

INVESTMENT REPORT – 31 JANUARY 2021

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
American Water Works	Water Infrastructure & Technologies	3.3%
Linde Plc	Diversified Environmental	3.2%
Waste Mgt Inc	Waste Management & Technologies	3.2%
Agilent Technol Inc	Pollution Control	3.1%
Ilex Corp	Water Infrastructure & Technologies	3.0%
Schneider Electric S	Energy Efficiency	2.9%
Koninklijke Dsm Nv	Food, Agriculture & Forestry	2.7%
Siemens Ag Npv Eur	Energy Efficiency	2.6%
Suez	Water Infrastructure & Technologies	2.5%
Waters Corporation	Pollution Control	2.5%
		29.0%

Source: BNP Paribas Securities Services, Impax Asset Management.

TRUST PERFORMANCE

	TRUST GROSS	TRUST NET	BENCHMARK
1 Month (%)	0.71	0.62	0.12
3 Months (%)	6.48	6.18	7.10
6 Months (%)	14.12	13.49	9.59
FYTD (%)	19.25	18.48	10.77
1 Year (%)	11.53	10.30	2.10
2 Year (%)	19.23	17.92	13.60
3 Year (%)	12.73	11.50	9.86
Since Inception (%) Inception Date 6 June 2017	12.05	10.83	10.52

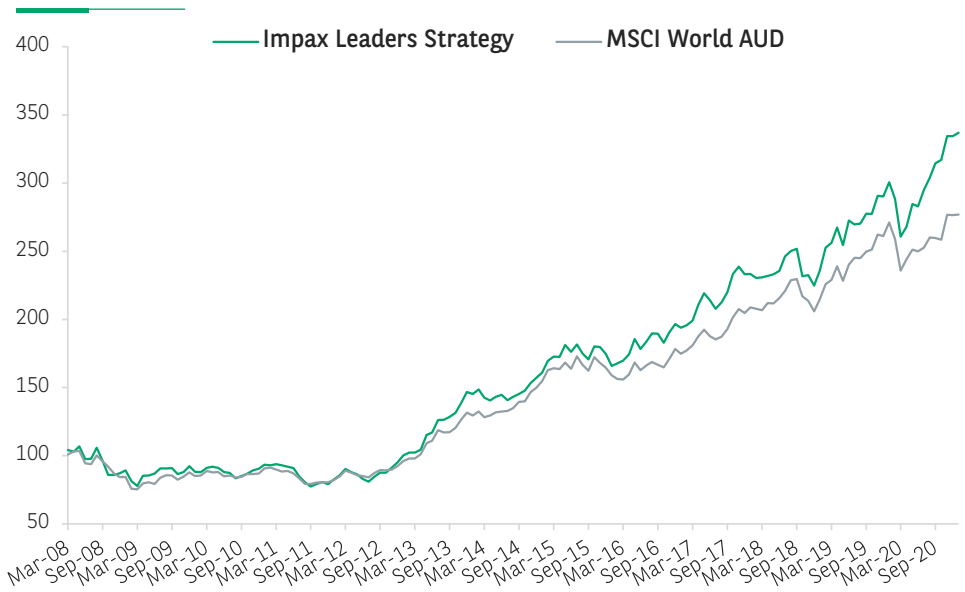
Source: BNP Paribas Securities Services. Benchmark: MSCI All Country World Index. Net Dividends Reinvested measured in Australian Dollars. Gross returns are calculated before fees and net returns are calculated using exit prices net of ongoing fees of 1.10% p.a. (inclusive of RITC and GST) and assuming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

LONG TERM PERFORMANCE – AS AT 31 JANUARY 2021

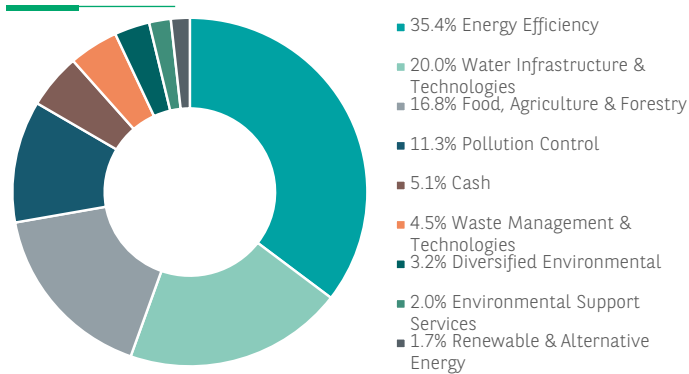


Source: Impax Asset Management. AUD. Strategy Inception March 2008. The Trust commenced on 6 June 2017. To give a longer-term view, the above chart shows the composite returns for Impax Asset Management's Leaders Strategy (gross of fees as at 30 September 2020), according to which the Trust is managed. 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



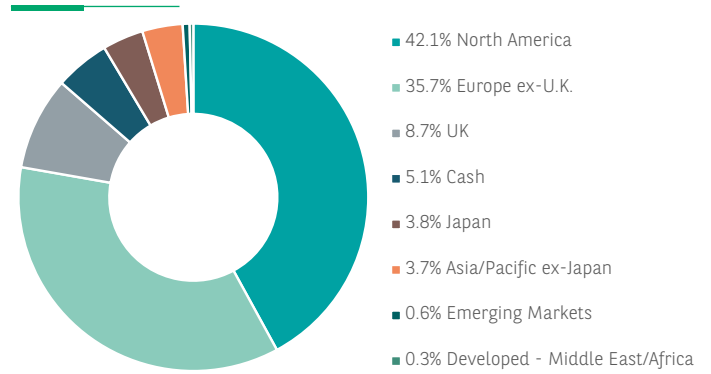
SUB-SECTOR ALLOCATION



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.



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



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COMMENTARY

The BNP Paribas Environmental Equity Trust outperformed MSCI ACWI during the month.

MARKET REVIEW

Despite a positive start to the year, global equity markets, as measured by the MSCI AC World Index, finished down in USD terms (though slightly up in EUR terms). Positive sentiment prevailed in the first half of the month, fuelled by expectations of normal economic activity, President Biden's inauguration, and supportive fiscal policy news. Cyclical continued to perform well, a weaker dollar drove oil prices higher and rising inflation expectation pushed treasuries above 1%. However, delays to vaccine production and new COVID-19 strains, coupled with nervousness over market volatility resulting from short squeezes led to a sell off towards month end.

Economic data generally remains positive, but momentum is levelling off. Going into the FY 2020 reporting season, results have been encouraging and we have noticed some positive developments in order books and outlook. Although strong recovery in economic data and earnings are needed to keep equity markets performing in the medium term, some caution on valuations in certain sectors is advised.

Environmental markets closed higher over January, buoyed in part by Biden's "Green New Deal". Performance was led by Energy Efficiency, Food, Agriculture and Forestry, Pollution Control and Environmental Support Services.

CONTRIBUTORS

ZhuZhou CRRC Times Electric (Transport Energy Efficiency, China) – The Chinese railroad company researches, manufactures and sells locomotive train power converters and control systems, and benefits from the upward trend in rail-related infrastructure investment in China. Positive sentiment on Insulated Gate Bipolar Transistor (IGBT) breakthrough boosted performance during January.

Umicore (Recycling and Value Added Waste Processing, Belgium) – Umicore's operations include the production of automotive catalysts, which reduce engine emissions, whilst it is also exposed to vehicle electrification via precious metals recycling, and through cathode production for batteries. The company contributed thanks to demand for stocks with exposure to electric vehicles, and continued recovery in car sales data.

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 company benefitted from rapid growth in demand for connected enterprise IT solutions, most notably in the company's Azure cloud computing platform.

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 advanced after reporting positive Q4 and January sales.

PTC (Industrial Energy Efficiency, United States) – PTC is an Information Technology company that offers software products which can be deployed towards leaner manufacturing:



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.

computer-aided design modelling (CAD) and Product Lifecycle Management (PLM). Importantly, PTC's industrial connectivity platform enables customers to connect 'smart' devices, analyse associated data, and create Internet of Things (IoT) applications. The share price rose on the back of solid results across business segments with market share gains in Computer-aided design (CAD) and Product lifecycle management (PLM) software, and continued strong momentum in the Growth businesses (IoT, Augmented Reality, SaaS).

DETRACTORS

Verisk Analytics (Environmental Consultancies, United States) – 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. The company suffered from the rotation into more cyclical sectors of the market in expectation of an economic recovery and more stimulus.

Linde (Diversified Environmental, United States) – Linde is the one of the largest industrial gas suppliers globally. Industrial gases play an important role in resource efficiency – with diverse applications such as enhancing energy efficiency in industrial processes, pollution or emissions testing, wastewater treatment, de-sulphuring processes, insulation, and preservation in the food industry. This stock has stable and high-quality growth characteristics, derived from long-term contracts with customers and a consolidated industry supply side. The stock was down as the defensive industrial gas sector underperformed cyclical reflation beneficiary rally.

Autodesk (Buildings Energy Efficiency, United States) – Autodesk provides design software to the AEC (architecture, engineering, design), manufacturing and media & entertainment industries. The Company's two-dimensional and three-dimensional products are used across industries and in the home for architectural design, mechanical design, geographic information systems and mapping, and visualization applications. The stock saw some profit taking following strong performance.

Idex (Diversified Water Infrastructure & Technology, United States) – Idex has a wide portfolio of mission-critical products largely focusing on water distribution and flow monitoring. This includes products such as leak detection, water audits, valves and flow meters. The global demand for water continues to rise as a result of population growth and industry stresses, further exacerbating the gap in water supply and demand. The company suffered from some profit taking following good Q4 results and a strong 2020.

Waste Management (General Waste Management, United States) – a leading private player in the US refuse and recycling market. Waste Management was named on Fortune's "Change the World" list in 2015 – companies that have made a sizeable impact on major social or environmental problems. Innovative projects include methane emissions capture, next generation landfills with accelerated decomposition technology, re-processing and recycling of older landfills, and next-generation recycling plants with sensor or automation-based processes. The company underperformed in a cyclical market rotation.

KEY PORTFOLIO ACTIVITY

During the month, a position was initiated in Air Liquide (Industrial Energy Efficiency, France), given confidence in the trajectory for revenues and profitability. Air Liquide produces, markets and sells industrial and healthcare gases which play an important role in resource efficiency – with diverse applications such as enhancing energy efficiency in industrial processes, pollution or emissions testing, wastewater treatment, de-sulphuring processes, insulation, and preservation in the food industry.

Danaher (Sustainable & Efficient Agriculture, US) was exited as its environmental content is expected to drop below 20%, causing it to leave the investment universe.



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OUTLOOK

The performance of the Fund in 2020 demonstrates the secular durability of the investment thesis– companies that are well positioned for the transition to a more sustainable and therefore resilient economy will thrive. The post-COVID world is a suitable reminder of this thesis as companies and global economies have experienced the largest systemic shock in decades.

The investment team remains focused on portfolio construction to achieve a resilient, diversified and balanced portfolio, and on the selection of quality companies successfully navigating a variety of economic backdrops. We expect GDP growth and earnings growth to recover sharply during 2021 as economies re-open further and consumer and business confidence returns, driven by pent-up demand in many sectors. In addition, we expect the funding within recently announced stimulus packages to start to filter through, benefiting many of the companies in which Impax invests.

Strong demand globally for structural and cost-efficient solutions to environmental challenges across Energy, Water, Food, and Waste remain.

Current themes and opportunities of interest include the “factory of the future” and related efficiency software and hardware integration, reshoring and changing supply chains, the future of mobility, the changing landscape of power generation and implications for the energy grid, solutions for preserving biodiversity, and innovation in agricultural and food technology markets.





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)	\$83.4m
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

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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

