



INVESTMENT REPORT – 31 DECEMBER 2023

BNP PARIBAS EARTH TRUST

OBJECTIVE

The Trust seeks to increase the value of its assets by taking long positions in environmental solutions companies whilst simultaneously taking short positions for the purposes of hedging as well as shorting companies with stranded assets, transition risk assets and/or inferior technologies in addressing climate change, with volatility and style exposure tied to the environmental theme.



DISTINGUISHING FEATURES

- Sustainable thematic strategy for investors looking for absolute return through the investment cycle with volatility tied to the environmental theme.
- Offers exposure to companies that facilitate positive environmental change through products, process or services in energy, materials, agriculture and industrial markets, while shorting companies suffering from transition risk.
- Integrates BNPP AM's Global Sustainability Strategy and assesses carbon, waste and water footprinting, revenue analysis and alignment with selected United Nations Sustainable Development Goals.
- An investment team with extensive fundamental, thematic and quantitative investment experience, leveraging BNPP AM's regional equity, macro and quantitative teams.

TOP 10 HOLDINGS (UNDERLYING FUND)

SECURITY	WEIGHT
SUNNOVA ENERGY INTERNATIONAL INC	10.0%
FLUENCE ENERGY INC CLASS A	7.7%
ARRAY TECHNOLOGIES INC	7.2%
ALBEMARLE CORP	5.9%
SUNRUN INC	5.9%
RENEW ENERGY GLOBAL PLC CLASS A	4.9%
LIVENT CORP	4.8%
SIEMENS ENERGY N AG	4.8%
EDP RENOVAVEIS SA	4.7%
THYSSENKRUPP NUCERA AG	4.4%
	60.3%

Totals may be impacted by rounding.

TRUST PERFORMANCE

	TRUST GROSS	TRUST NET	BENCHMARK
1 Month (%)	8.27	8.17	0.37
3 Month (%)	-7.78	-8.04	1.06
6 Month (%)	-24.92	-25.33	2.15
1 Year (%)	-17.95	-18.80	3.89
2 Year (%) (Ann)	-18.35	-19.11	2.56
Since Inception (%)	-19.20	-19.94	2.28
Inception Date	30 September 2021		

Source: BNP Paribas. Benchmark: Bloomberg AusBond Bank Bill Index. Gross returns are calculated before fees and costs of 1.10% (inclusive of RITC and GST) and before performance fees. Net returns are calculated using exit prices net of management fees and costs and performance fees and assuming reinvestment of distributions. No allowance is made for tax when calculating these figures. Results greater than one year are annualised.

Source: BNP Paribas Asset Management

1

The value of investments can go up or down. Past performance is not indicative of future returns. There is no guarantee any investment objectives will be achieved.



BNP PARIBAS
ASSET MANAGEMENT

The sustainable investor for a changing world

INVESTMENT REPORT – 31 DECEMBER 2023

CUMULATIVE PERFORMANCE (UNDERLYING FUND) SINCE INCEPTION (15 JULY 2020)



Source: BNP Paribas Asset Management. Cumulative performance over 5 years, USD, net of fees. The Trust commenced on 30 September 2021. To give a longer-term view, the above chart shows the cumulative returns for the Luxembourg-domiciled BNP Paribas Environmental Absolute Return Thematic Equity (EARTH) (net of fees as at 31 December 2023), into which the Trust invests. The performance of the Trust will however differ from the Underlying Fund due to factors such as fees and charges applicable to the Trust, currency, and the impact of applications and withdrawals.

The BNP Paribas EARTH Trust brings to market an environmentally-focused, market-neutral thematic strategy – one of the first of its kind. We continue to see a growing number of investors building sustainable portfolios and clients can now access the sustainable thematic through an equity long/short strategy that seeks to offer returns with low correlation to broad equity markets.

FUND EXPOSURE (UNDERLYING FUND)

	Long	Short	Net	Gross
End of Month	85.9%	-66.9%	19.0%	152.8%
Monthly Average	88.0%	-67.9%	20.0%	155.9%

Source: BNP Paribas Asset Management



INVESTMENT REPORT - 31 DECEMBER 2023

RISKS OF MANAGED INVESTMENT SCHEMES

All investments carry risk.

Some of the general risks of managed investment schemes include:

Active Management Risk, Borrowing Risk, Collateral Management Risk, Counterparty Risk, Currency Exchange Risk, Derivatives Risk, Distressed Securities Risk, Efficient Portfolio Management Techniques Risk, Emerging Markets Risk, Equity Risk, Key Individual Risk, Legal Risk, Liquidity Risk, Market Risk, Operational Risk, Pandemic and Unforeseen Event Risk, Political Risk, Risks related to Investments in some countries, Swing Pricing Risk, Trust Risk and Warrant Risk. Specific risks related to investments in Mainland China are Changes in PRC taxation risk and Risks related to Stock Connect.

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/en-gb

COUNTRY EXPOSURE (UNDERLYING FUND)

	Long	Short	Net	Gross
Australia	0.00%	0.00%	0.00%	0.00%
Canada	7.19%	0.00%	7.19%	7.19%
China	8.19%	0.00%	8.19%	8.19%
European Union	0.00%	-33.91%	-33.91%	33.91%
Germany	9.23%	0.00%	9.23%	9.23%
Italy	0.00%	-4.32%	-4.32%	4.32%
Republic of Korea	0.00%	-2.46%	-2.46%	2.46%
Netherlands	0.00%	-4.05%	-4.05%	4.05%
Norway	0.00%	-3.86%	-3.86%	3.86%
Spain	4.65%	0.00%	4.65%	4.65%
Sweden	4.39%	0.00%	4.39%	4.39%
Switzerland	3.12%	0.00%	3.12%	3.12%
United Kingdom	8.30%	-6.07%	2.22%	14.37%
United States	40.84%	-12.20%	28.64%	53.04%
Total	85.91%	-66.87%	19.04%	152.77%

Source: BNP Paribas Asset Management

SECTOR EXPOSURE (UNDERLYING FUND)

	Long	Short	Net	Gross
Others	0.00%	-35.95%	-35.95%	35.95%
Communication Services	0.00%	0.00%	0.00%	0.00%
Consumer Discretionary	4.15%	0.00%	4.15%	4.15%
Consumer Staples	4.39%	0.00%	4.39%	4.39%
Energy	0.00%	-20.07%	-20.07%	20.07%
Financials	0.00%	-5.88%	-5.88%	5.88%
Healthcare	0.00%	0.00%	0.00%	0.00%
Industrials	43.95%	-2.46%	41.49%	46.41%
Information Technology	3.12%	0.00%	3.12%	3.12%
Materials	10.75%	-2.50%	8.24%	13.25%
Real Estate	0.00%	0.00%	0.00%	0.00%
Utilities	19.54%	0.00%	19.54%	19.54%
Total	85.91%	-66.87%	19.04%	152.77%

Source: BNP Paribas Asset Management



[Access our latest Viewpoint Insights here](#) on our website



INVESTMENT REPORT – 31 DECEMBER 2023

COMMENTARY (UNDERLYING FUND)

PORTFOLIO CONTRIBUTION

Sunrun and Sunnova were among the most profitable investments in December. Both companies are not well understood by the broader market and have seen strong customer growth and pricing power amidst increasing utility and power prices. Both companies are benefitting significantly from a drop in equipment prices like solar inverters, solar panels, and batteries (the cost side), whilst facing an ever-supportive financing environment where solar ABS spreads remain low and as interest rates fall, will see a significant tailwind (the revenue side). As a result, we continue to see significant upside here in 2024 and 2025 given these tailwinds.

Albermarle and Arcadium, the NewCo from the Allkem / Livent merger, also contributed strongly to returns on the long side as lithium markets have been under pressure on mounting supply concerns and fears of a slowdown in EV sales based on slower global growth. We continue to believe that underlying lithium demand will remain more balanced into 2024 and 2025 and expect prices to stabilise and move higher on a better demand/supply balance. Finally, Oatly, the Swedish oat drink brand, dominates oat drink sales in Europe and has plans to expand internationally. Alternative milk drinks have enjoyed a higher adoption rate compared with alternative meat; largely due to a higher proximity of texture and flavour to milk and demand driven from additional factors such as lactose intolerance.

There were very few meaningful detractors on the long and short side in December and little news flow overall.

MARKET OUTLOOK & OBSERVATIONS

There is no doubt that 2024 will be another interesting year for the energy transition theme. As we look back on 2021 to 2023, the energy transition solutions theme suffered from an almost 3-year de-rating relative to broader markets despite significant underlying growth and progress in economics, technology improvements, market adaptation and policy initiatives in that same period. This was a result of shorter-term cyclical factors coming from significant macro-economic turmoil. Covid-19 and the influx of liquidity to avoid an economic collapse, followed by a stop/start economic shock that a significant shift in supply and demand curves in an economy at full capacity, led to prices being the only tool for clearing markets. Hence, prices adjusted sharply creating a significant rise in inflation that central banks globally responded to this by raising rates aggressively (measured in time) and significantly (measured in magnitude) until interest rates became restrictive enough to see growth slowing and prices reverting. As we now look ahead into 2024, we have a theme that is likely to see those macro-economic headwinds turning into tailwinds as interest rates are forecast to fall alongside with inflation into 2024 and 2025. In other words, ceteris paribus, the broader macro-economic picture should be broadly supportive for long-duration assets if this indeed holds true. This is in part why we have been – and are – so focused on the macro-economic setup as this is ultimately what should allow companies to trade more with fundamentals than with macro.



INVESTMENT REPORT – 31 DECEMBER 2023

RG240 DISCLOSURE (AS AT 30 JUNE 2023)

Asset Allocation*

Asset Class	Market Value Weight
Equities	87.6%
FX contracts	0.0%
Single Stock Contract for Difference	-25.5%
Sector Swaps	-41.30%
Options	0.0%
Futures	-12.2%
Cash	8.9%

* calculated on a net basis (longs-shorts per instrument) as a % of NAV, hence not additive to 100%

Liquidity Profile of Assets

The Trust invests substantially all its assets in the Underlying Fund. The Underlying Fund predominantly invests in liquid assets in accordance with the investment policy of the Underlying Fund. The liquidity profile of the assets of the Underlying Fund are:

Days to Exit	Weight
Less than 1 month	100%

Maturity Profile of Liabilities

The Trust invests substantially all its assets in the Underlying Fund. The Underlying Fund predominantly invests in liquid assets in accordance with the investment policy of the Underlying Fund.

Maturity	Weight
Less than 1 month	100%

Leverage Ratio

Leverage as at 30 June 2023	
Gross exposure	173.6%

Derivative Counterparties

The Trust does not use derivatives directly. Derivative counterparties engaged by the Underlying Fund during the year to 30 June 2023 were:

Bank of America Securities Europe
Barclays Bank Ireland Plc
BNP Paribas, France
BNP Paribas Securities Services Luxembourg
Citigroup Global Market
Deutsche Bank
Goldman Sachs London Derivatives
Goldman Sachs International London
Goldman Sachs International
HSBC France
JP Morgan
JP Morgan Chase Bank
Morgan Stanley Bank AG
Morgan Stanley Europe
Royal Bank of Canada
Societe Generale
State Street Boston FX

Changes to Key Service Providers

The Trust nor the Underlying Fund had any changes to key service providers between 1 July 2022 and 30 June 2023.

Source: BNP Paribas Asset Management, 30 June 2023



INVESTMENT REPORT – 31 DECEMBER 2023



HAVE QUESTIONS?

All enquiries welcome. Please contact your local sales representative.

Zaffar Subedar

M 0452 252 966

E zaffar.subedar@au.bnpparibas.com

Naz Hoosen

M 0476 849 864

E naz.hoosen@au.bnpparibas.com

CHARACTERISTICS

APIR Code	ETL6684AU
Benchmark	Bloomberg AusBond Bank Bill Index
Trust Size (AUD)	\$197,609.92
Performance Inception	30 September 2021
Distribution Frequency	Usually annually, as at 30 June
Minimum Investment	\$25,000
Delegated Investment Manager	BNP PARIBAS ASSET MANAGEMENT Asia Limited
Management Costs (includes GST after allowing for RITCs)	1.10% p.a of NAV of Trust - (0.89% capped)
Performance Fee	15% p.a. subject to high water mark and performance hurdle (hurdle is benchmark plus 2%)
Currency	AUD, unhedged
Buy/Sell Spread	Nil

DISCLOSURE

Equity Trustees Limited ("Equity Trustees") ABN 46 004 031 298 | AFSL 240975 is the Responsible Entity for the BNP Paribas EARTH Trust ("the Trust") (ARSN 641 508 705). Equity Trustees is a subsidiary of EQT Holdings Limited ABN 22 607 797 615, a publicly listed company on the Australian Securities Exchange (ASX: EQT). BNP PARIBAS ASSET MANAGEMENT Australia Limited ("BNPP AMAU") ABN 78 008 576 449 | AFSL 223418 is the investment manager of the Trust. This publication has been prepared by BNPP AMAU to provide you with general information only. Unless otherwise stated, all data is as of the report production date. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither BNPP AMAU, Equity Trustees nor any of their related parties, their employees or directors, provide any warranty of accuracy or reliability in relation to such information or accept any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statement (PDS) before making a decision about whether to invest in this product. The PDS can be obtained from www.bnpparibas-am.com/en-au or from your adviser.

BNP Paribas EARTH Trust's Target Market Determination available here www.bnpparibas-am.com/en-au. A Target Market Determination is a document which describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

New Zealand financial services licensing and registration requirements do not apply to BNPP AMAU as it does not provide financial services to retail clients in New Zealand and does not have a place of business in New Zealand.

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/en-au



**Responsible
Investment
Leader 2023**

