BNP PARIBAS

The bank for a changing world

EVOLUTION: NEW THEAM QUANT DISPERSION

theam QUANT FUNDS

DEFENSIVE LIQUID ALTERNATIVE

OBJECTIVE

THEAM Quant Dispersion US seeks to provide positive exposure to the evolution of the well-known US equity volatility dispersion, by combining a synthetic long position in the volatilities of the US single stocks and a synthetic short position in the volatility of the S&P 500 index. Dispersion can be viewed as a measure of the difference between the performance of individual stocks within a given market and the overall market performance. To implement the strategy, the fund uses a synthetic replication policy through the conclusion of OTC Derivatives (including Total Return Swaps).

STRATEGY'S EVOLUTION

The underlying strategy of the fund was changed on the 24th of June 2025. The new implementation follows a similar philosophy aiming to capture the dispersion premium while monetizing flow imbalances in the optimal maturity range.

	New Implementation	Previous Implementation
UNIVERSE	S&P 500 vs Top 50 stocks	S&P 500 vs Top 100 stocks
INSTRUMENTS	Strip of delta hedged listed options to synthetically replicate a variance swap payoff	OTC volatility swaps
VOL EXPOSURE	Exposure bounded by furthest strikes of the strip	2.5x capped payoff
FREQUENCY	Weekly trading	Monthly trading
VEGA NOTIONAL	6% vega traded per annum (~2.2% long-term average vega in the portfolio)	5% vega traded per annum (~2.5% long-term average vega in the portfolio)
MATURITIES	3rd quarterly listed expiry	1-year OTC maturity
WEIGHTING	Tilted stock weights based on 3 criteria (value, quality, volatility carry)	Tilted stock weights based on 1 criterion (volatility carry)
ADDITIONAL FEATURES	Embedded risk mitigation mechanism via intraday delta hedge on the short index leg, aiming to reduce drawdowns in gap markets	
ACCESSIBILITY	Underlying strategy available in Bloomberg: <BNPXDAV4 Index>	

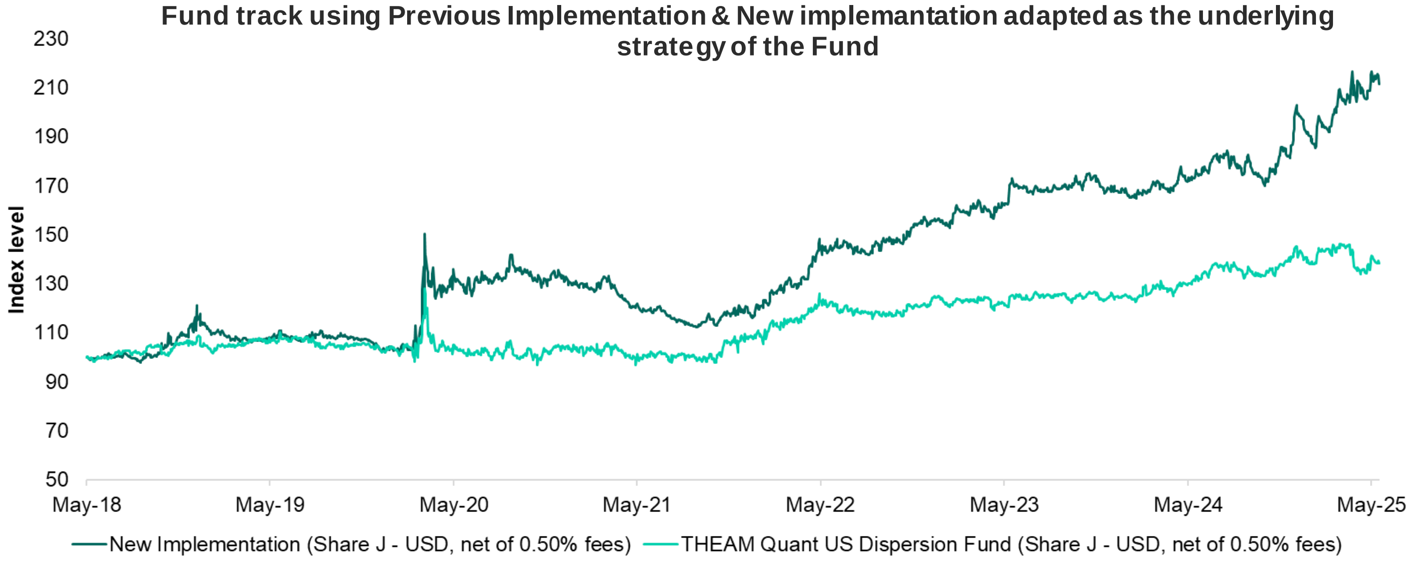
ADVANTAGES	Valuation through listed instruments only	Volatility swaps give purer exposure to dispersion and payoff is not path-dependent
	Greater liquidity thanks to a smaller universe (Top 50)	Closer replication of benchmark index thanks to larger universe (Top 100)
	More frequent trading execution and stock selection	Historically, simulated realized volatility of the new implementation is higher

Source: BNP Paribas, as of June 2025. For illustrative purpose only.

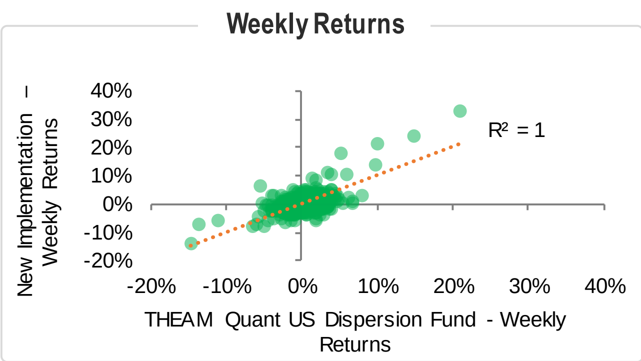
New THEAM Quant – Dispersion

PERFORMANCE ANALYSIS

As of May 30th, 2025

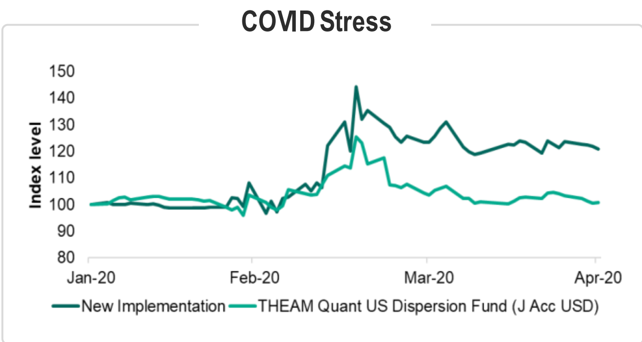


	New Implementation (Share J - USD, net of 0.50% fees)	THEAM Quant US Dispersion Fund (Share J - USD, net of 0.50% fees)
Return p.a.	11.21%	4.71%
Volatility	18.52%	14.79%
Sharpe Ratio	0.61	0.32
Maximum Drawdown	-25.36%	-24.37%
Time to recovery (in weeks)	60	172



FOCUS ON CRISIS PERIODS

Period	Start	End	New Implementation (Share J - USD, net of 0.50% fees)	THEAM Quant US Dispersion Fund (Share J - USD, net of 0.50% fees)
Q4 2018	27 Sep 18	24 Dec 18	15.1%	4.6%
COVID Stress	19 Feb 20	23 Mar 20	32.3%	15.4%
2022 Bear Market	31 Dec 21	30 Dec 22	33.7%	15.6%
Liberation Day(s)	01 Apr 25	07 Apr 25	5.6%	-1.5%



- The **profile of the new implementation remains close** to the previous implementation of the THEAM Quant US Dispersion Fund
- In crisis periods the historical simulated performance of the new implementation demonstrates a more defensive behaviour

Source: from 15 May 2018 to 30 May 2025 Bloomberg, BNP Paribas. Past or simulated performance is not indicative of future results. For illustrative purpose only. Past performance simulation is not an indicator of future performance. Hypothetical or simulated performance results are presented for illustrative purposes only and have many inherent limitations. historical data on THEAM QUANT DISPERSION US Fund (Share J - USD, net of 0.50% fees) is presented. Bloomberg code: <THQDUSJ FP>. It is for general information only and should not be used as a basis for making any specific investment, business or commercial decisions. Any economic and market trend, prediction, projection or forecast is not necessarily indicative of the future or likely performance of the funds. This is for general information only and should not be used as a basis for making any specific investment, business or commercial decisions. Any economic and market trend, prediction, projection or forecast is not necessarily indicative of the future or likely performance of the funds.

NEW IMPLEMENTATION: WEIGHTING CRITERIA OVERVIEW

The criteria have been selected based on a quantitative study, carried out by BNP Paribas QIS Options Team

- On a weekly basis, starting from the prevailing S&P 500® Top 50 composition, each stock is assessed based on the Z-scores, computed for each of the three criteria
- Then optimal weights are computed, maximizing the portfolio's global score under Sectorial/Max Weight constraints

- **Defined based on the quantitative study, carried out by BNP Paribas QIS Options Team**

FUNDAMENTAL

VALUE

$$\frac{Net\ Cash\ Flow\ \ from\ Operations}{Entreprise\ Value}$$

→ Favors very **over-valued** or very **under-valued** stocks

LOW QUALITY

$$\frac{Free\ Cash\ Flow^{1}}{Total\ Asset\ Sliding}$$

→ Favors **low quality stocks**

Aim at improving the reactivity profile

TECHNICAL

VOLATILITY CARRY

realised volatility vs implied

→ Favors stocks with a **higher realized-to-implied volatility**

Aim at improving the long-term carry profile

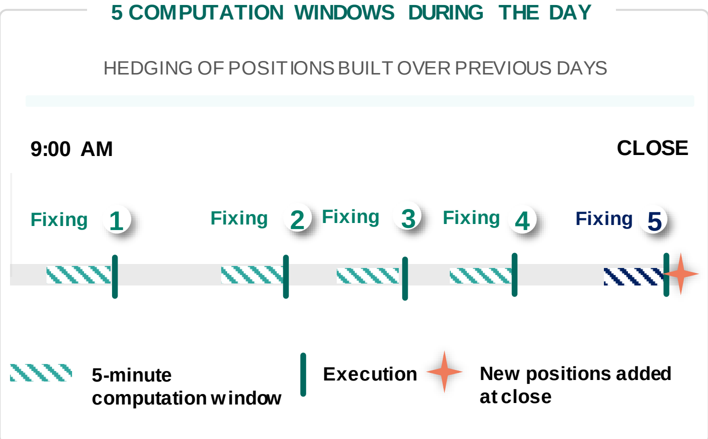
FINAL SCORE

- Equally weighted
- Maximized under constraints (sectorial divergence, weight floor and cap):

- **Max sectorial divergence** vs. S&P 500 Top 50 basket < 20%
- **Individual weight floor** $Floor\ =\ 50\%\ \times MktCap$
- **Inidividual weight cap** $Cap\ =\ [10\%, 250\%\ \times MktCap]$

NEW IMPLEMENTATION: INTRADAY DELTA HEDGE

To strengthen the risk management, BNP Paribas introduces an **intraday delta hedge** within the short S&P 500 leg.



- ✓ Efficient during bearish trend session
- ✓ Potential better performance in case of strong rebound at open (new options are not hedged)
- ✓ This strategy improves the traditional approach by hedging the delta several times during the day instead of hedging only at close. Gap markets prove to be the main source of the left-tail risk in extreme scenarios for short volatility strategies, creating a long-term negative impact. In such scenarios the markets tend to show trending behavior intraday.
- ✓ The implementation of intraday hedge requires significant operational capacity in terms of execution and data processing. It relies on BNP Paribas strong trading capabilities and QIS Options platform.

Source: BNP Paribas, as of June 2025. For illustrative purpose only. [1]Free Cash Flow is set to 0 for financial institutions.

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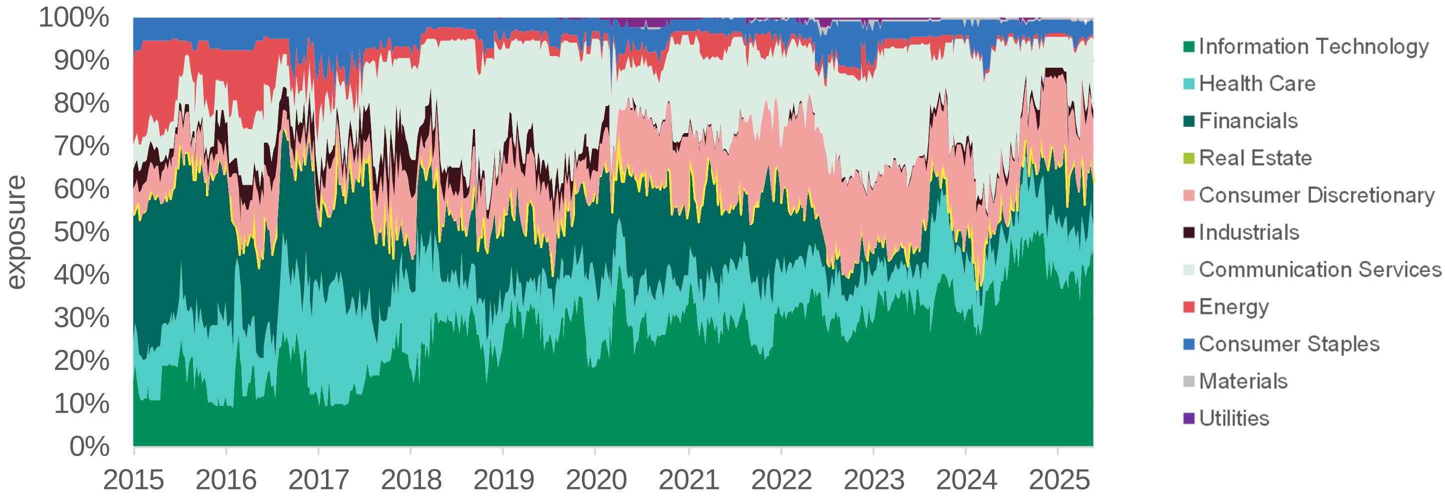
NEW IMPLEMENTATION: SECTORIAL EXPOSURE



Source: from 2 January 2015 to 30 May 2025 Bloomberg, BNP Paribas. Past or simulated performance is not indicative of future results. For illustrative purpose only. Past performance simulation is not an indicator of future performance. Hypothetical or simulated performance results are presented for illustrative purposes only and have many inherent limitations. historical data on THEAM QUANT DISPERSION US Fund (Share J - USD, net of 0.50% fees) is presented. Bloomberg code: <THQDUSJ FP>. It is for general information only and should not be used as a basis for making any specific investment, business or commercial decisions. Any economic and market trend, prediction, projection or forecast is not necessarily indicative of the future or likely performance of the funds. This is for general information only and should not be used as a basis for making any specific investment, business or commercial decisions. Any economic and market trend, prediction, projection or forecast is not necessarily indicative of the future or likely performance of the funds.

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