

THEMATICS BAROMETER

Thematic Investing Research 2023
Investor Presentation

JUNE 2023
PARIS

Coalition Greenwich
A division of **CRISIL**

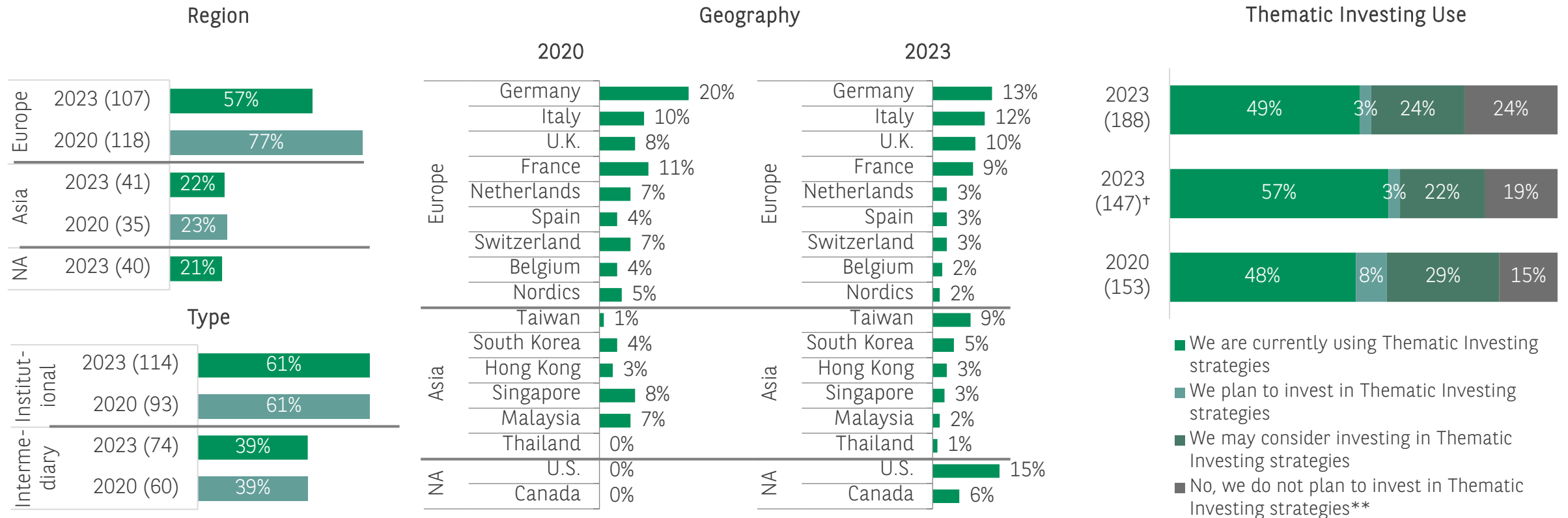


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OVERVIEW AND METHODOLOGY

BNP PARIBAS ASSET MANAGEMENT AND BNP PARIBAS CORPORATE & INSTITUTIONAL BANKING SPONSORED A 2ND YEAR OF THEMATIC INVESTING RESEARCH WITH INSTITUTIONAL INVESTORS AND INTERMEDIARY DISTRIBUTORS* WITH INTERVIEWS EXECUTED FROM FEBRUARY TO APRIL 2023.



*The prior research was conducted in Europe and Asia but excluded North America.

** Responses from these investors are presented in a separate section called "Thematic Investing Non-Users."

⁺ Excluding 2023 North American sample for pure-play comparison between 2020 and 2023.

Q2. Are you currently using or considering Thematic Investing strategies in your organization's or your clients' portfolios? Total Base: (2023) 188; (2020) 153.

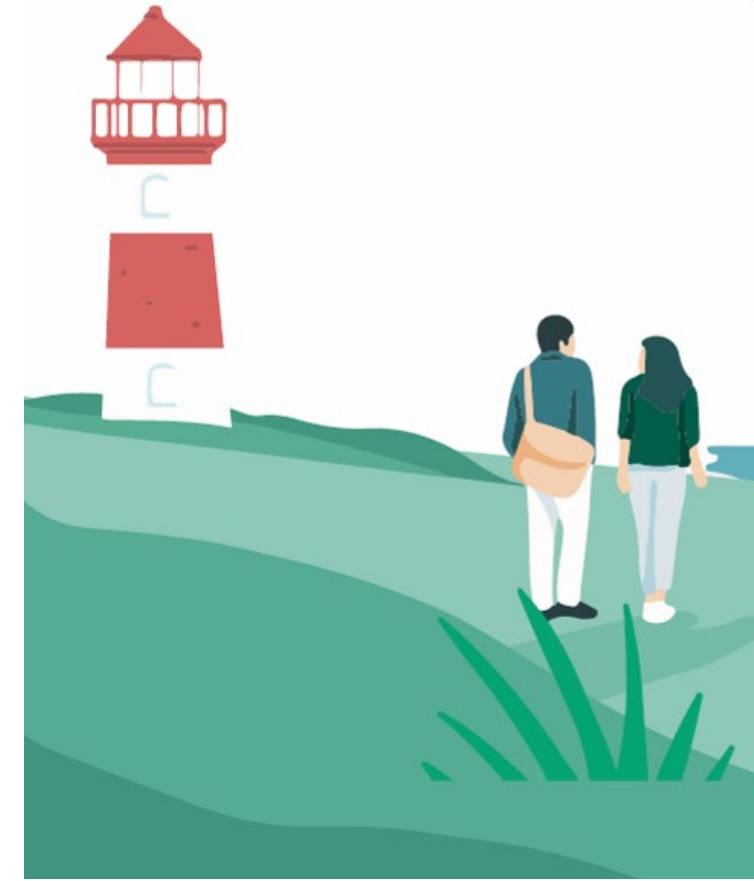


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EXECUTIVE SUMMARY

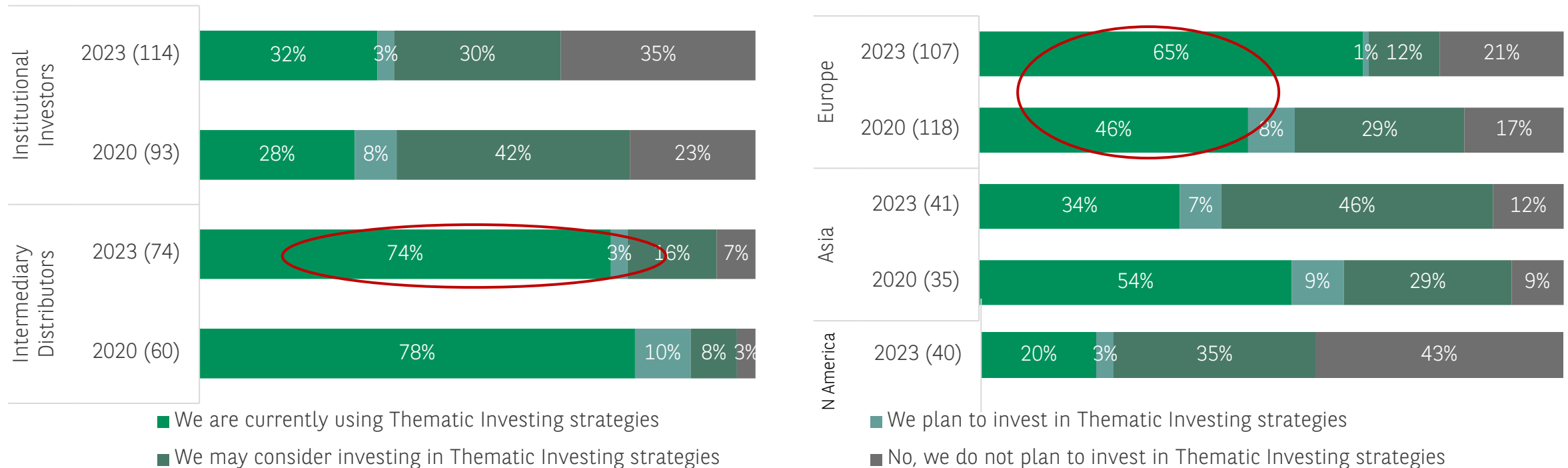
- **MARKET DEMAND** – THEMATIC INVESTING HAS BECOME MAINSTREAM WITH FURTHER ROOM TO GROW
 - **KEY DRIVERS** – SUSTAINABILITY AND EXPECTED RETURNS ARE THE CATALYSTS OF INTEREST IN THE THEMATICS SPACE
 - **THEMES** – ENERGY TRANSITION AND CLIMATE SOLUTIONS ARE TOP PRIORITIES FOR INVESTORS
 - **PREFERENCES** – REGIONAL DIFFERENCES ARE STARTING TO BECOME MORE CLEAR AS THE THEMATICS MARKET MATURES
 - **THE BNP PARIBAS APPROACH TO THEMATICS INVESTING**
-
- **INFOGRAPHICS – TRENDS (EN / FR) & TAKEAWAYS (EN / FR)**



USE OF THEMATIC INVESTING STRATEGIES

SEGMENTATIONS SHOW SOME DIVERGENT DEVELOPMENTS SINCE 2020, BUT THEMATICS CONTINUE TO SEE HIGH DEMAND FROM INTERMEDIARY DISTRIBUTOR SEGMENTS, PARTICULAR WITHIN EUROPE WHERE OVERALL USAGE HAS INCREASED 20%.

Use of Thematic Investing Strategies – By Investor Type and Region



See Appendix for additional data.

Q2. Are you currently using or considering Thematic Investing strategies in your organization's or your clients' portfolios? Total Base: (2023) 188; (2020 Q1) 153.



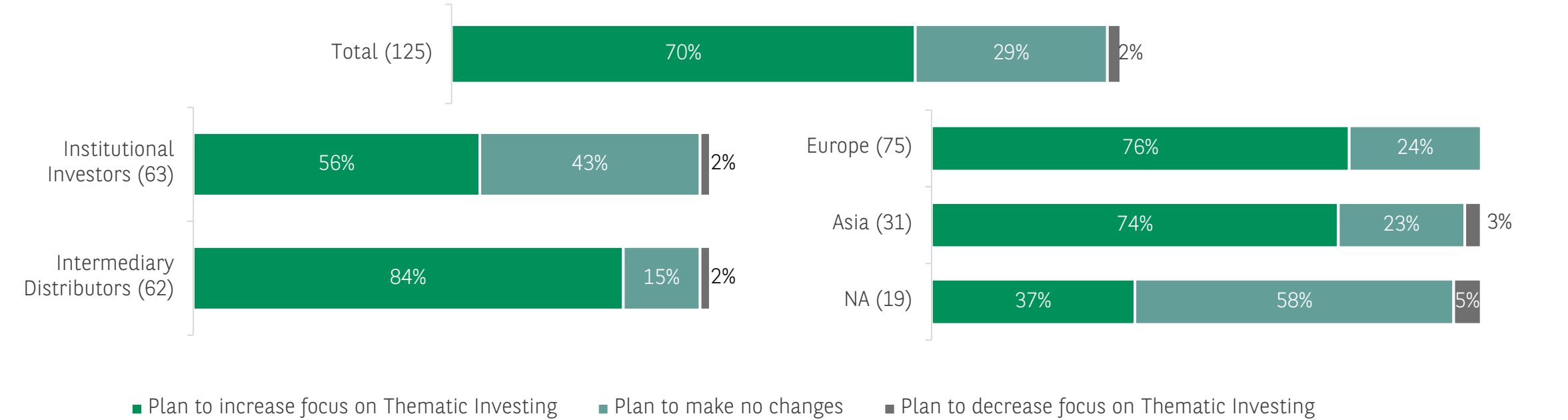
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THEMATIC INVESTING FUTURE PLANS

70% OF ALL INVESTORS PLAN TO INCREASE THEIR FOCUS ON THEMATIC INVESTING OVER THE NEXT THREE YEARS; THE FIGURE IS 84% FOR INTERMEDIARY DISTRIBUTORS AND 56% FOR INSTITUTIONAL INVESTORS.

Thematic Investing Plans for Next Three Years



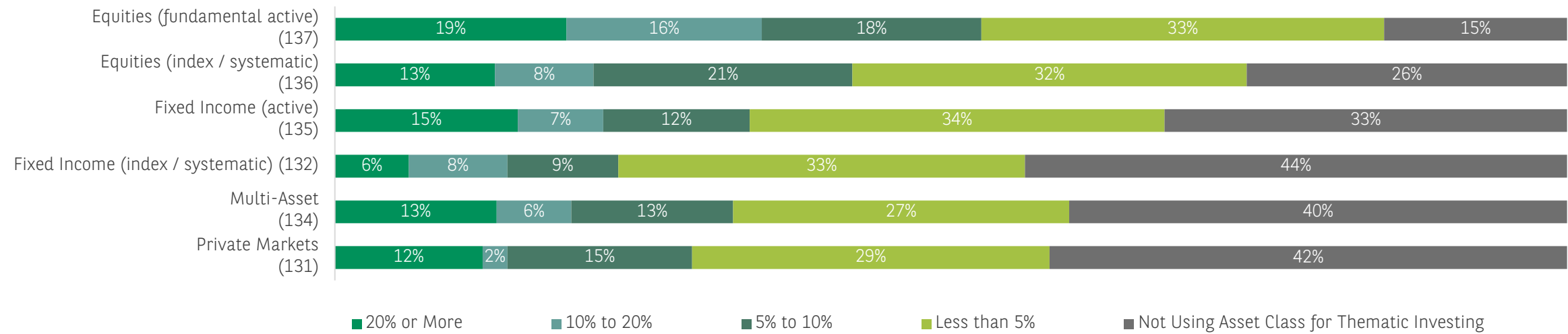
Q14. Over the next three years, how do you plan to use Thematic Investing in your portfolio? Total Base: 125



ASSET ALLOCATION TO THEMATIC STRATEGIES

EQUITIES HAS CONSISTENTLY BEEN THE MAINSTAY OF THEMATIC INVESTMENTS, BUT INVESTORS ARE INCREASINGLY LOOKING TO APPLY THEMATIC STRATEGIES IN OTHER AREAS OF THEIR PORTFOLIOS.

Asset Allocation to Thematic Investing



“Investors are developing their ESG thematic approaches beyond equities into fixed income, and this will continue to advance further as sustainable capital markets expand in the future.”

Delphine Queniart, Head of Sustainable Finance Client Engagement, BNPP Global Markets



“Fixed income investments offer carry, return and potentially negative correlation to equity. Investors globally are now demanding companies issue green bonds. It’s become mainstream and we expect the demand for social bonds will follow suit.”

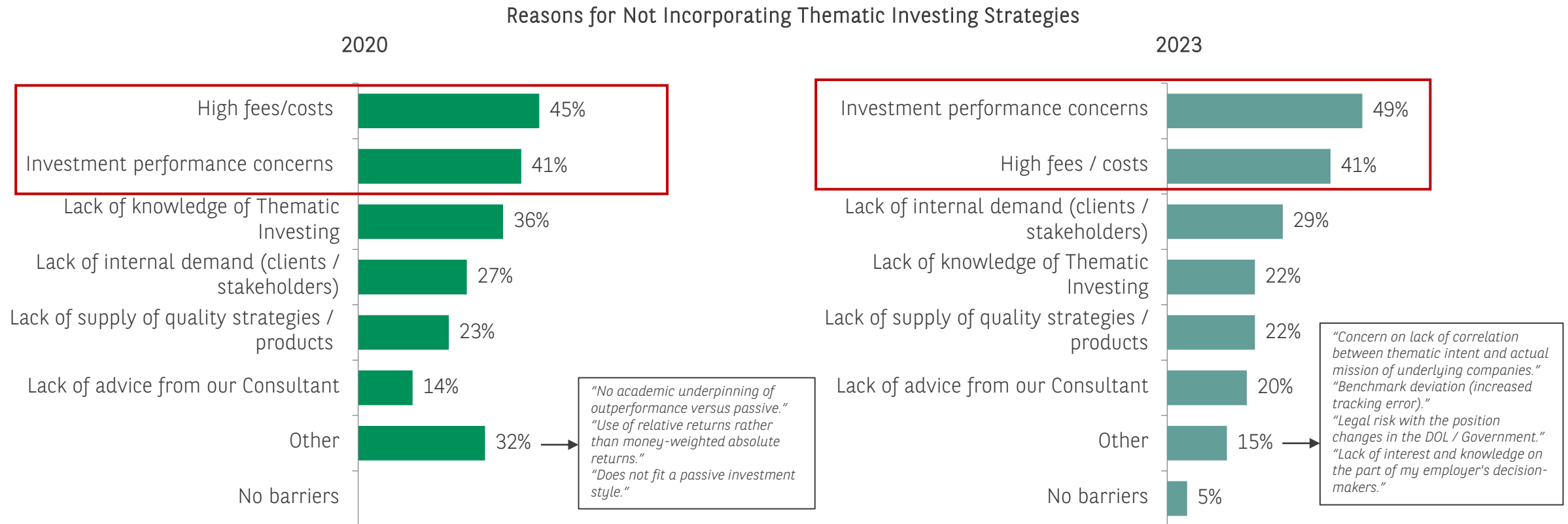
Arnaud-Guilhem Lamy, Portfolio Manager, Green Bond and Social Bond, BNPP AM

Q3. What percentage of your organization’s or your clients’ portfolios is currently invested in Thematic Investments, by asset class?.



REASONS FOR NOT USING THEMATIC STRATEGIES

INVESTMENT PERFORMANCE AND HIGH FEES / COSTS ARE THE LEADING REPORTED REASONS FOR NOT USING THEMATIC INVESTING STRATEGIES.



Q18. If at all, which of the following are reasons you would not incorporate Thematic Investing strategies into your portfolio or your clients' portfolios? Total Base: (2023) 41; (2020) 22



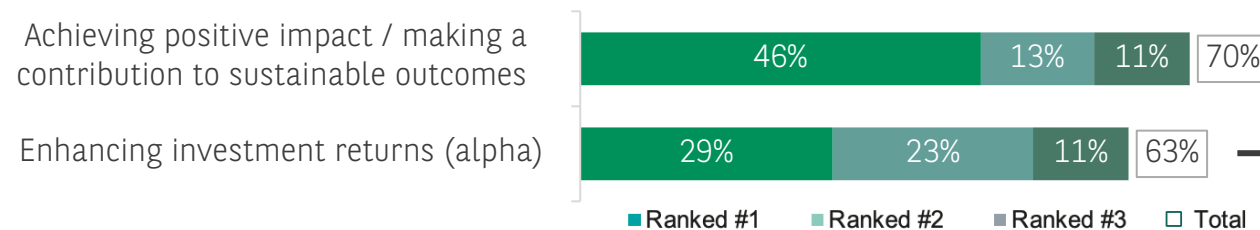
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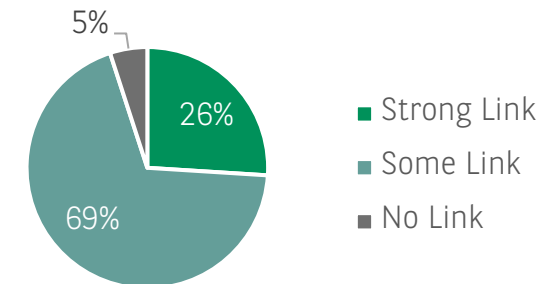
MAIN OBJECTIVES FOR USING THEMATIC INVESTING

INVESTORS ENGAGE IN THEMATIC STRATEGIES PRIMARILY BECAUSE OF PERCEPTIONS OF POSITIVE IMPACT (70%) AND ENHANCED INVESTMENT RETURNS (63%).

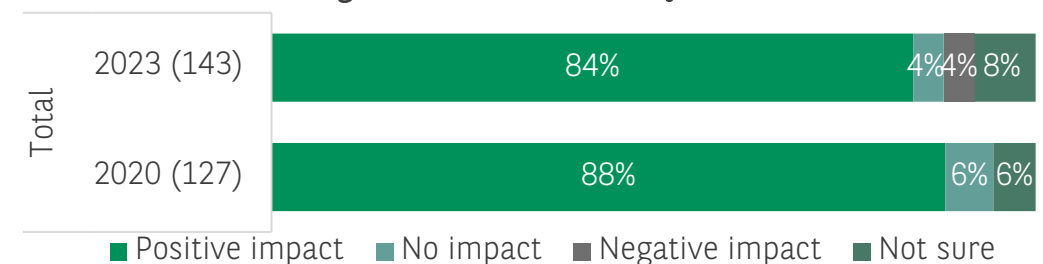
Main Objective(s) in Using Thematic Investing Strategies



Association Between "Sustainable Thematic Investing" and "Impact Investing"



Impact of Thematic Investing on Long-Term Investment Performance



"Thematic investment is clearly seen as similar to impact investment, but there is market awareness that the intention to create impact may be missing from some thematic funds. For investors focused on generating and measuring impact – asset managers need to help them meet their needs."

Jane Ambachtsheer, Global Head of Sustainability, BNPP AM

Q5. Which of the following do you consider to be the main objective(s) in using Thematic Investing strategies? (Rank up to 3) Total Base: 142

Q8. How strongly do you associate "sustainable thematic investing" with "impact investing"? Total Base: 136

Q10. What impact do you think that employing Thematic Investing has on short-term and / or long-term investment performance? Total Base: (2023) 143; (2020 Q9) 127

See Appendix for additional data.



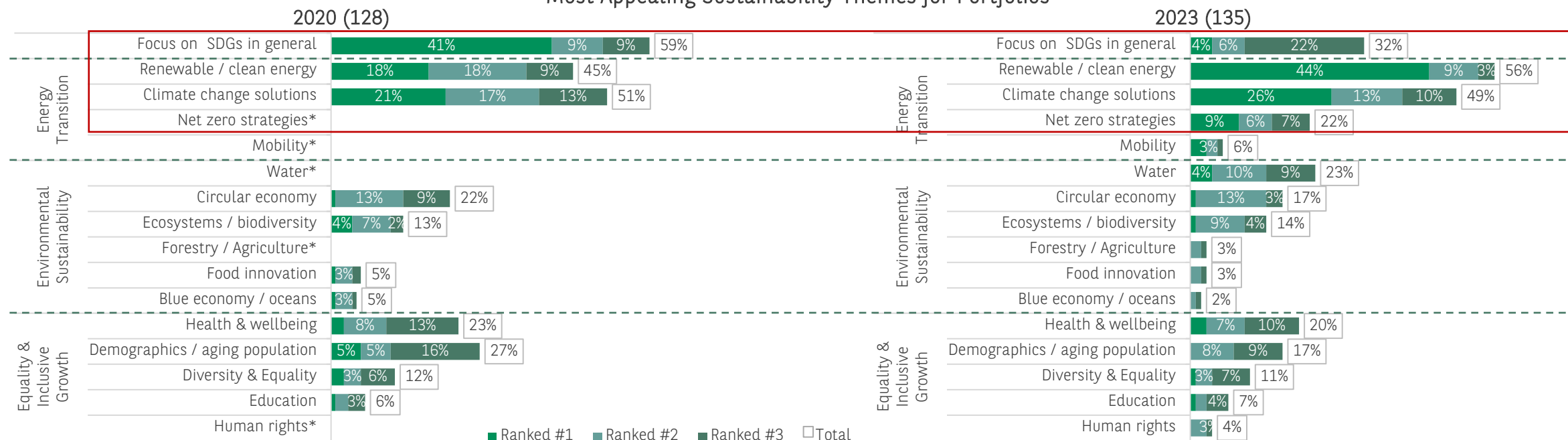
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SUSTAINABILITY THEMES – OVERALL INTEREST FROM 2020 TO 2023

FOCUSING LESS ON SDGS AND PURSUING MORE TARGETED APPROACHES, THEMATIC INVESTORS CONTINUE TO PREFER CLIMATE CHANGE AND CLEAN ENERGY SOLUTIONS, WITH ALL REGIONS RANKING RELATED THEMES ATOP THEIR PRIORITIES..

Most Appealing Sustainability Themes for Portfolios



“Although there is divergence in the pace and current composition of ESG thematic investing across regions, the significant momentum we are seeing in Europe is here to stay, as the research highlights that investors are targeting both alpha generation and impact. The most appealing current ESG themes focus on investing in the energy transition, including pursuing targeted investment strategies across renewables, climate change solutions, and also emerging areas such as water.” **Constance Chalchat, Head of CIB Company Engagement & Global Markets Chief Sustainability Officer, BNP Paribas**

Q6. Among the following Sustainability Themes, which three are most appealing for your organization's or your clients' portfolios? (Rank up to 3 overall) Total Base: (2023) 135; (2020 Q5) 128.

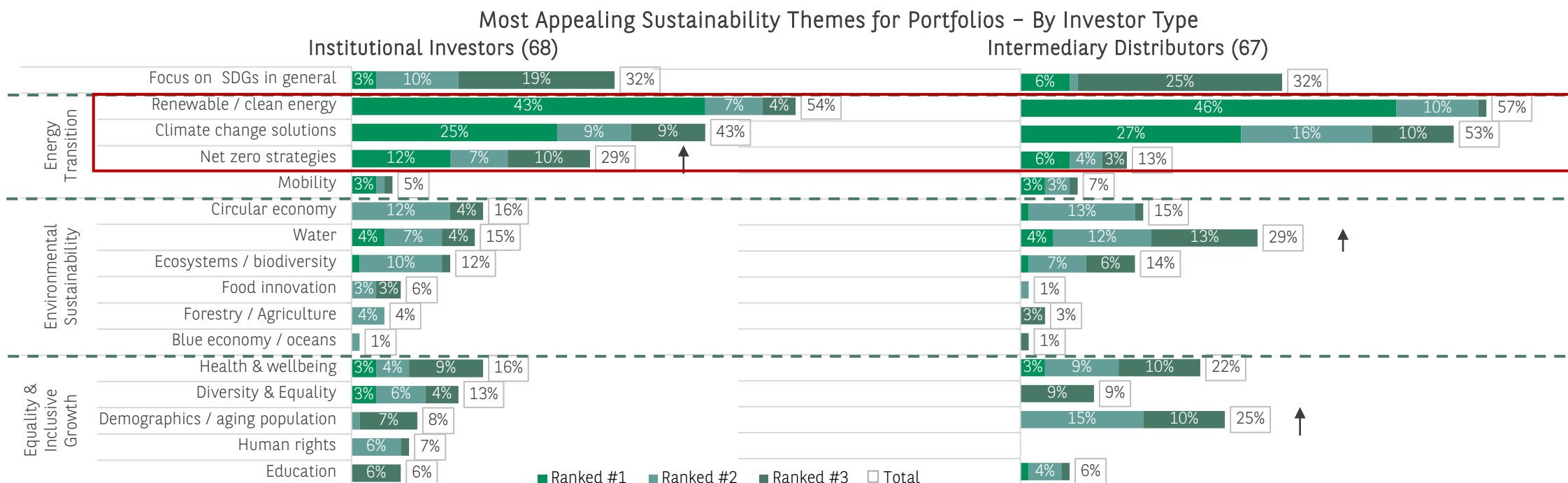


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SUSTAINABILITY THEMES – INTEREST BY INVESTOR TYPE

PREFERENCES VARY SOMEWHAT BY INVESTOR TYPE, BUT RENEWABLE ENERGY & CLIMATE CHANGE SOLUTIONS ARE THE FOCUS AMONG BOTH INSTITUTIONAL INVESTORS AND INTERMEDIARY DISTRIBUTORS.



“The Energy Transition is as strong as ever. The world will add 440GW of renewables this year, 24% more than the IEA expected only 6 months ago and double their 2020 prediction. Last year was about passing environmental policy – this year is about policy implementation and details. The money is now starting to flow.” **Ed Lees, Co-head of Environmental Strategies Group, BNPP AM**

Q6. Among the following Sustainability Themes, which three are most appealing for your organization's or your clients' portfolios? (Rank up to 3 overall) Total Base: 135

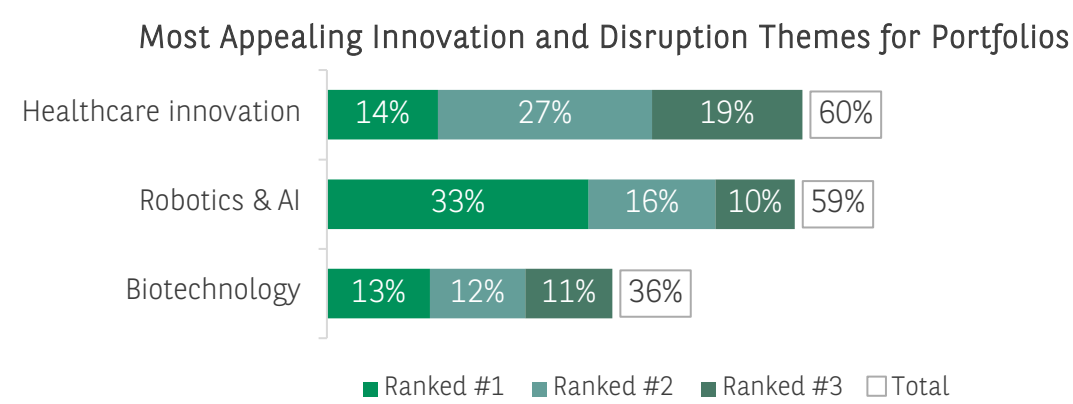


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SECULAR THEMES – DEMAND FOR INNOVATION & DISRUPTION

HEALTHCARE INNOVATION AND ROBOTICS & ARTIFICIAL INTELLIGENCE ARE THE MOST APPEALING DISRUPTION THEMES, WITH BIOTECHNOLOGY RESONATING MOST AMONG EUROPEAN INVESTORS.




Themes	Europe (76)	Asia (33)	NA (19)
	(Percent Ranked #1)		
Healthcare innovation	16%	6%	21%
Robotics & AI	30%	42%	26%
Biotechnology	21%	3%	0%

DRIVERS FOR GROWTH IN HEALTHCARE INNOVATION AND ROBOTICS & ARTIFICIAL INTELLIGENCE REMAIN STRONG



“Healthcare continues to be one of the most innovative sectors in the economy. Artificial intelligence has enabled scientists to rapidly analyze mass quantities of gene sequencing data to better understand the drivers of disease. Advances in miniaturization, data analytics and robotics help improve outcomes for patients.”

Jon Stephenson, Portfolio Manager, Healthcare Innovation, BNPP AM



“AI is poised to become more ubiquitous and develop into a foundational technology that helps drive digital transformation. Robotic systems (both hardware and software-based) can be enhanced by generative AI. We see automation as a deflationary force in the long run.”

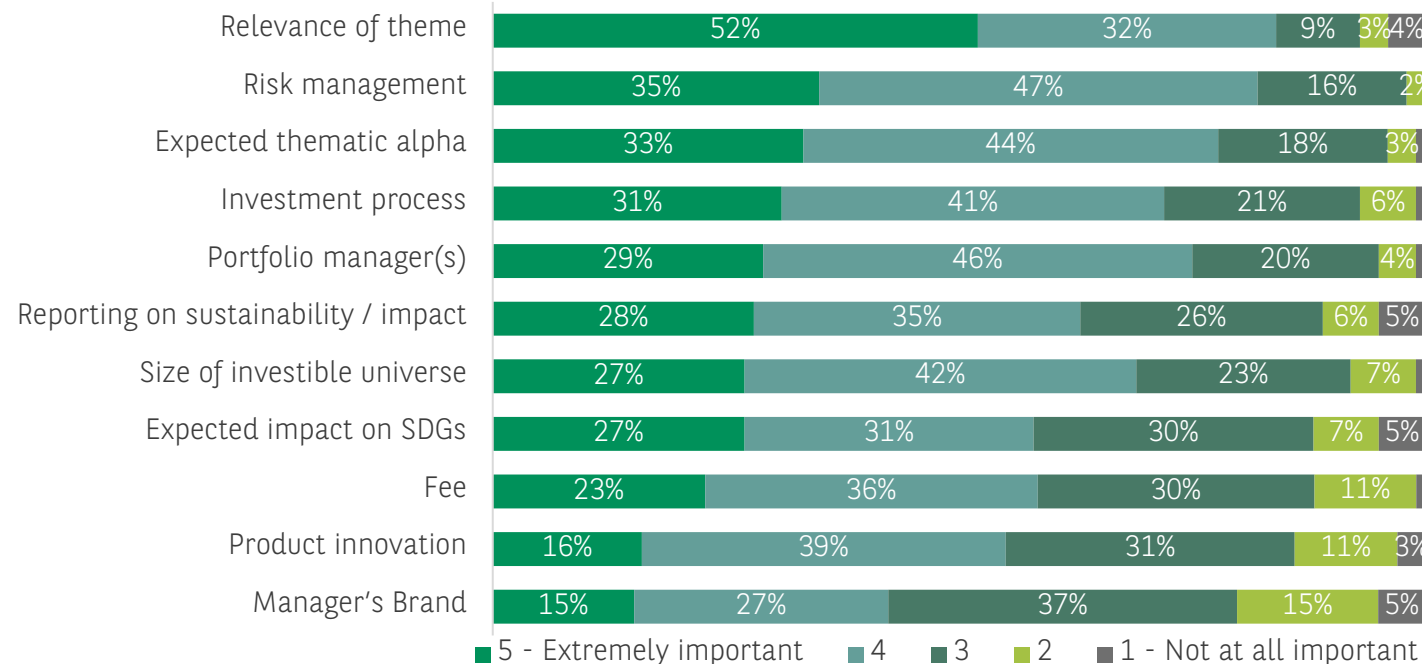
Pam Hegarty, Portfolio Manager, Disruptive Technology, BNPP AM

Q7. Of the following Innovation and Disruption Themes (i.e. not specifically oriented on sustainability), which three are the most appealing for your organization’s or your clients’ portfolios? (Rank up to 3 overall) Total Base: 128

KEY SELECTION FACTORS FOR THEMATIC INVESTING

RELEVANCE OF THEME IS OVERALL THE MOST IMPORTANT FACTOR WHEN SELECTING A THEMATIC INVESTMENT, FOLLOWED BY RISK MANAGEMENT AND EXPECTED THEMATIC ALPHA, BUT REGIONAL DIFFERENCES ARE NOTABLE.

Most Important Factors When Selecting a Thematic Investment



Factors	Europe (83)	Asia (36)	NA (22)
	(Percent of 4/5 Ratings)		
Relevance of theme	89%	86%	64%
Risk management	83%	89%	65%
Expected thematic alpha	76%	89%	64%
Investment process	77%	72%	57%
Portfolio manager(s)	72%	81%	74%
Reporting on sustainability	71%	58%	36%
Size of investible universe	71%	77%	50%
Expected impact on SDGs	65%	56%	35%
Fee	57%	61%	61%
Product innovation	52%	56%	64%
Manager's Brand	37%	64%	26%

“Developing robust thematic investing requires a deep sector knowledge and an understanding of industries and technologies to capture the theme potential across the whole value chain to broaden the investment.” **Youri Siegel, Head of Sustainable Structuring, BNPP Global Markets**

Q9. How important are the following factors when selecting a Thematic Investment? Please use a scale from 1 = “Not at all important” to 5 = “Extremely Important”. Total Base: 141



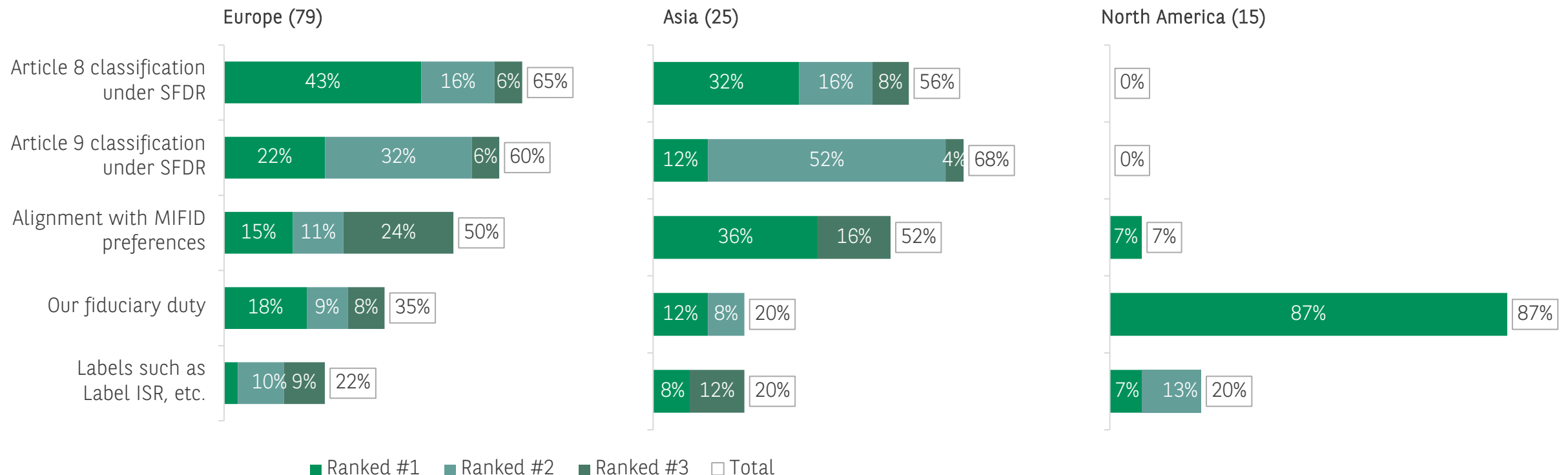
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KEY REGULATORY CONSIDERATIONS IN SELECTION PROCESS

THERE ARE CLEAR REGIONAL DIFFERENCES IN REGULATORY DRIVERS FOR SELECTING THEMATIC STRATEGIES, WITH SFDR CLASSIFICATIONS DOMINANT IN EUROPE, WHILE IN NORTH AMERICA THERE IS A MORE NARROW FOCUS ON FIDUCIARY DUTY.

Key Regulatory Aspects for Selecting Thematic Investment Strategies – By Region



Q12. Which of the following regulatory aspects are important for selecting sustainable thematic strategies? (Rank up to 3) Total Base: 119 (24 respondents selected 'Not Applicable / Don't know' for this question.)



BNP PARIBAS ASSET MANAGEMENT – A LEADER IN THEMATIC INVESTING



Two-decade track record

20 years experience in sustainable and thematic investing



Innovative range of thematic strategies

A complete offering to meet any client need



Experienced and dedicated teams

Collaborative, multi-disciplinary teams



Global scope and reach

Coverage of a large variety of relevant topics worldwide



Growing index range

More narrow thematic complements our active range

Recognised as a leader

#2

Sustainable thematic active asset manager in European investing by AUM as of 30 June 2022

#2

Asset manager in European thematic investing by AUM as of 30 June 2022

#1

NNC over past 5 Years in thematic AUM as of 30 June 2022

#1

#1 for Towards Sustainability-labelled funds in Belgium**
#2 for number of SRI-labelled funds in France*



Scope: European cross-border & local funds, all asset classes, active & passive

*Source : www.lelabelisr.fr : List of funds with the SRI French label . <https://www.morningstar.fr/> : AUM as of end of December 2021 for all funds

**Source www.towardsustainability.be Web query as of December 2021



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BNP PARIBAS GLOBAL MARKETS – CAPABILITIES IN THEMATIC INVESTING

LEVERAGING STRUCTURAL TRENDS CHANGING THE WORLD TO GENERATE IMPACT & ALPHA



EXPERTISE

Dedicated teams of experts creating thematic solutions, researching new themes and delivering to clients the most innovative solutions on the market.



LONG-TERM VIEW

Creating solutions to span business cycles and focus on megatrends while delivering both return potential and portfolio diversification.



CUSTOMISATION

Designing tailor made versions of existing BNP Paribas' solutions to suit client's specific sustainable needs.



PARTNERSHIPS

Leveraging the best ESG data from both in-house and leading partners to develop innovative investable custom strategies.

ESG THEMES

- Energy Transition
- Biodiversity
- Circular Economy
- Social Issues
- And more....

IN-HOUSE DEDICATED RESEARCH



BNP PARIBAS
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MARKETS 360™
STRATEGY & ECONOMICS



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