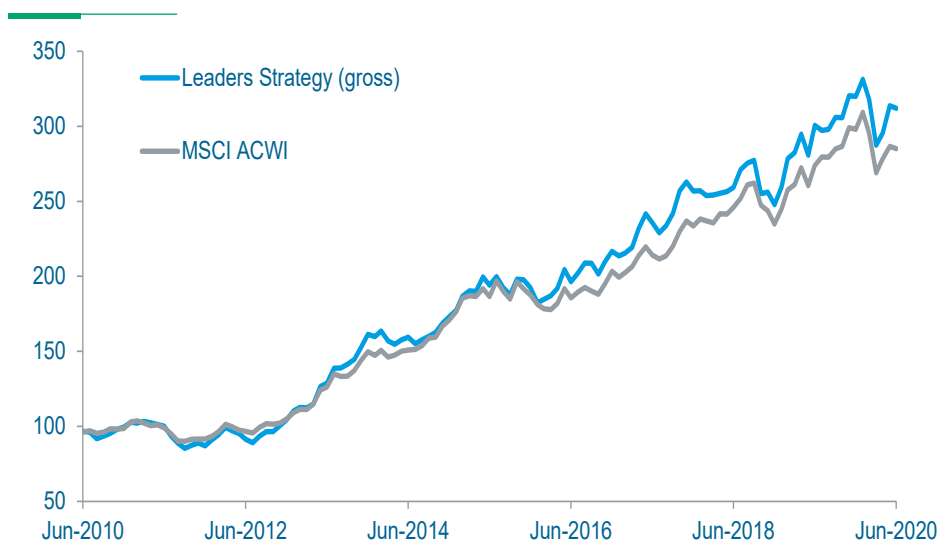
Source: BNP Paribas Securities Services. Benchmark: MSCI All Country World Index. Net Dividends Reinvested measured in Australian Dollars. Gross returns are calculated before fees and net returns are calculated using exit prices net of ongoing fees of 1.10% p.a. (inclusive of RITC and GST) and assuming 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.



INVESTMENT REPORT – 31 AUGUST 2020

The BNP Paribas Environmental Equity Trust performed in line with the MSCI ACWI benchmark in August

LONG TERM PERFORMANCE – AS AT 30 JUNE 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 30 June 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

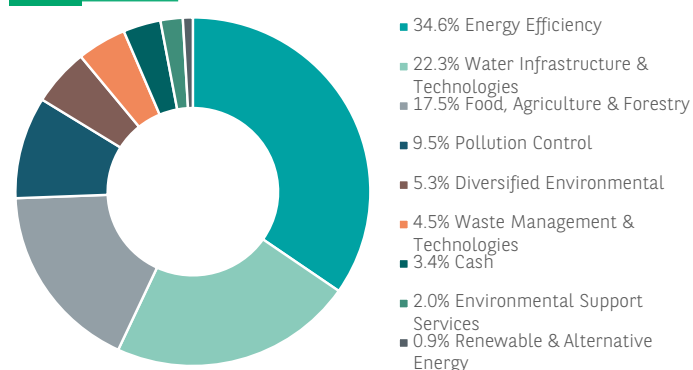


Waste/Resource Recovery



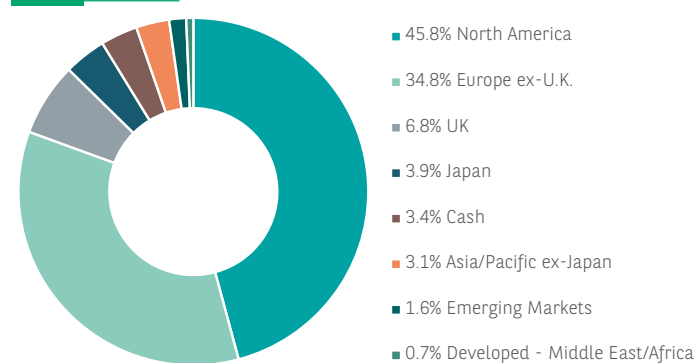
Sustainable food, Agriculture & Forestry

SUB-SECTOR ALLOCATION



Source: BNP Paribas Securities Services, Impax Asset Management
– Percentages may not add to 100% due to rounding.

REGIONAL ALLOCATION



Source: BNP Paribas Securities Services – percentages may not add to 100% due to rounding.

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.



INVESTMENT REPORT – 31 AUGUST 2020

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



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

COMMENTARY

The BNP Paribas Environmental Equity Trust performed in line with the MSCI ACWI benchmark in August.

MARKET REVIEW

Global equity markets continued on a strong upward path during the month of August. Encouraging economic data, progress on COVID-19 vaccines, and companies announcing earnings which were better than the market had forecast provided support for equities. Global manufacturing Purchasing Managers Indices ('PMI') showed signs of a broadening expansion in August. Emerging market economies also moved into expansionary territory. Manufacturing PMIs were in contraction territory for only five months in 2020, relative to 13 months during the global financial crisis.

Regionally, the Japanese market led gains in August after lagging earlier this year, with positive US equity market returns following closely behind. Emerging Markets lagged, held back by Brazil.

Consumer Discretionary and Information Technology stocks led the way as a cyclical rally continued. Utilities underperformed during the month, whilst Energy, Real Estate, and Health Care saw positive gains. Global equity market gains continue to be fairly concentrated, with the top 10 contributors (mostly US mega cap Consumer Discretionary, IT, or Communications Services companies) delivering a large proportion of the returns for the broader benchmark this month.

Within Environmental Markets, Energy Efficiency, and in particular Transport Energy Efficiency, outperformed. The Sustainable & Efficient Agriculture subsector within Food also outperformed due to better sentiment in the farming equipment area. More defensive Water Utilities held back the Water subsector in a market favouring risk.

CONTRIBUTORS

Suez (Water Utilities, France) – Suez is a water and waste management utility, with approximately half of its business in water and half in waste. The share price rallied in August after Veolia offered to buy a 30% stake in Suez from utility group Engie at a material premium.

Kubota (Sustainable & Efficient Agriculture, Japan) – Kubota is a Japanese company with dominant market shares in its small-scale farm equipment and PVC water pipe businesses. The company rose due to stability of demand in the core US small size tractor market combined with improving optimism among farm equipment buyers in the country.

Trimble (Sustainable & Efficient Agriculture, US) – 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. The company saw solid performance following strong results, demonstrating growth in recurring revenues (particularly in Software as a Service) and associated margin expansion.

Deere & Co (Sustainable & Efficient Agriculture, US) – Deere & Co manufactures and distributes a range of agricultural, construction, forestry, and commercial and consumer equipment, helping to improve efficiency of the agriculture industry which is one of the largest emitters of greenhouse gases. The stock outperformed in August with significantly improved margins and upgraded full year guidance.

Kingspan (Buildings Energy Efficiency, Ireland) – Kingspan is a leading provider of high-performance insulation and low energy building solutions. The company is benefiting from the recovery of construction in core markets, geographical diversification and increasing penetration of insulation panels driven by stricter energy efficiency standards. The share price benefited from strong first half results with improving sales trends, impressive cost control and cash flow, in addition to incremental M&A activity.



INVESTMENT REPORT – 31 AUGUST 2020

ENVIRONMENTAL IMPACT OF AUD 10M INVESTMENT

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



Equivalent to
2580
households' annual
water consumption

Total renewable electricity
generated: **910 mwh**



Equivalent to
250
households' annual electricity
consumption

Total materials recovered /
waste treated: **1380 tonnes**



Equivalent to
1460
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 2019 for one year. Impax's impact methodology is based on equity value.

DETRACTORS

American Water Works (Water Utilities, US) – American Water Works is the largest public US water utility. It provides drinking water, wastewater and other water-related services in North America. The company provides defensiveness in addition to a dependable long-term outlook for earnings growth. The share price underperformed in a procyclical market environment due to the company's defensive business model.

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. The company suffered from the weak first half results due to slow new order bidding activities which were impacted by the COVID-19 pandemic.

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 company detracted due to profit taking after a strong run up in share price.

Pennon Group (Water Utilities, UK) – Pennon operates and invests primarily in the areas of water and sewerage services and waste management. The share price fell in line with other water utilities as investors rotated into more cyclical names.

Verisk Analytics (Environmental Consultancies, US) – Verisk is a unique environmental solutions provider, providing market leading modelling and risk analytics including climate and weather risk analysis. It also provides global catastrophe modelling in the property, casualty and mortgage industries in the United States. Since its inception as a non-profit consortium of US Property & Casualty insurers in 1971, Verisk has built up unrivalled domain expertise, deep relationships and a broad range of high quality, proprietary data assets which would be impossible for a competitor to replicate. Verisk underperformed after a strong run during June and July, coupled with results which were solid but displayed some COVID-19 related weaknesses.

KEY PORTFOLIO ACTIVITY

No new positions were initiated or exited during August.

OUTLOOK

For active managers, times of market volatility often present opportunities to buy resilient and high-quality companies at lower valuations. Major disruptions such as a global pandemic also warrant a re-examination of portfolio positioning and risk and can help identify areas of new opportunities going forward.

While much remains to be seen in terms of what a post-COVID 'new normal' will look like, several conclusions can already be drawn: Behavioural changes in mobility, consumption, work, and others related to health and environment are materialising due to social distancing. A renewed focus on supply chain resilience, the labour force, and determination of what comprises critical infrastructure, will continue to disrupt business models which are not properly positioned, or which are unwilling or unable to adapt. The true backbone of the economy is increasingly the digital infrastructure. Lastly, the importance of system-level thinking, and risk management has been elevated – as the close links globally between physical, environmental, social, and therefore overall economic health have been exposed as never before.

Impax has been focused on the transition to a more sustainable economy for over twenty years. Not by coincidence, emerging lessons, consequences and thus investment opportunities as a result of COVID-19 have many overlaps with thematic and sectoral areas of focus in Impax's portfolios. Some examples of tangible opportunities are in the areas of industrial automation, digitization, and health, safety and wellbeing. Importantly, unexpected disruptive events with dramatic consequences for companies also reinforce the importance, and value-add, of Impax's ESG integration and company-level ESG research, including many individual engagements with portfolio investee companies.



INVESTMENT REPORT – 31 AUGUST 2020



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)	\$47.6m
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. 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

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