



ODDO BHF AM – Investment strategy

January 2020 – Resilience and fragilities

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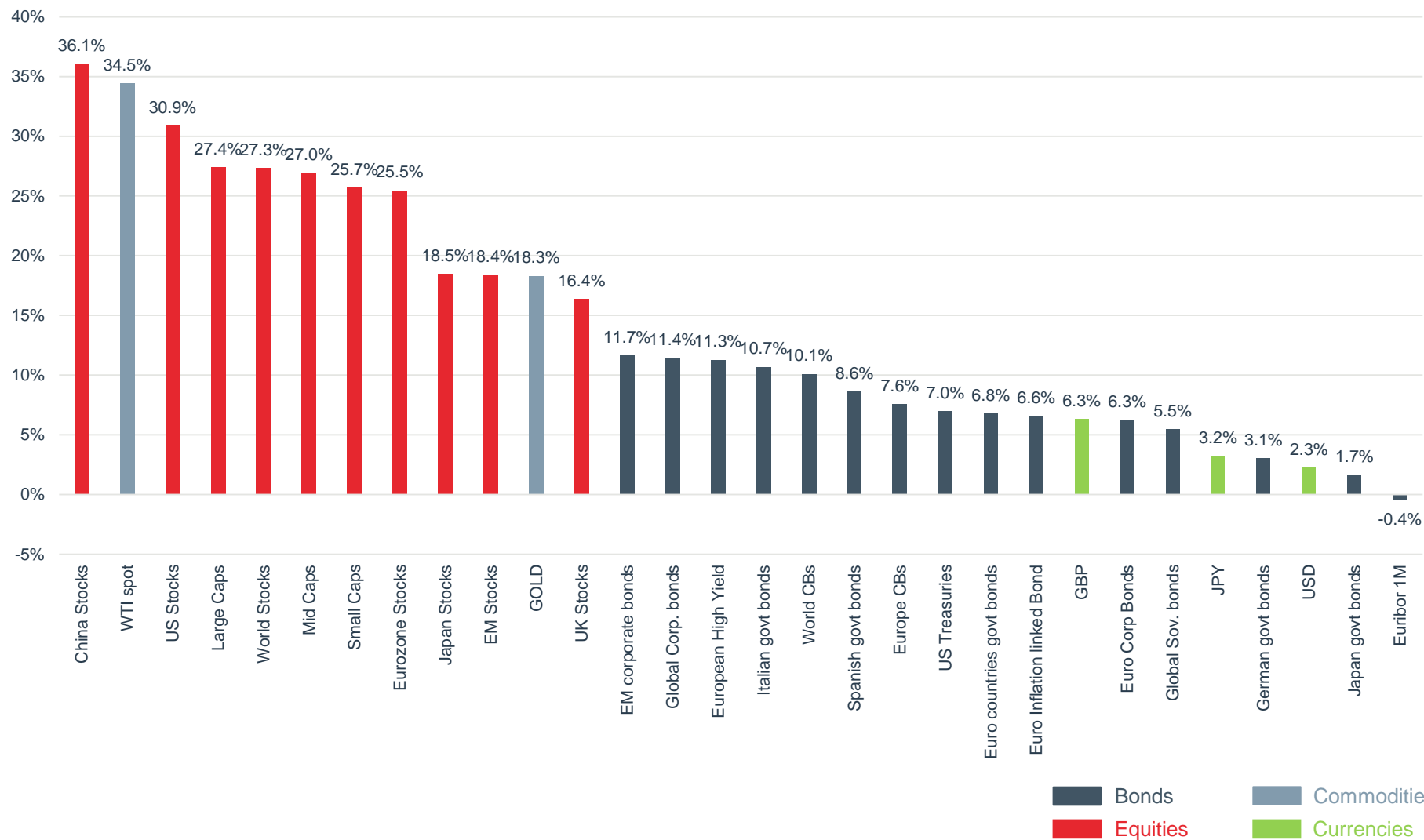
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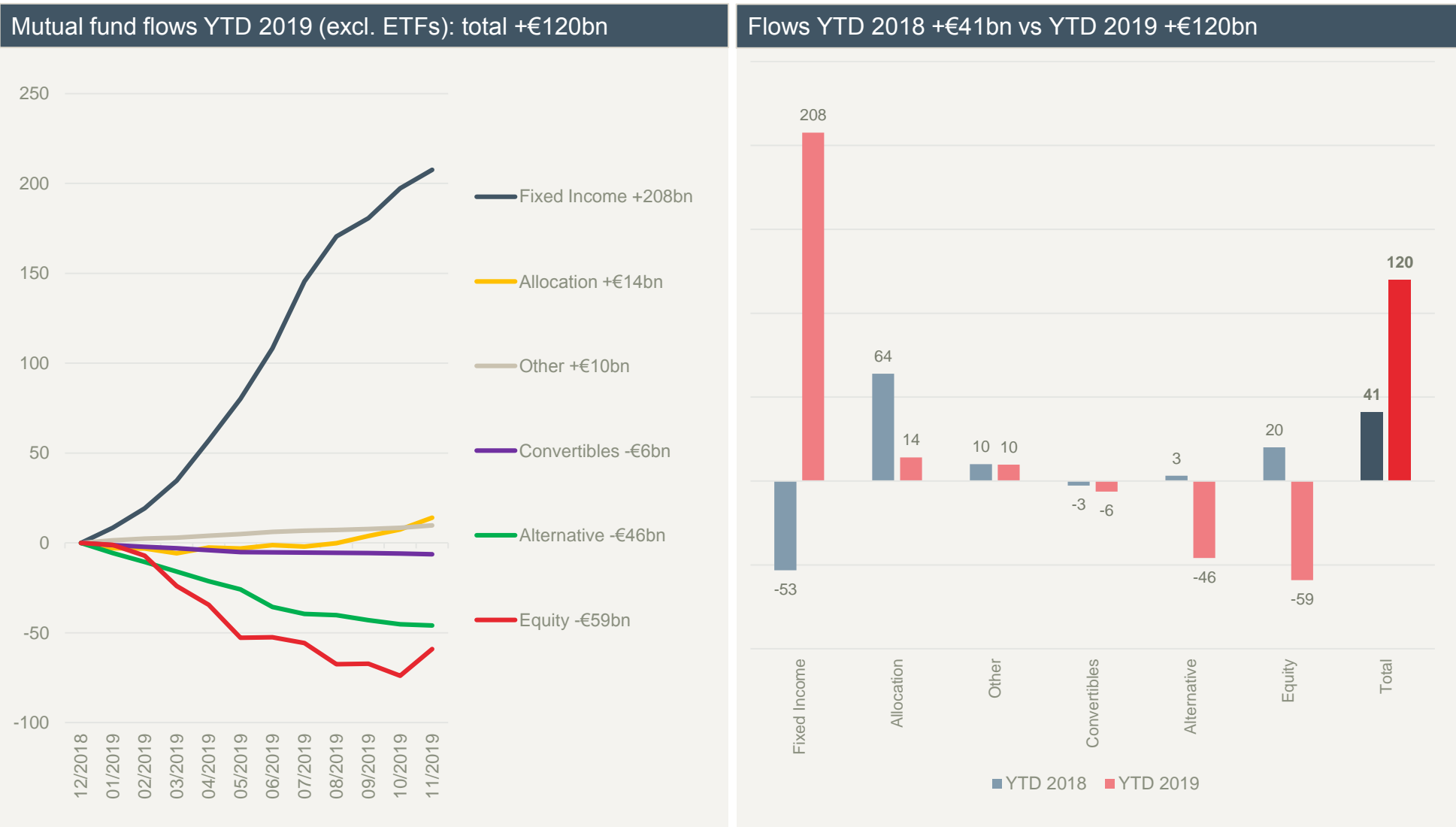
Very good market performances in 2019



Past performances are not a reliable indicator of future performances and are not constant over time.

Sources: Bloomberg & BoA ML data as of 31/12/2019; performances expressed in local currencies

A paradox: in 2019 investors massively shifted out of equities



Sources: ODDO BHF AM SAS, Morningstar Europe OE ex MM ex ETFs. Data as of 30.11.2019



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03 Our positioning

04 New ways of investing



01

MACROECONOMIC ENVIRONMENT

Lessons of 2019 – Perspectives for 2020

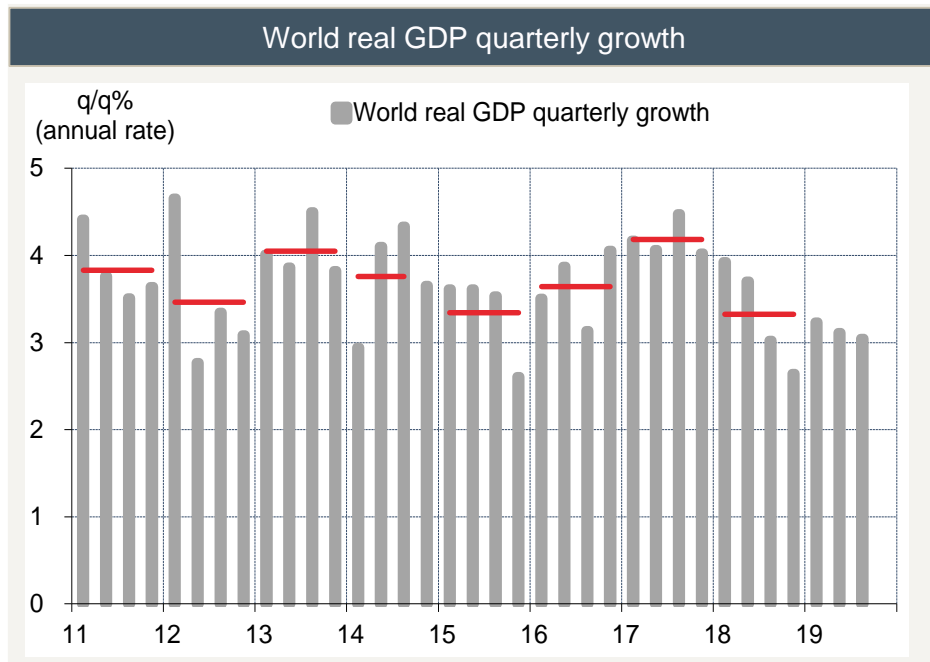
Bruno Cavalier, Chief Economist ODDO BHF

The question: recession/expansion?

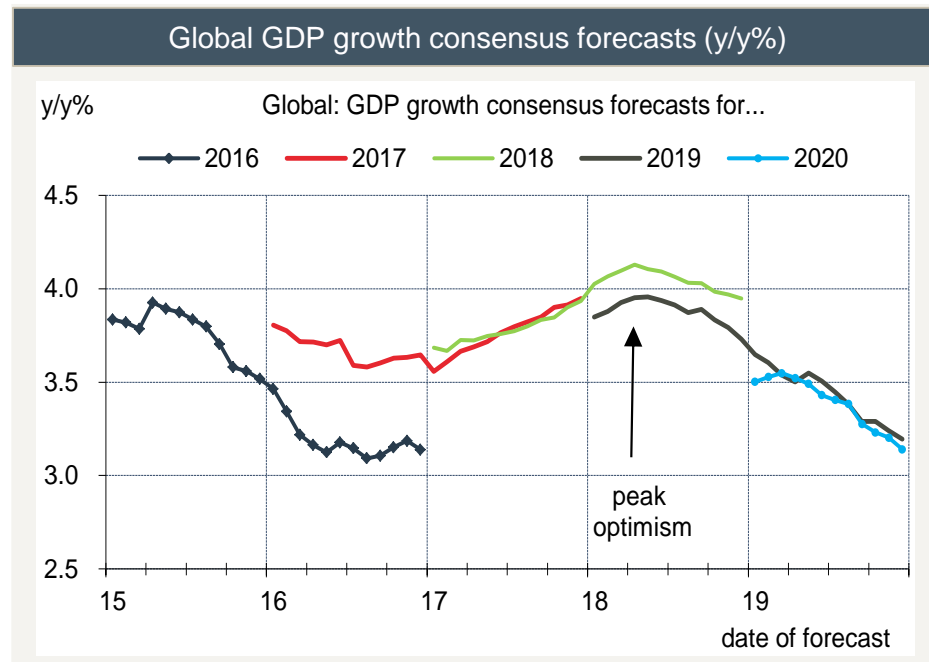
World growth has stabilised at around 3% annually



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②



Based on final Q3 data, world real GDP growth stood at 3.1% q/q annualised (vs 3% on average over the four preceding quarters) ①. In short, the trend has stabilised but is below its post-crisis average.

The consensus outlook does not point to any notable improvement in 2020 relative to 2019 ②. The downward revisions process seen over the past two years is not gathering pace and appears instead to be stabilising.

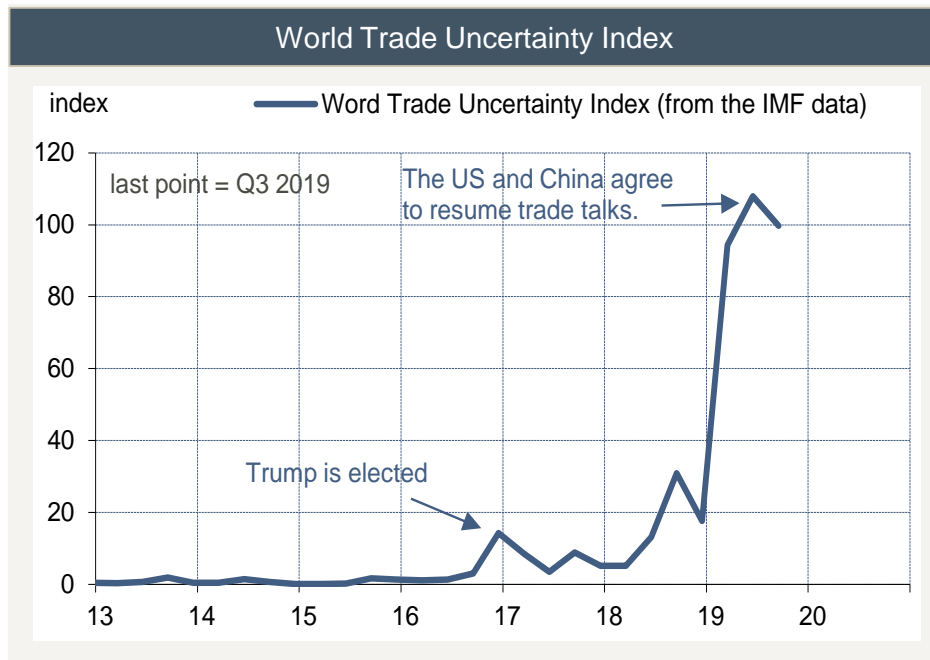
- It is common practice to compare average annual growth, but this can mask short-term *momentum*. The Eurozone will end 2019 with a weak “carry-over”, but the average growth forecast implies a small year-on-year acceleration in 2020.

Lesson of 2019 (1)

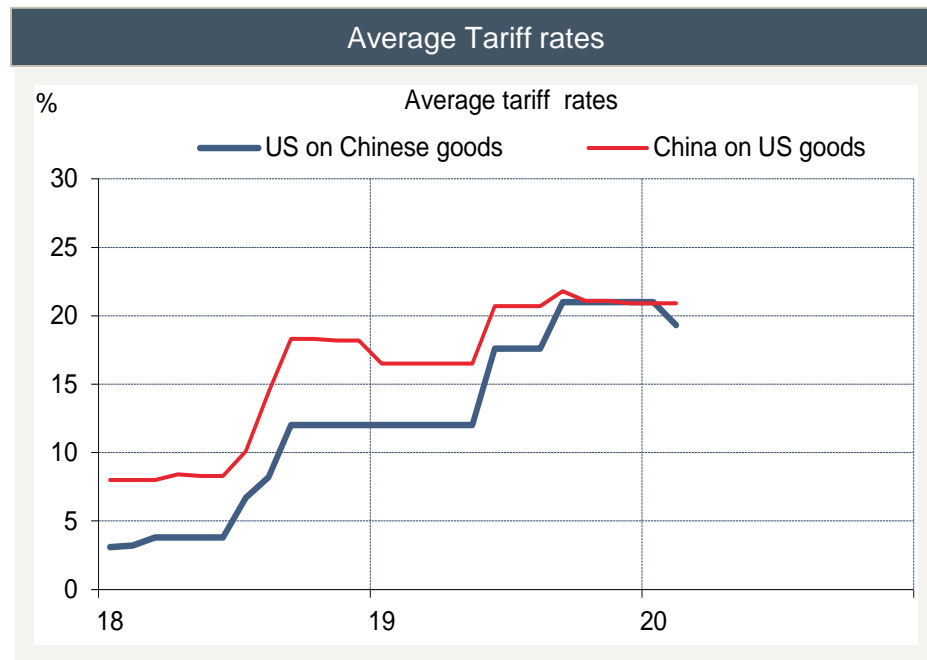
Intermittent tariff war = Permanent trade uncertainty



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The White House has been blowing hot and cold on questions relating to international trade. Recently, hot air ("Phase 1" agreement with China, USMCA ratification) has predominated, but this cannot reverse the damage inflicted on free trade rules over the past two years

- The IMF has calculated a trade uncertainty index based on economic reports from 143 countries. Despite some moderation in Q3 (resumption of negotiations with China), it is far higher than in recent decades ①. This is also true of indicators focusing on the US. The level of tariffs between the two countries remains very high. ②.
- The US administration's recent decision to shut down the WTO's appellate body illustrates a structural shift in its trade policy as it abandons multilateralism in favour of bilateral relationships.

Lessons of 2019 (2)

180° U-turn of monetary policies



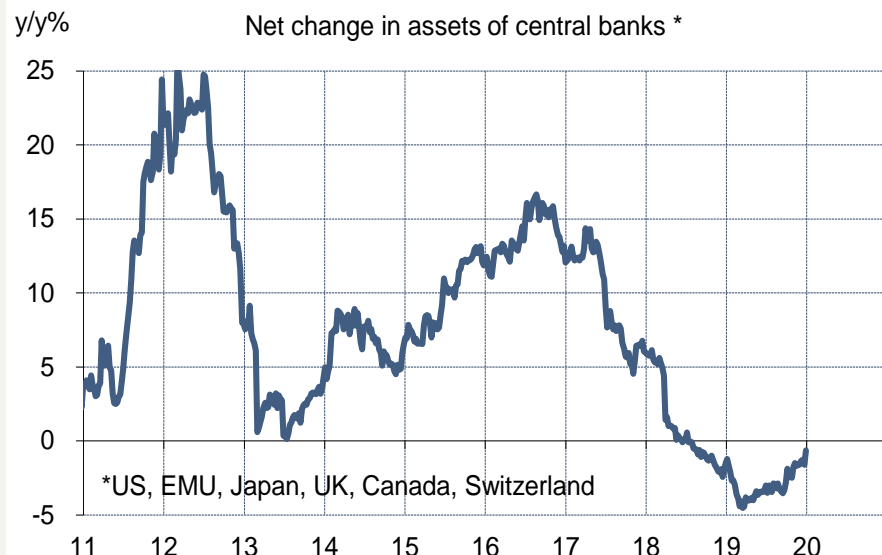
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World monetary policy rate



②

Net change in assets of central banks



The general orientation of monetary policies changed direction over the course of the year, even though economic conditions did not materially change. Recessionary risk easily predominates over inflationary risk in central banks' reaction functions.

- Monetary loosening applies to the level of policy rates ① but also to the asset purchase policy ②.
- The Fed has abandoned its normalisation programme due to run until 2021 (three cuts vs three hikes forecast in 2019). It has swollen its balance sheet by around \$250bn in response to the liquidity crisis in the repo market last September.
- The ECB has abandoned its (vague) intentions to exit the NIRP in 2020 and intensified/prolonged this policy. It has also revived its asset purchase programme to the tune of €20bn per month (the share of public securities is 54% vs 84% in the previous QE).

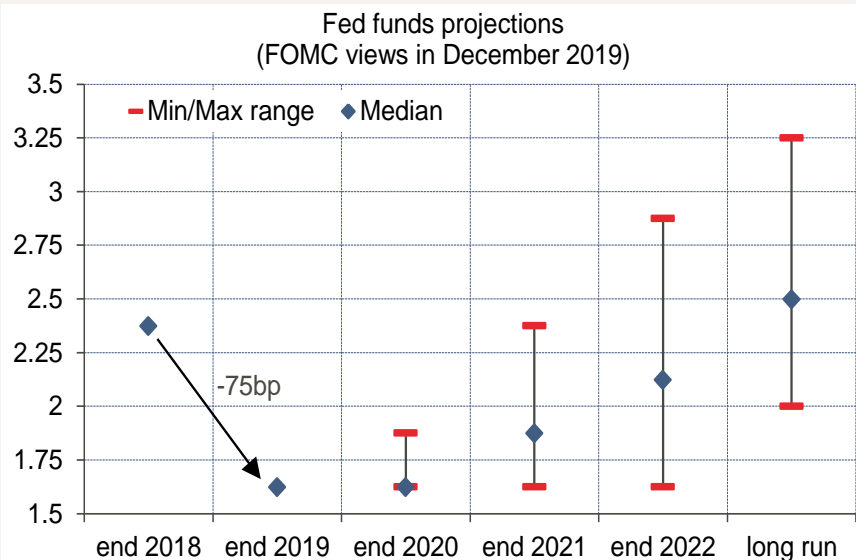
Sources: Thomson Reuters, ODDO BHF

Fed: unanimous agreement to make no more changes until 2021



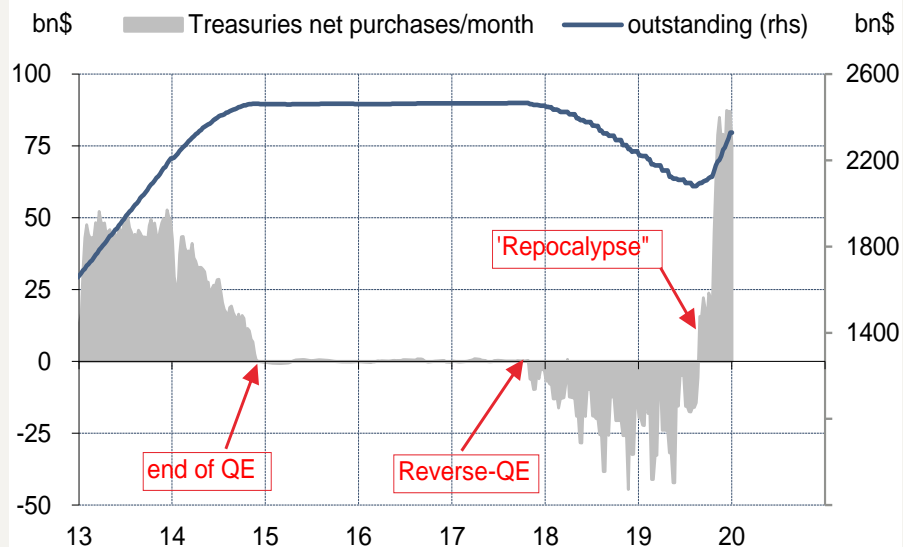
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FED funds projections



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Net purchases of treasuries and holding by the Fed

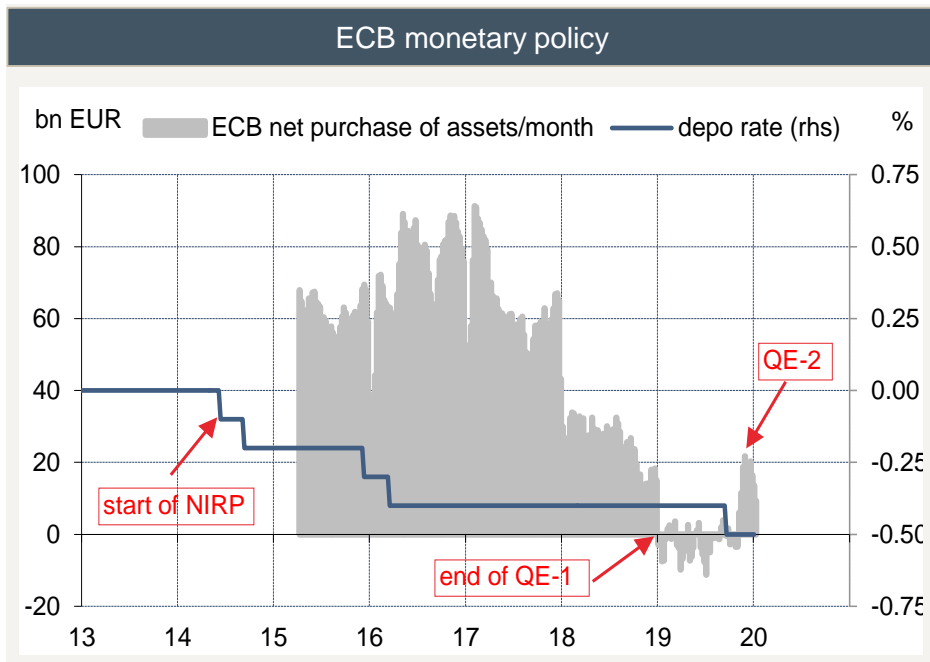


After a radical change of direction this year (three rate cuts and purchases of short-term securities), the Fed is now positioned to keep its monetary policy on hold during the 2020 electoral year, or even beyond then ①.

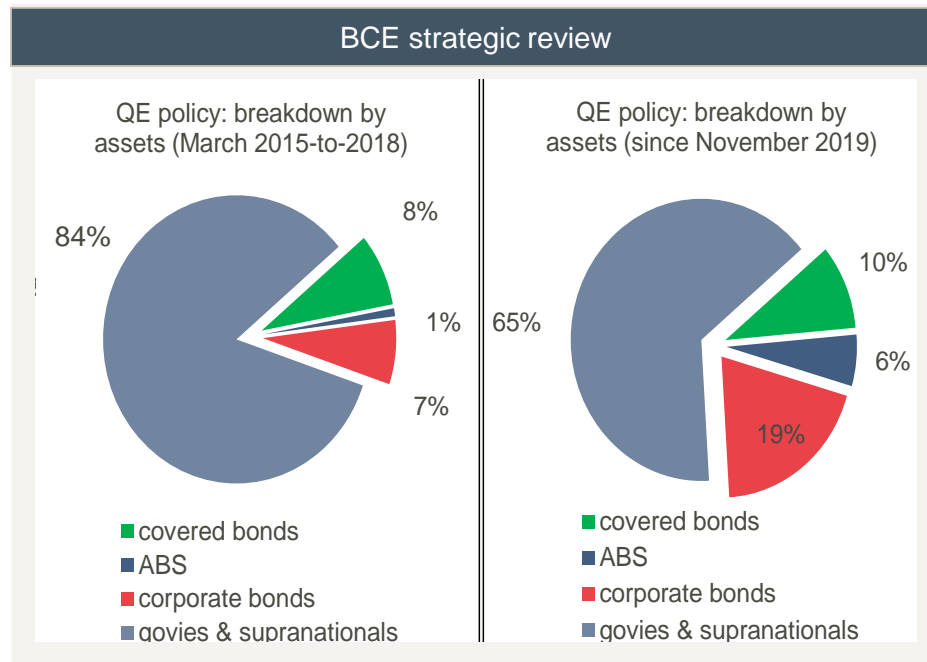
- There are downside risks to activity, but to a lesser degree than a few months ago (stabilisation of the industrial cycle, renewal of US-China discussions, Brexit), and hence insufficient to prolong the loosening cycle. The Fed also sees no inflation risks through its forecast horizon. The Fed considers that unemployment can stay very low (well below the NAIRU) without generating material wage strains. If these were to emerge, there would still be time to tighten its policy again. The Fed is prepared to tolerate an *overshooting* of its inflation target after years of *undershooting*.
- Following turbulence in the repo market last September, the Fed is handling the problem very pragmatically by offering more liquidity at longer maturities. In recent weeks, the expansion of its balance sheet was significant ②, but this is a temporary adjustment, not a lasting revival of its asset purchase policy.



①



②



Through her apparently more consensual style than Mario Draghi and by the announcement of a strategic review in 2020, new president Christine Lagarde has reduced the visible degree of dissent within the Council. The “package” of measures unveiled in September is being implemented in accordance with announcements.

- Since early November, the ECB has revived an asset purchase programme at a rate of €20bn per month, with no pre-set end date ①. At this stage, the breakdown of securities purchases differs from the previous programme (reduction in share of sovereign bonds ②).
- The strategic review will assess arguments for and against past policies (QE, NIRP, TLTRO), with no pointless controversies. Most existing assessments have concluded that these policies stimulated economic growth, stemmed deflation risk (but did not revive inflation) and encouraged bank lending and that they are not the principal cause of banks’ weak profitability. This strategic review is also likely to be the foundation for closer cooperation with policies decided on by the EU, in particular on today’s hot topic: the objective to decarbonise the economy over the long term.

Lesson of 2019 (3)

Decoupling of industrial and non-industrial sectors



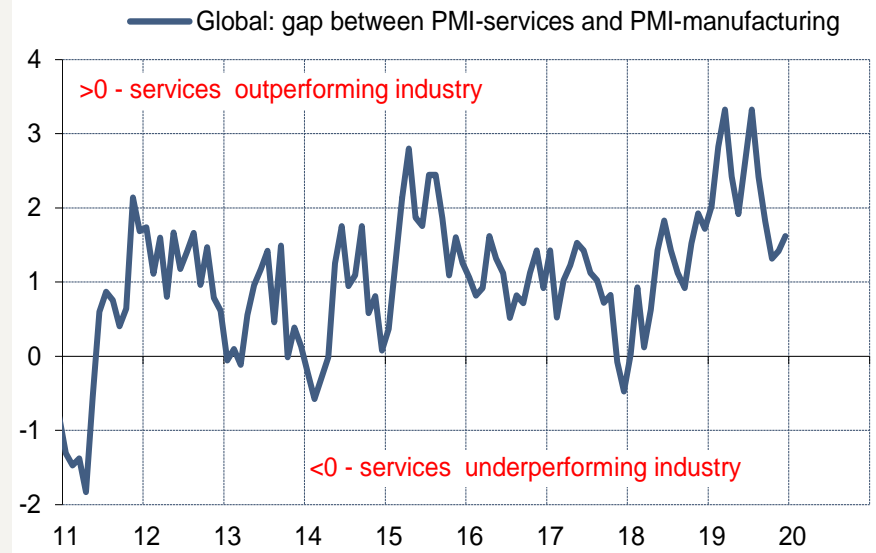
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World business confidence in manufacturing



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Global: gap between PMI-services and PMI-manufacturing



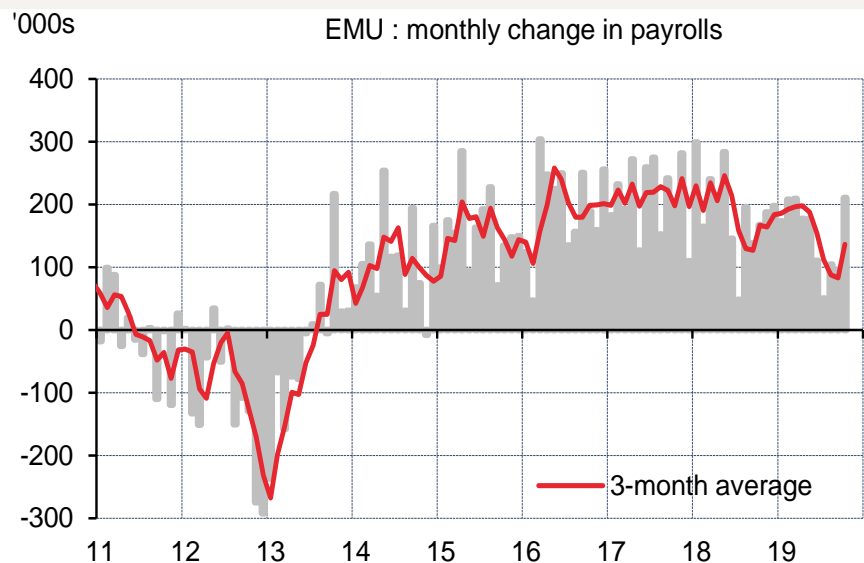
The global PMI-manufacturing index edged above the critical threshold of 50pts in November (50.3) for the first time since April. It has gained one point since its July trough ①.

- The absolute level remains low. From an economic standpoint, being a little above or below this 50-point threshold does not fundamentally change the message of near-stagnant industrial activity (-1% year-on-year in September).
- In the Eurozone (46.9), and especially in Germany (44.1), industrial confidence is starting to stabilise at very low levels, and the manufacturing sector has contracted very sharply (-5% year-on-year in Germany).
- Other sectors have continued to post positive growth rates overall during the past two years. Confidence in the services sector remains far higher than in the manufacturing sector ②.



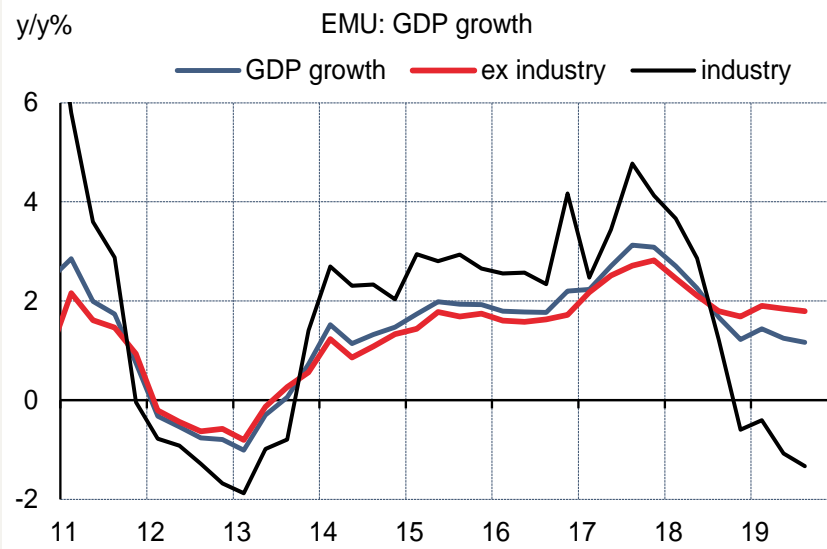
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EMU: monthly change in payrolls



②

EMU: GDP growth



Domestic demand has been boosted by three positive factors: the improvement in employment conditions, credit growth and the stimulating policy mix. None of these factors is about to disappear or weaken.

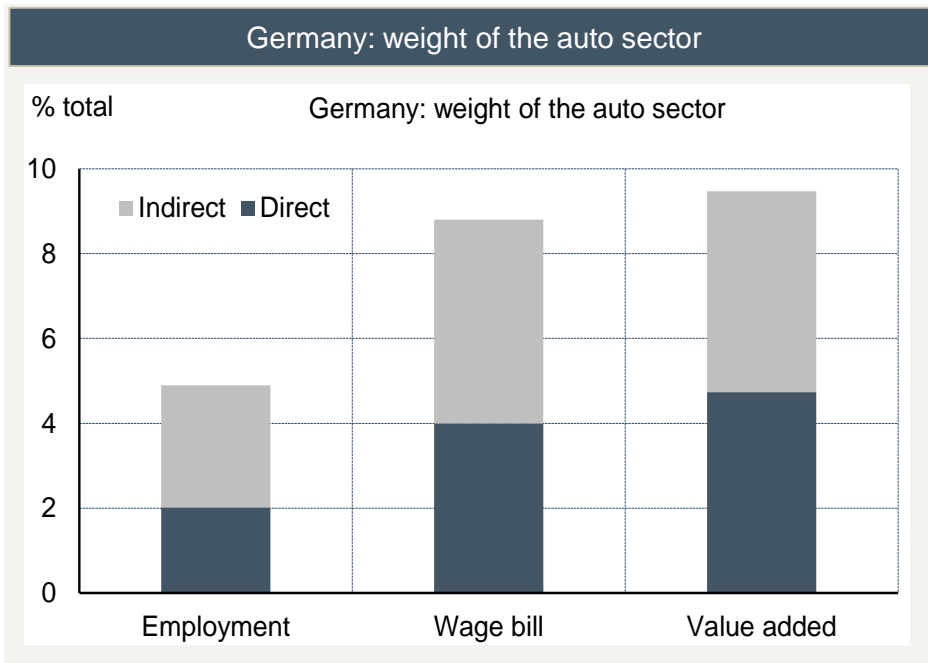
- The repercussions of the manufacturing recession are visible above all in the business services sector (such as temporary employment), but its total magnitude is limited. On our estimates, monthly job creations in the Eurozone hit a soft patch over the summer, falling below +100k – their lowest level since 2014 – but they have since returned to a more comfortable trend (around 150k) ①.
- For the most part, the slowdown in the pace of economic growth in the Eurozone (from 3% y/y at end-2017 to 1.2% today) is due to the manufacturing sector (with VA growth falling from +4.1% to -1.3%). At the same time, non-manufacturing sectors have barely slowed (with VA growth falling from +2.8% to +1.8%) and their trend has been stable since the end of 2018 ②.

Lesson of 2019 (4)

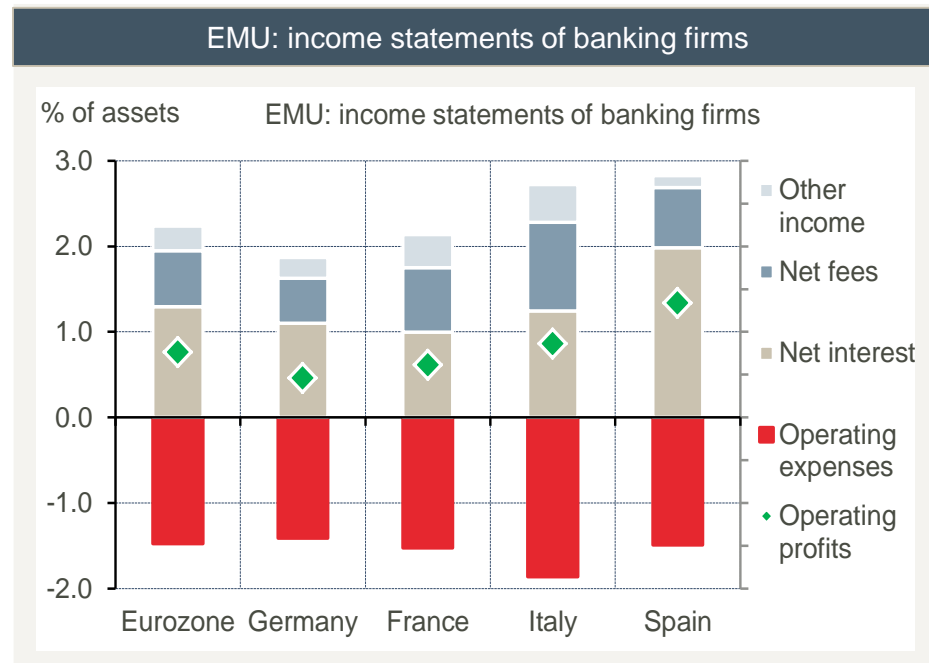
The limits of the German « growth » model



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②



Germany's cyclical weakening since 2017 – largely due to the crisis in the oversized automotive sector ①, and the downturn in external trade – has revealed certain weaknesses that could have structural repercussions: insufficient investment spending and the weak profitability of the banking sector ②.

- Germany retains many advantages over other European countries – competitiveness, full employment and low government debt – but its much lauded “growth model” over the past two decades (to simplify, exports of high value-added industrial products to Asia) appears less fitting in a world dominated by moves upmarket by competitors, the slowdown in the Chinese economy, the viscosity of international trade (tariff and non-tariff barriers) and the emphasis on environmental issues (energy mix, electrification/hybridisation of vehicles).
- The sometimes dogmatic attachment to fiscal orthodoxy is a source of incomprehension for many economists (including ourselves).

Sources: Thomson Reuters, BCE, ODDO BHF

Lessons of 2019 (5)

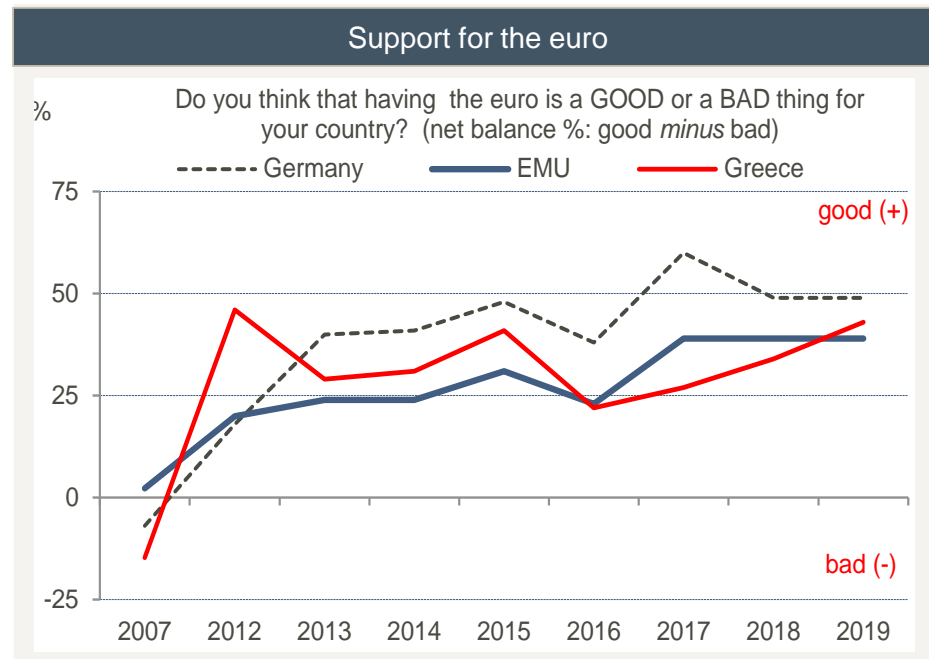
Political fragmentation of Europe, with no major gains for “populists”



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The right/left divide that was common to most European countries has given way to a fragmentation of political forces. Elections to the European Parliament last May painted the clearest picture of this ①.

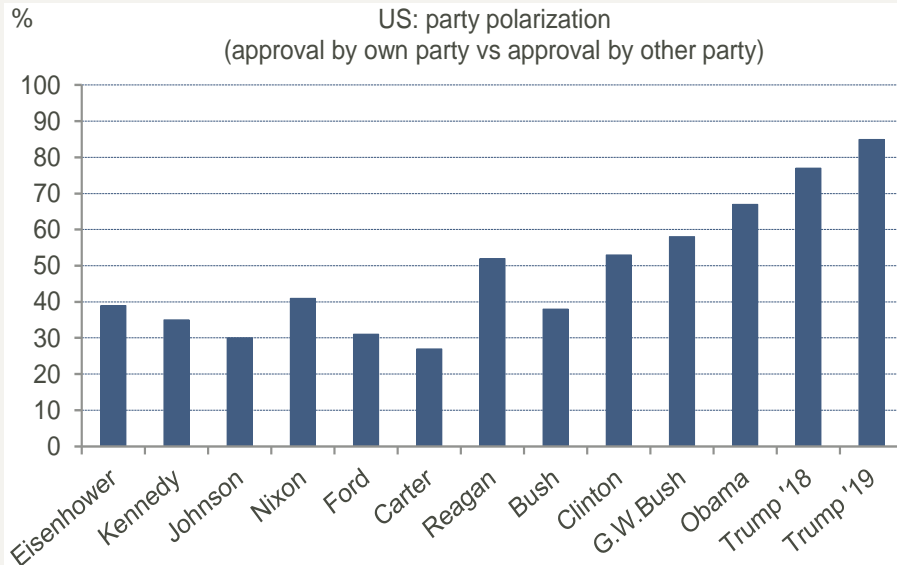
- With a few rare exceptions (Italy in 2018), political fragmentation has barely benefited populist or Eurosceptic parties, which remain stuck in an opposition role. Other parties (conservatives, liberals, social-democrats, greens) are being forced to form alliances. Negative effect: this can slow decision taking (the time to form coalitions and negotiate an acceptable compromise). Positive effect: this stops forces seeking Europe’s disintegration (fruitless attempts after the Greek crisis in 2015 and the Brexit referendum in 2016).
- Support for the euro has never been as strong since its creation, as it is obvious that there is no credible alternative in the short term ②. Even politicians hostile to the euro (such as Matteo Salvini and Marine Le Pen) accept this.

2020: A loose cannon

Everything (China, oil, markets, dollar, etc.) can be summed up in one word : T-R-U-M-P

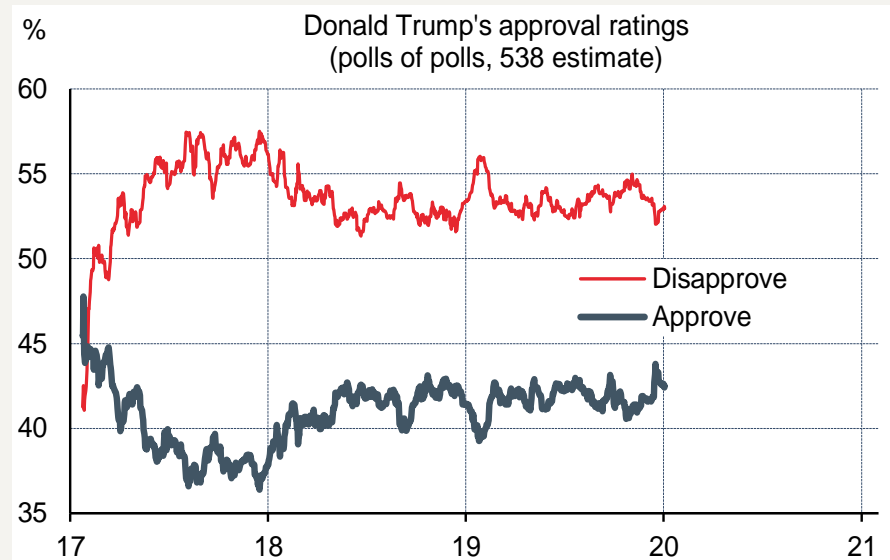
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US: party polarization



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Donald Trump's approval ratings



Trump is and will remain a loose cannon. He is capable of destabilising almost everything but also has the greatest motivation in prolonging the expansion cycle, as his re-election depends on it.

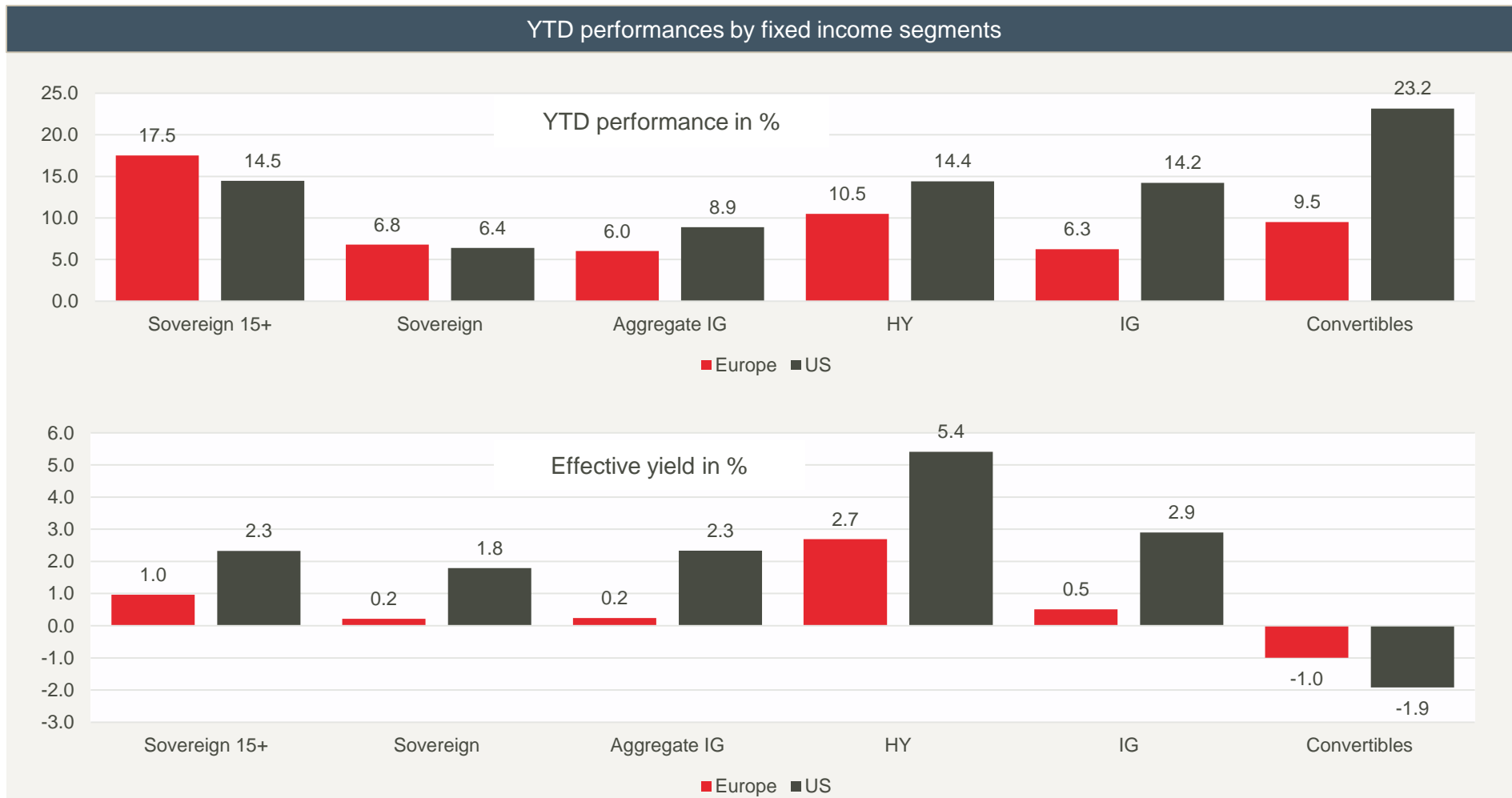
- Partisan polarisation, a phenomenon that has increased since the 1980s, has hit unprecedented heights with Donald Trump ①. This has made opinion polls very stable ②. Almost regardless of what he does, Trump brings forth adoration from his followers and absolute rejection from his opponents. As in 2016, the election's outcome could turn on a few swing states.
- Trump is beginning the election year with many advantages. He is the incumbent. He has no opponent in his own party, whereas the Democrats could be split by their primary process. The US economy is solid, with unemployment at a 50-year low. Trump has fulfilled many of his 2016 campaign promises. And he has raised far more funds than the Democrats.



02

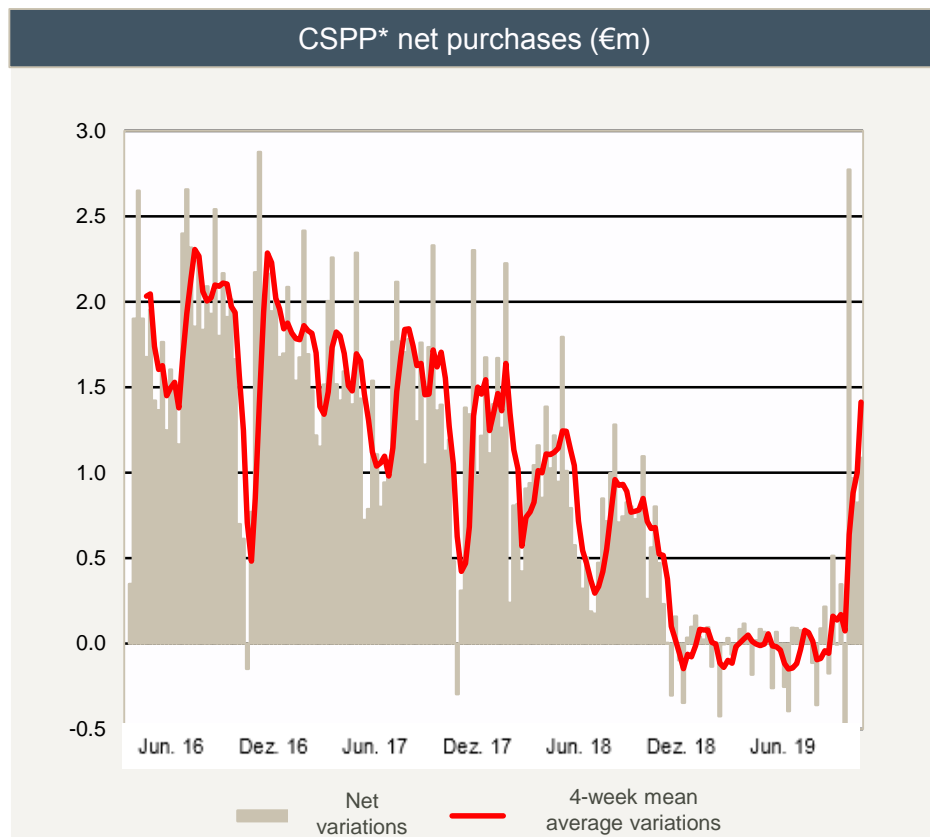
VALUATIONS FIXED INCOME

Remarkable performance of fixed income segments in 2019



Sources: ODDO BHF AM GmbH, Bloomberg, figures as of 12/31/2019 | performances of most representative indices, expressed in local currencies

A rise in rates limited by the ECB's repurchase program

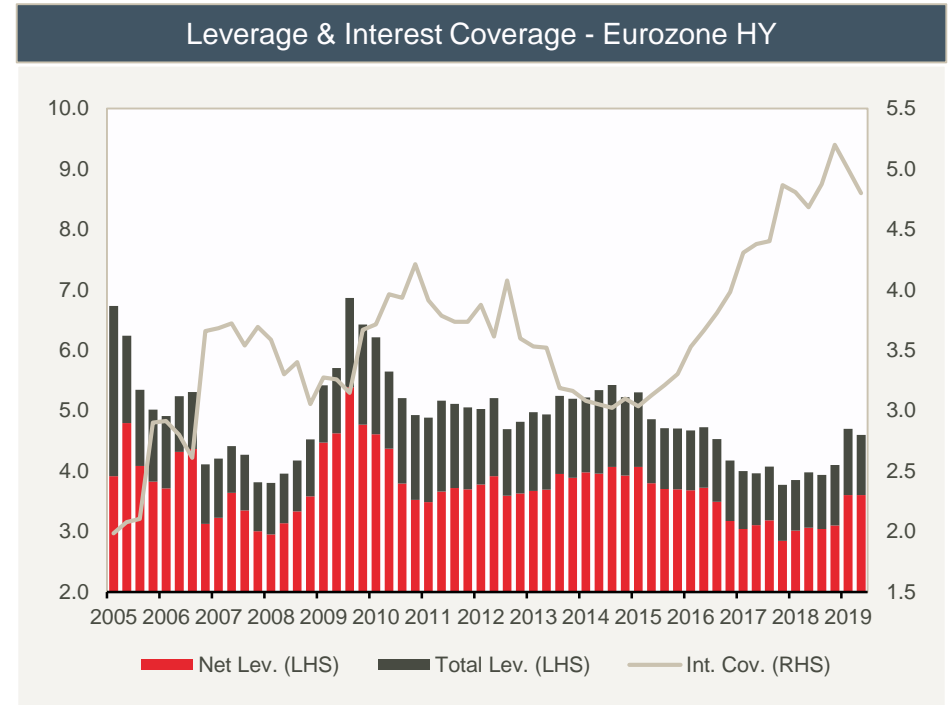
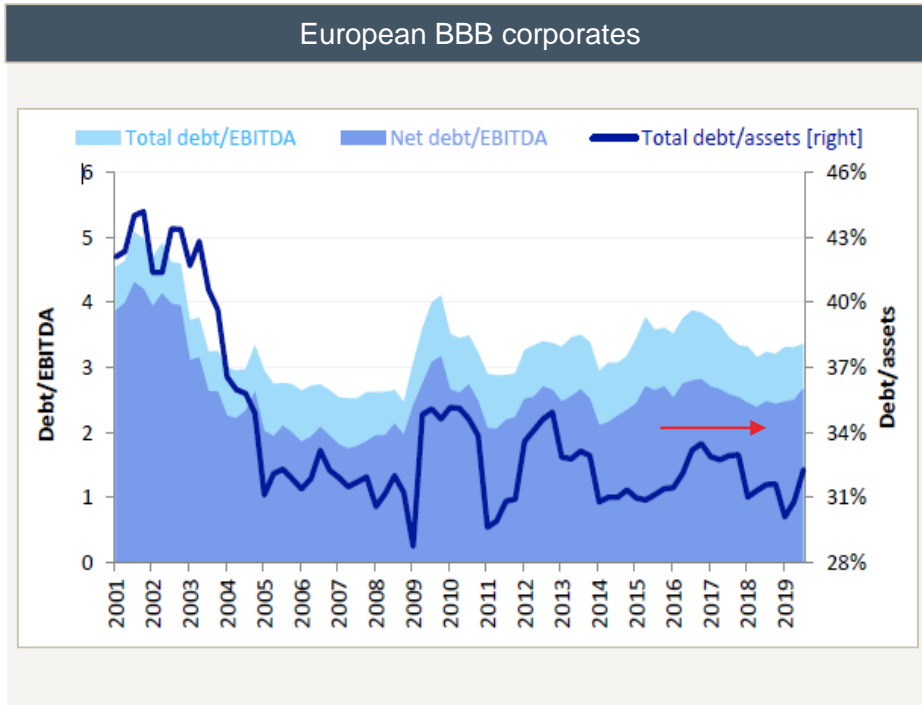


Supply of euro area government bonds net of QE

Sovereigns	2019 net inflows after PSPP (€bn)	2020 net inflows including €240bn APP (€bn)
France	63,7	32,6
Germany	6,7	-29,8
Italy	50,3	7,0
Spain	26,2	8,2
Total	146,9	18,0

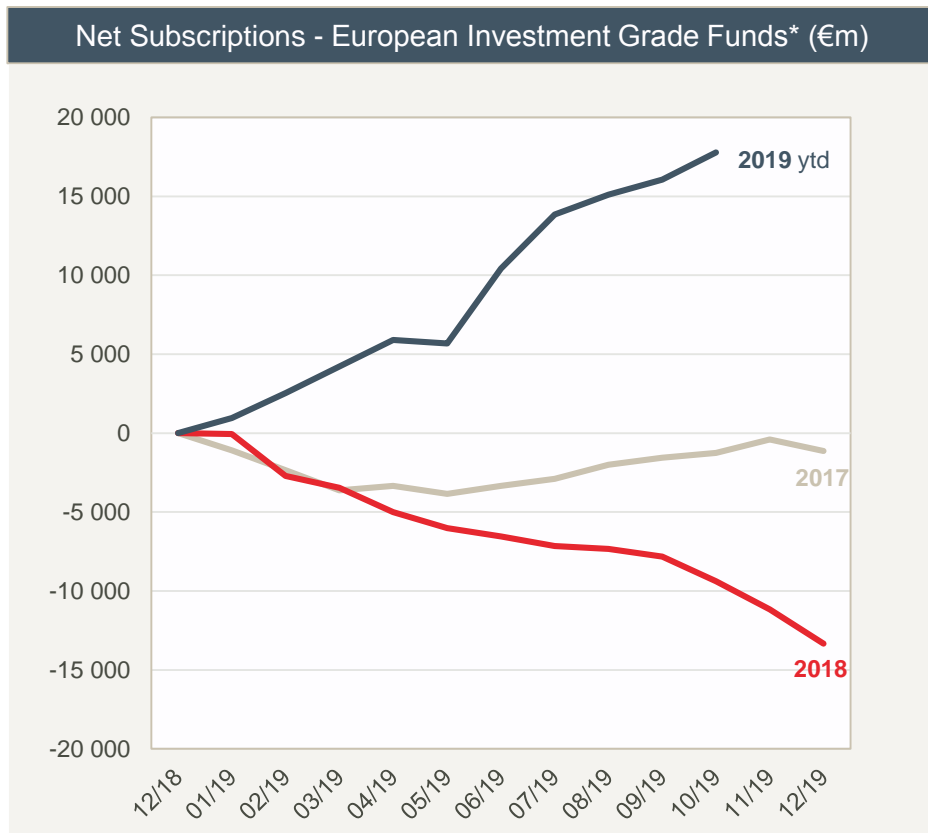
* CSPP: Corporate sector purchase programme (ECB)
 Sources: ODDO BHF AM | Unicredit, BNP Paribas figures as of 12/03/2019

Credit profiles remain strong



Recent increase mainly due to IFRS 16
 Sources: ODDO BHF AM GmbH, JP Morgan, Rating agencies; 11/2019

A paper supply shortfall that should still benefit Investment Grade

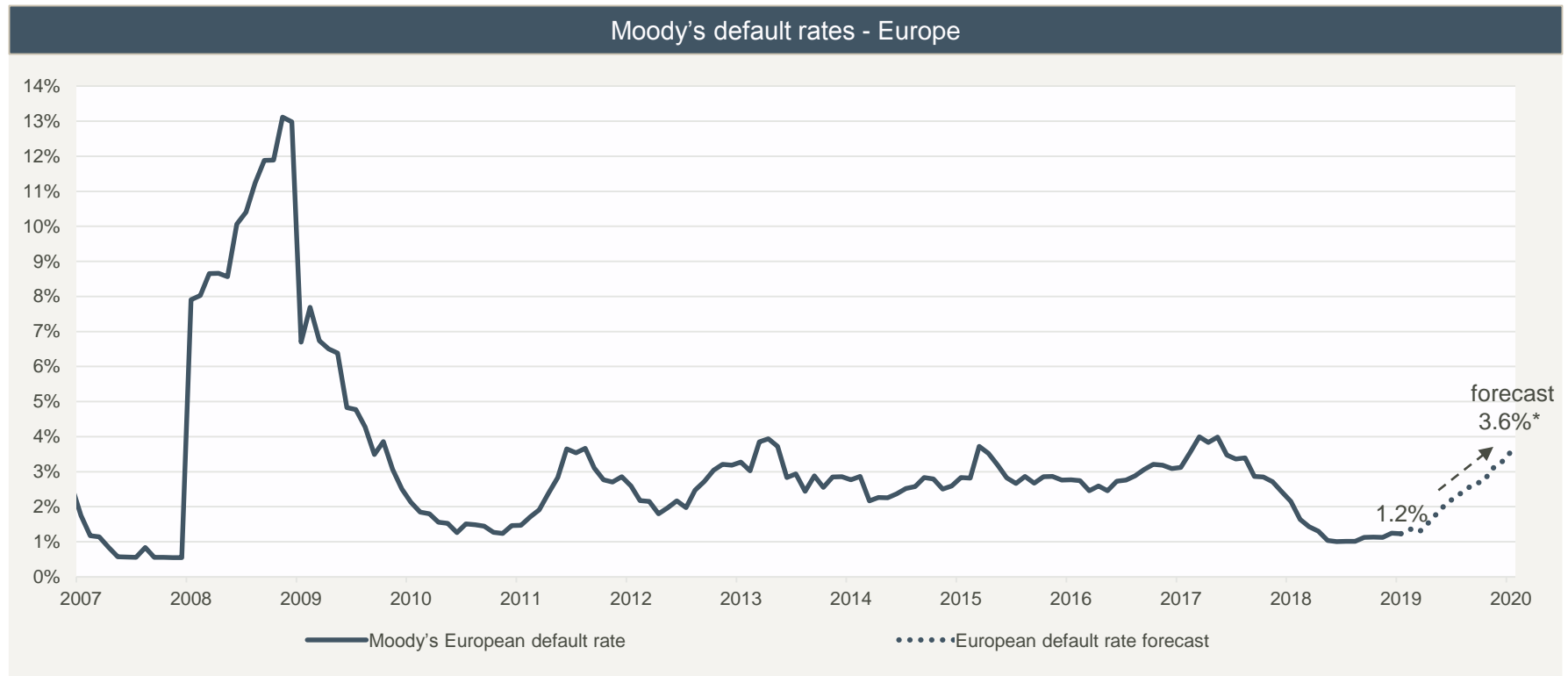


Expected net offer EUR Investment Grade Bonds (€bn)

	2019e (€bn)	2020e (€bn)
Gross supply	540	470
Refunds	236	255
Coupons	40	40
Net CSPP	5	45
Net supply	259	130

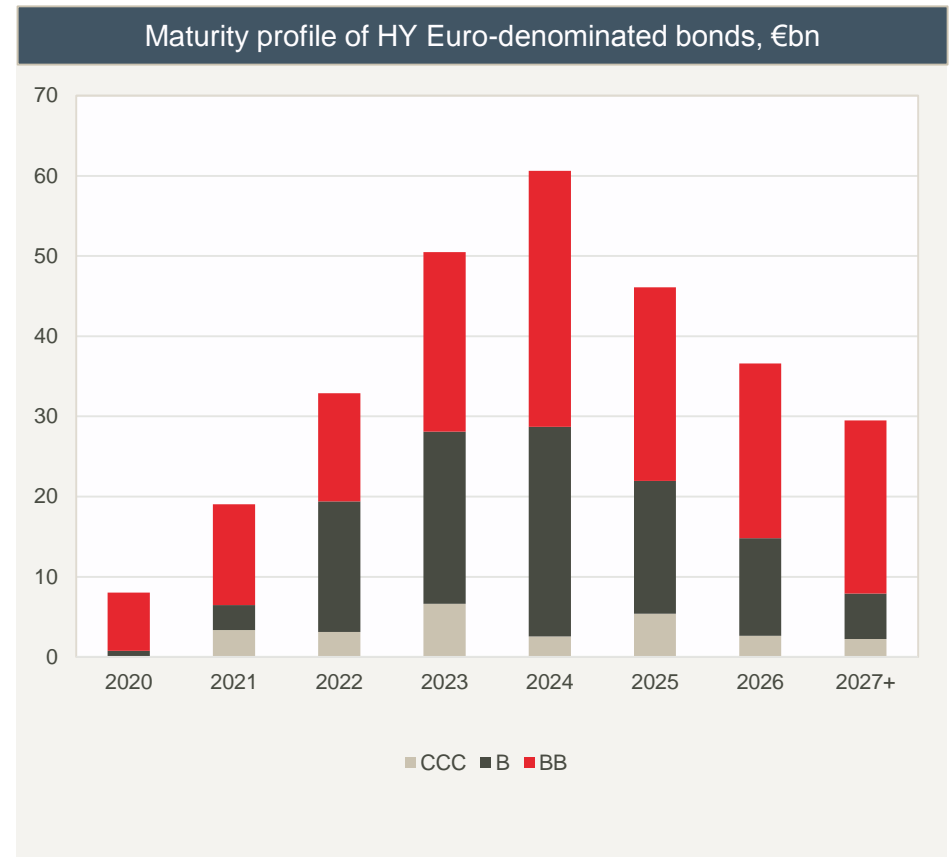
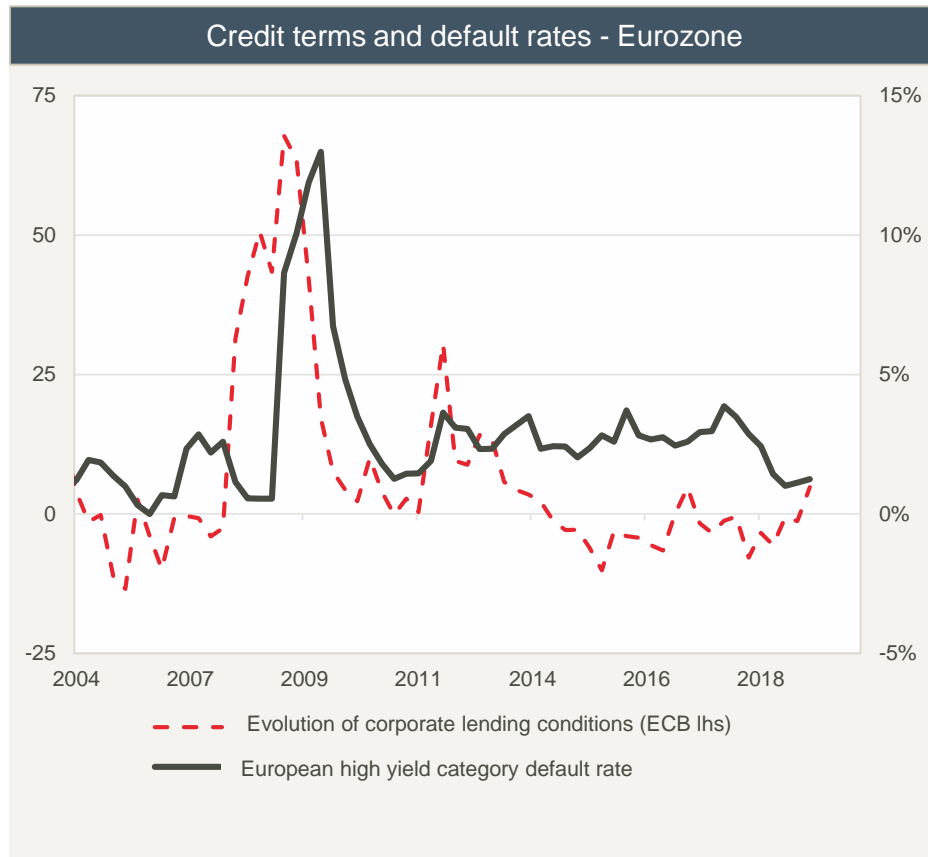
Sources: ODDO BHF AM | Morningstar, data as of 11/30/2019 | *Morningstar Category "EUR Corporate Bond".

Default rates on European High Yield returned to their 5-year average



Sources: ODDO BHF AM GmbH | * Moody's forecast as of 10/31/2019 1 year fwd

However, they should still remain contained



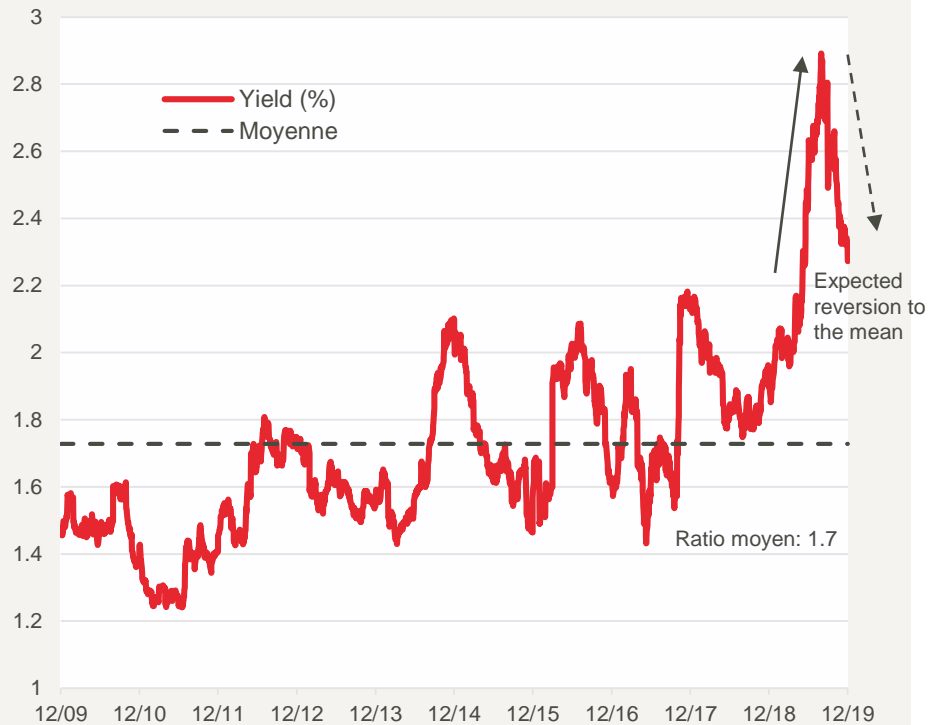
Left chart: data as of 09/2019, right chart: excluded hybrids, data as of 11/2019

Sources: ODDO BHF AM GmbH, JP Morgan

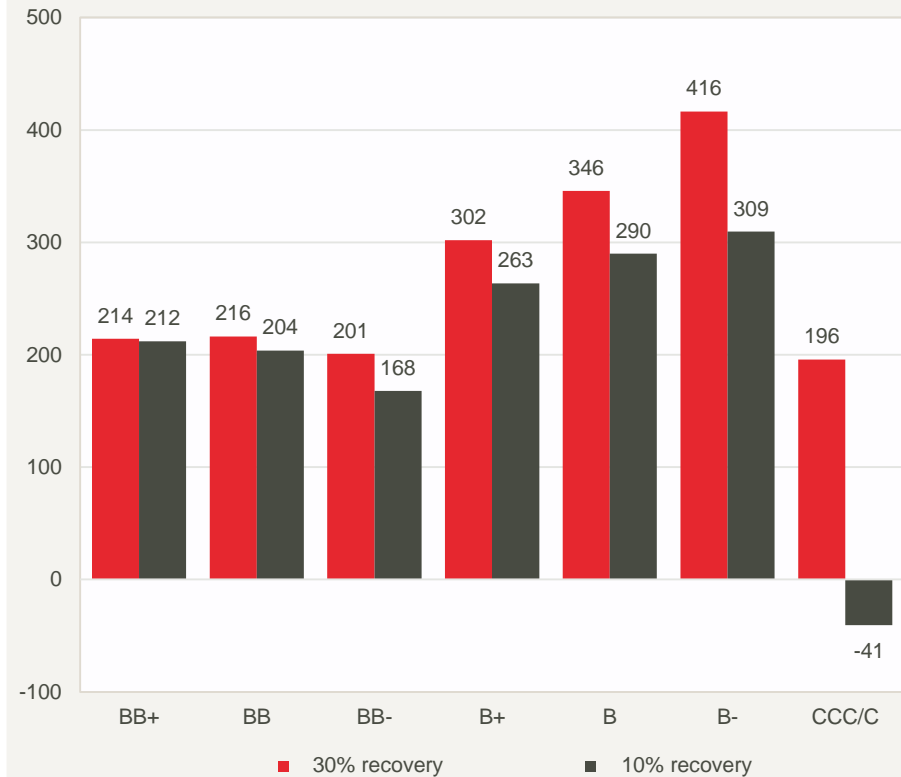
B rated bonds still have room to catch up...



Ratio between 10-year B and B rated bonds

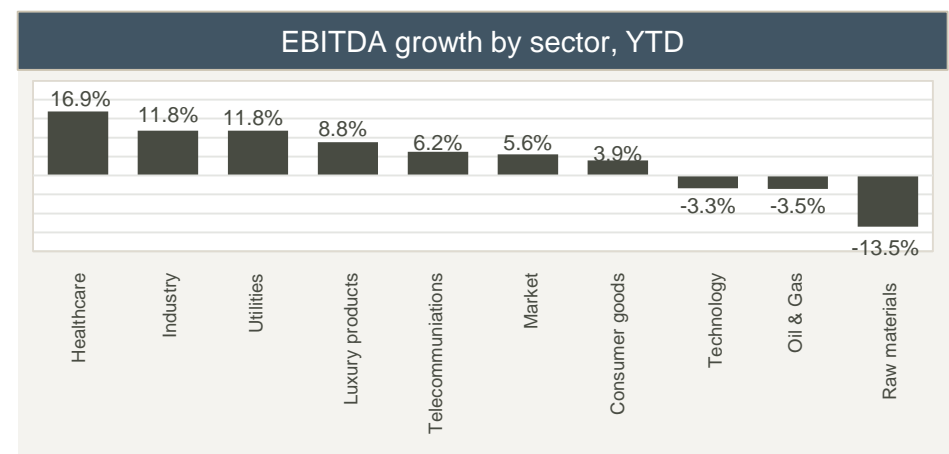
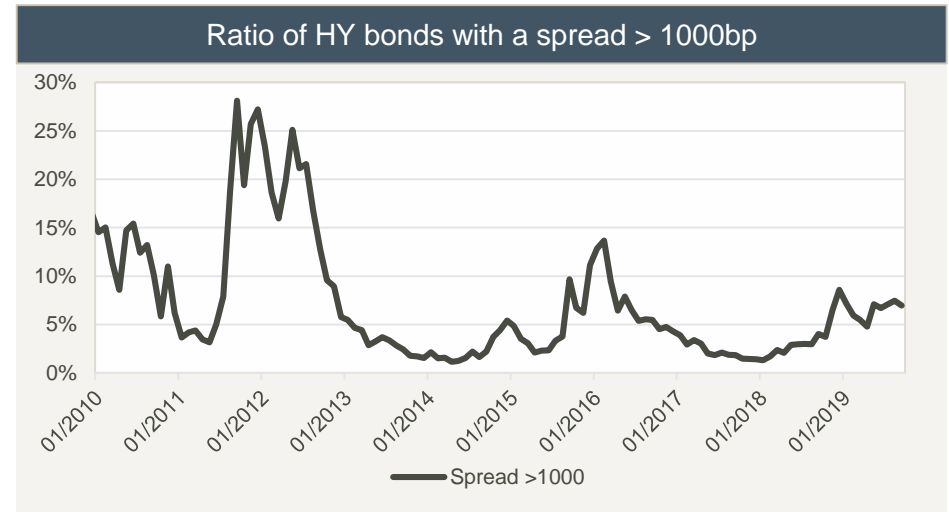
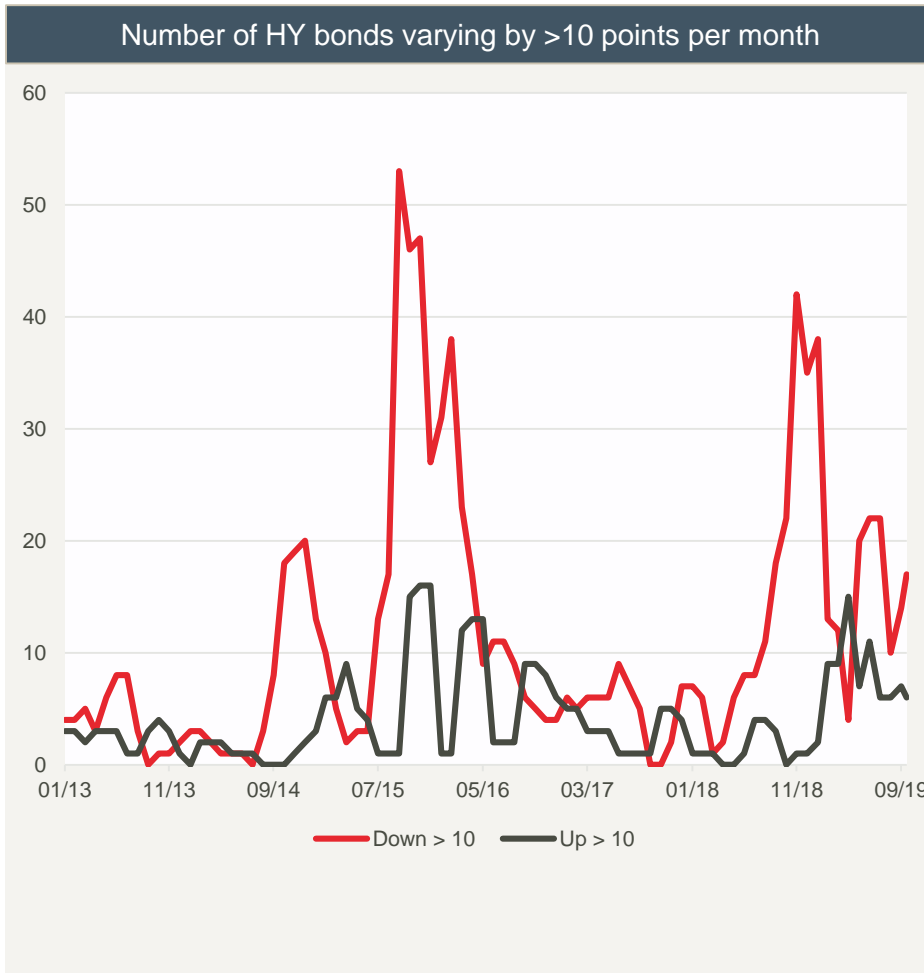


Spread compared with historical default rate, by rating



Source: ODDO BHF AM | ICE, BoAL ML indices | HE20 (EURO B rated bonds) et HE10 (EURO BB rated bonds) | Data as at 31/12/2019 (left hand scale) | Data as at 30/11/2019 (right hand scale)

... but selectiveness is more key than ever!



Source: ODDO BHF AM GmbH, JP Morgan; 11/2019 | Rated issuers. J.P. Morgan (lower right-hand corner) – 30/09/2019

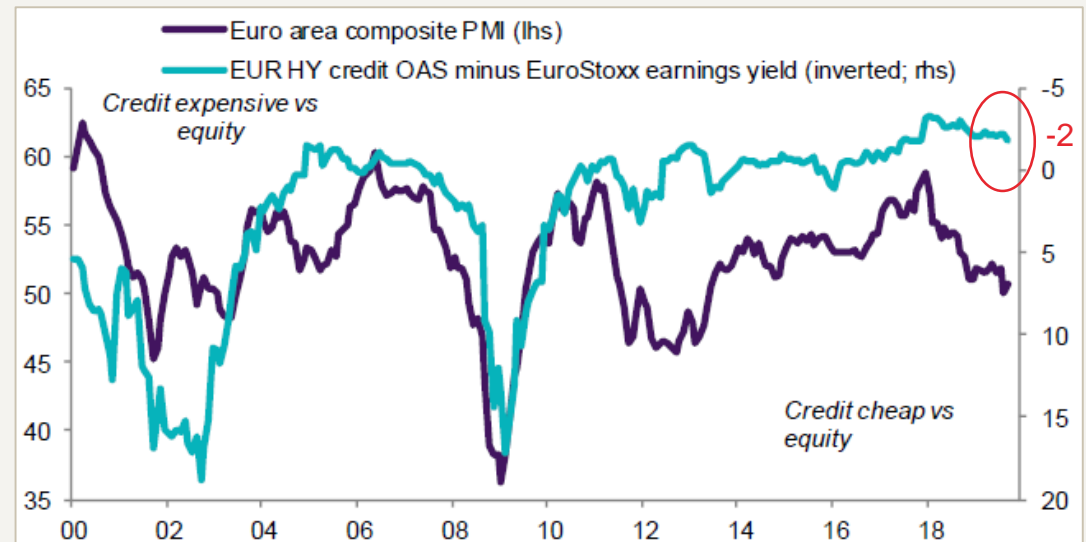
Risk/return on corporate bonds is nonetheless less attractive than equities, at least in Europe



Dividend yield (12mth fwd) – sovereign yield (10y nominal)



European HY credit v equity valuation and the composite EA PMI

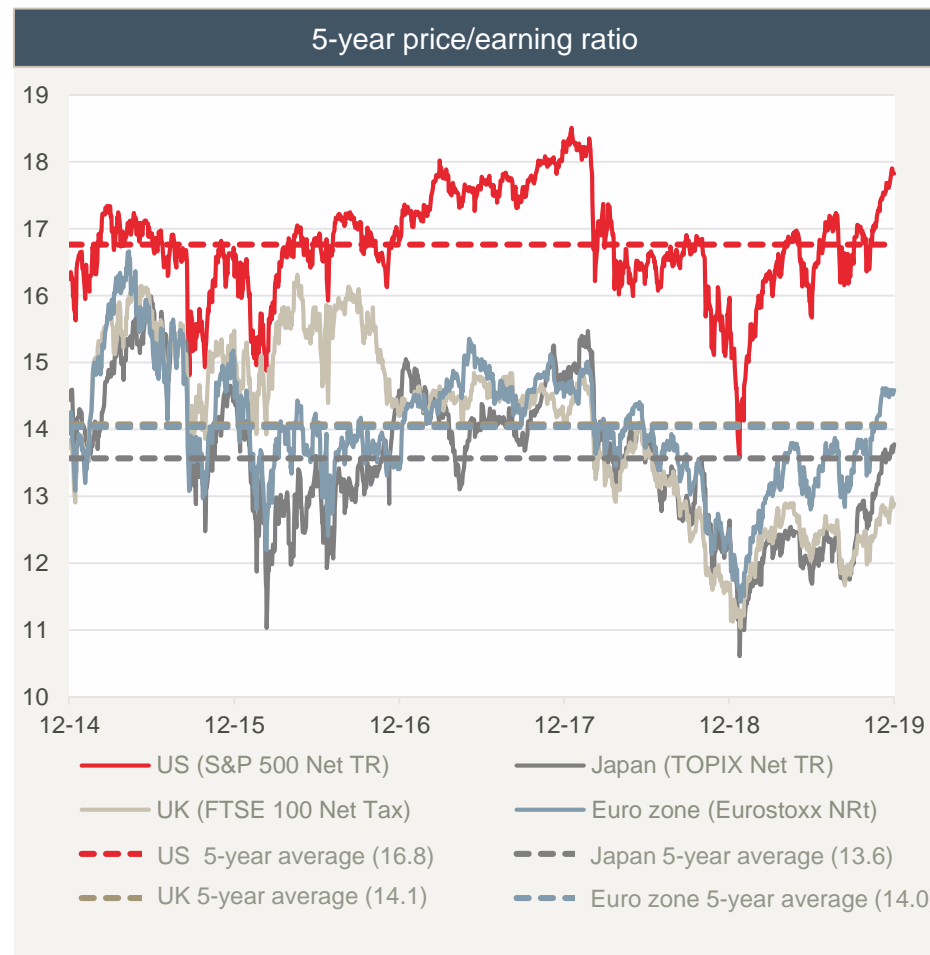


Source: ODDO BHF AM SAS, | Thomson Reuters, Datastream ODDO BHF Securities, data as at 06/12/2019 | NWM, Bloomberg, Markit, Haver | Data as at 30/11/2019



VALUATIONS EQUITIES

US outperformance may be reaching its limits

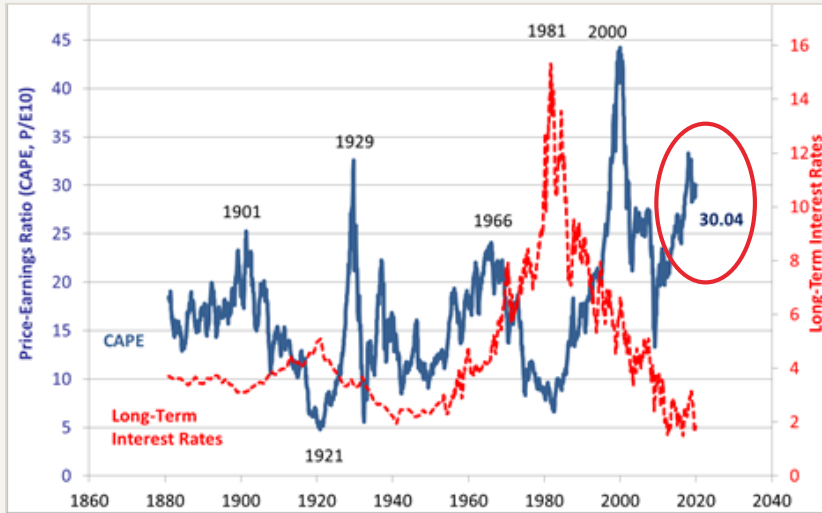


Sources: Bloomberg, ODDO BHF AM SAS | data as of 11/30/2019

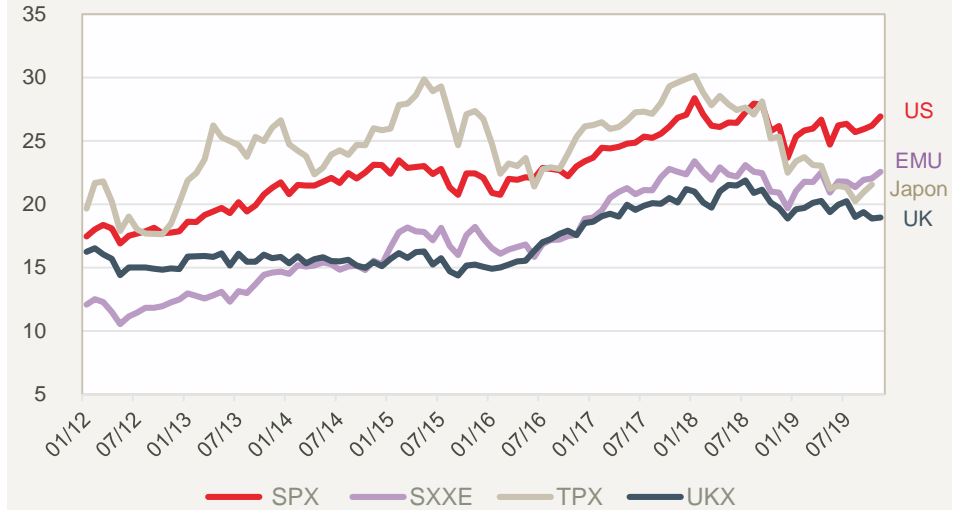
US equities, expensive in absolute and relative terms compared to other markets



US: Shiller's PE ratios



Shiller's PE* US, Eurozone, Japan & UK



US: FCF yield - S&P 500



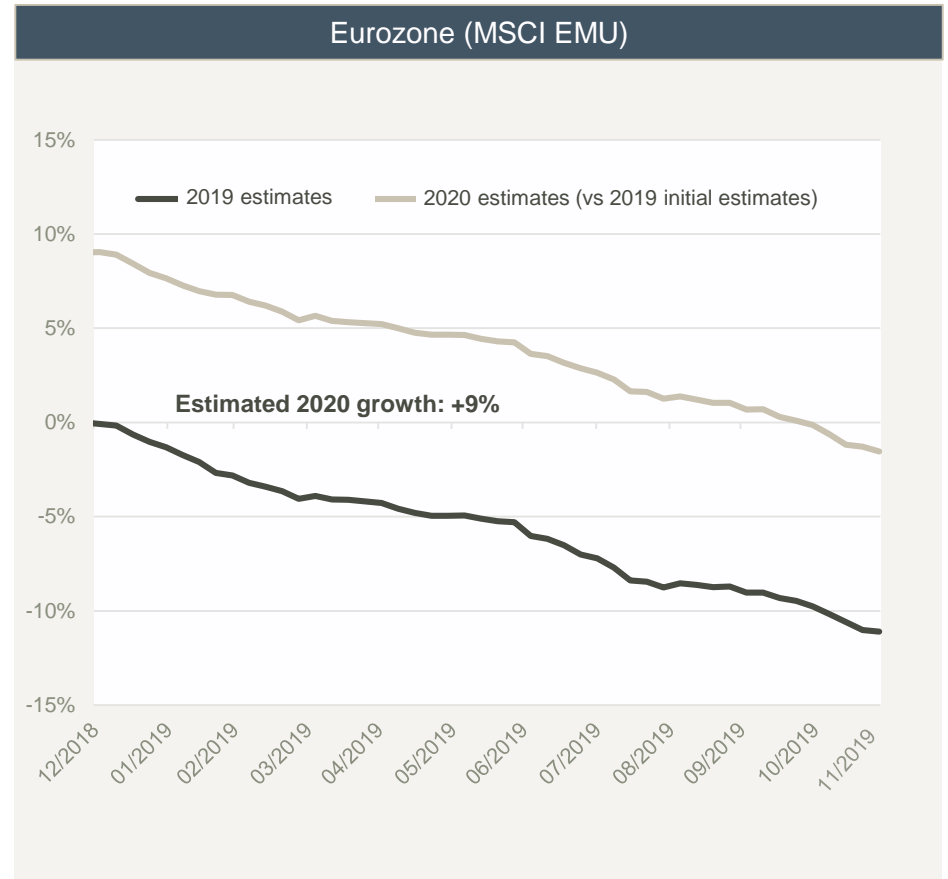
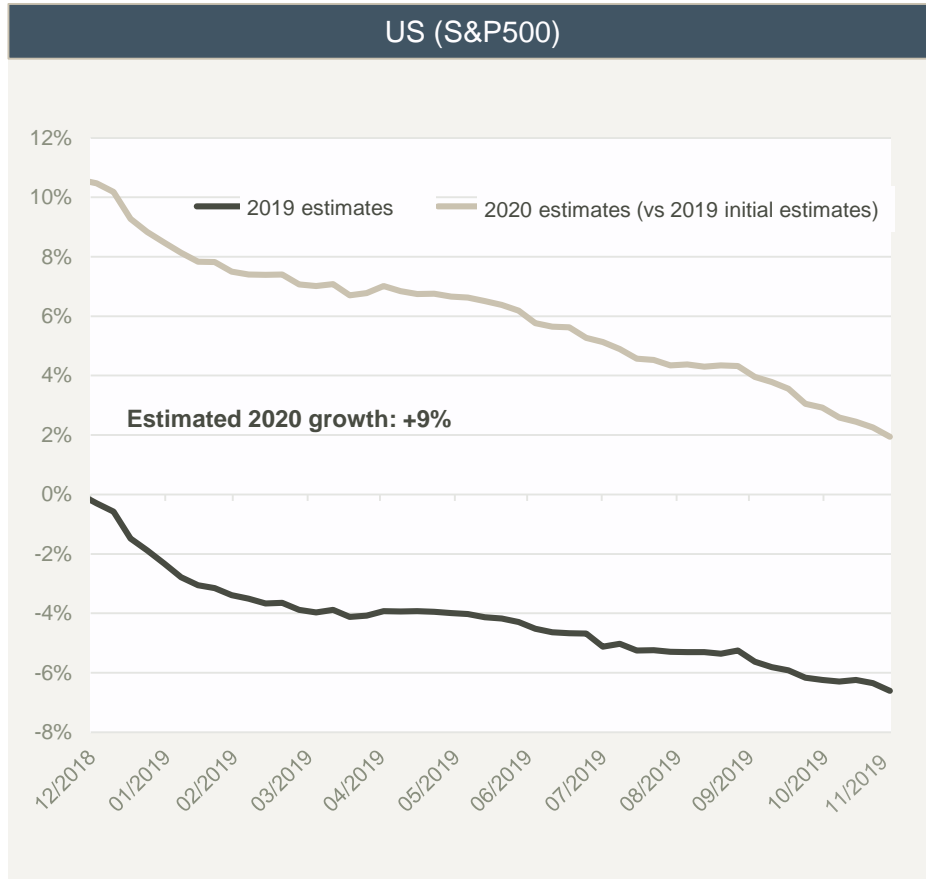
US: ISM composite & EPS growth



FCF: Free Cash Flows |* CAPE (Shiller's PE): Cyclically Adjusted PE ratio: is based on average inflation-adjusted earnings from the previous 10 years.

Sources : ODDO BHF AM SAS, NWM, Bloomberg | Data as of 30/11/2019 | Datastream, Exane Derivatives | R. Shiller/Yale

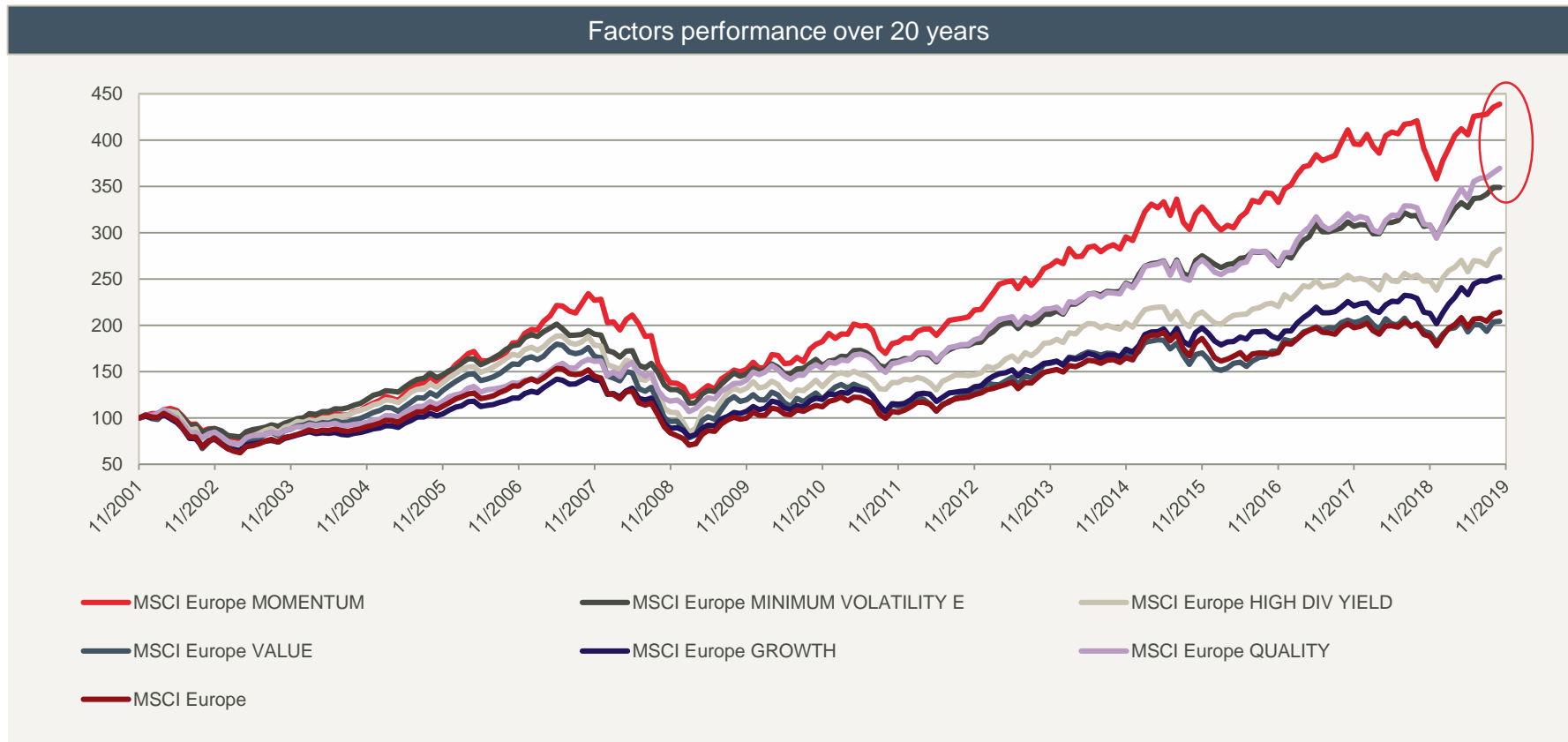
No signs of easing on the company earnings side and very optimistic expectations



Sources: ODDO BHF AM SAS, Bloomberg | Data as of 11/30/2019

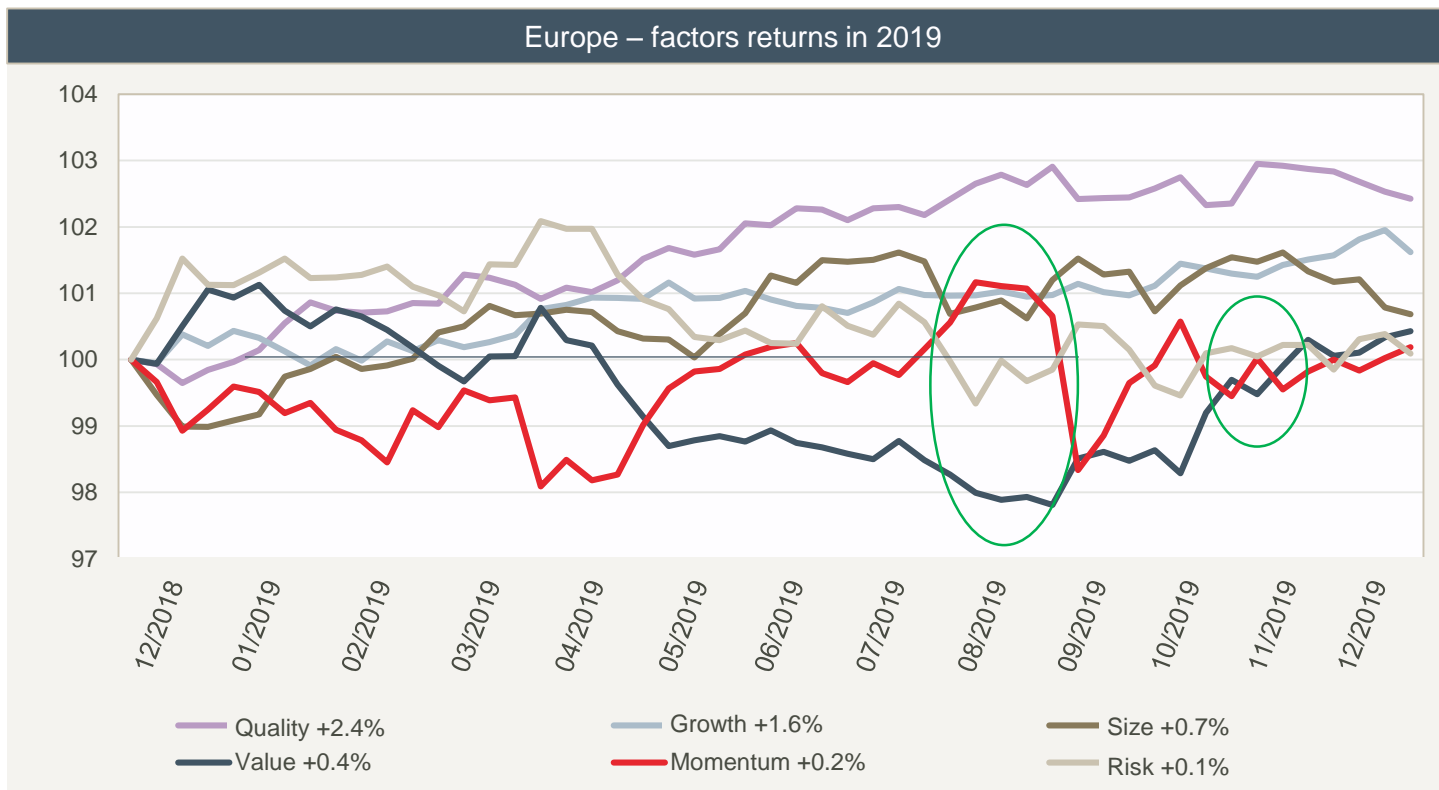
A new angle: factor analysis on Europe

Outperformance of the Momentum factor over 20 years



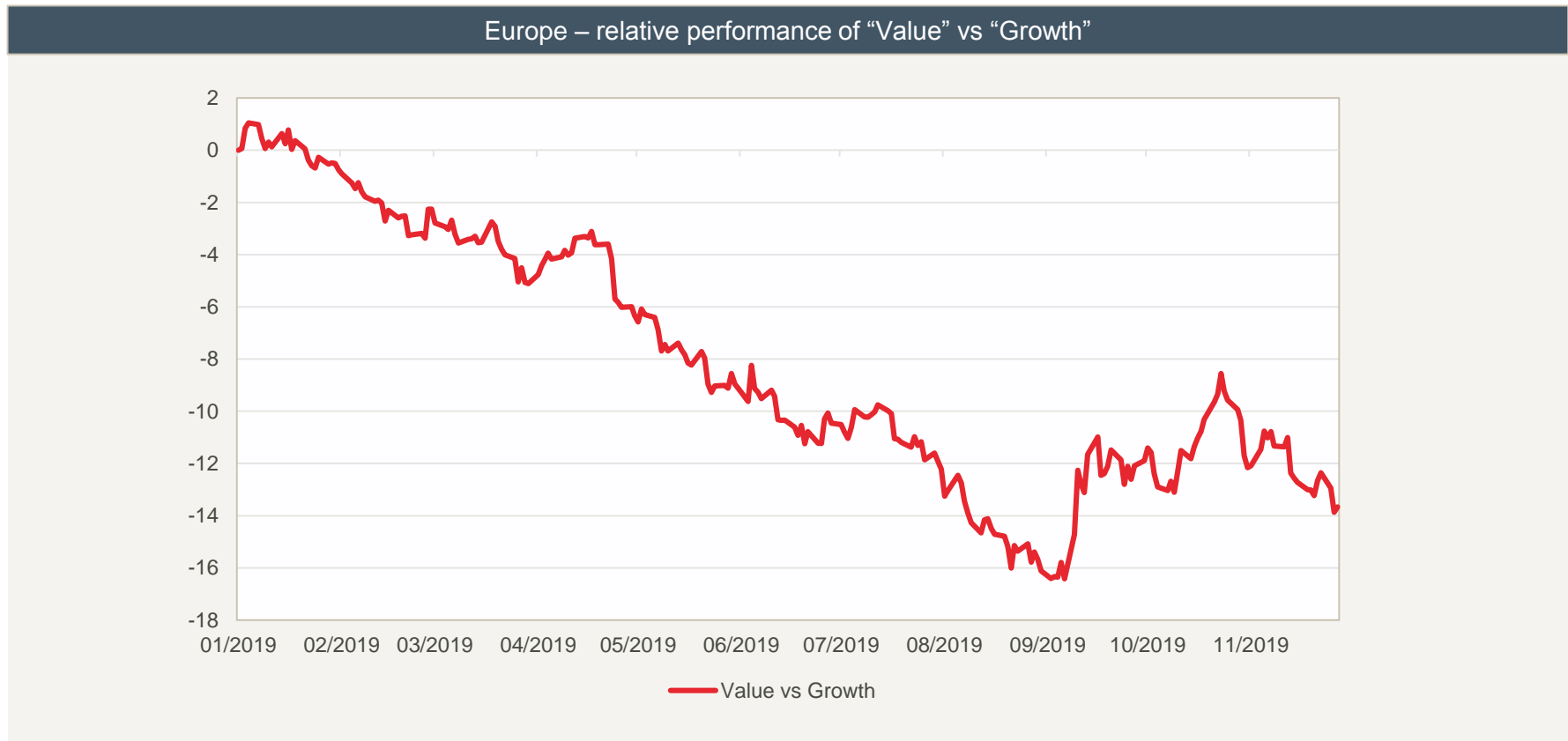
Sources: ODDO BHF AM GmbH, PORT | Data as of 12/02/2019

A year 2019 marked by a remarkable outperformance of "quality" and "growth" stocks



Sources: ODDO BHF AM GmbH | Bloomberg PORT | data as of 12/15/2019

A false start for the value factor in catching up

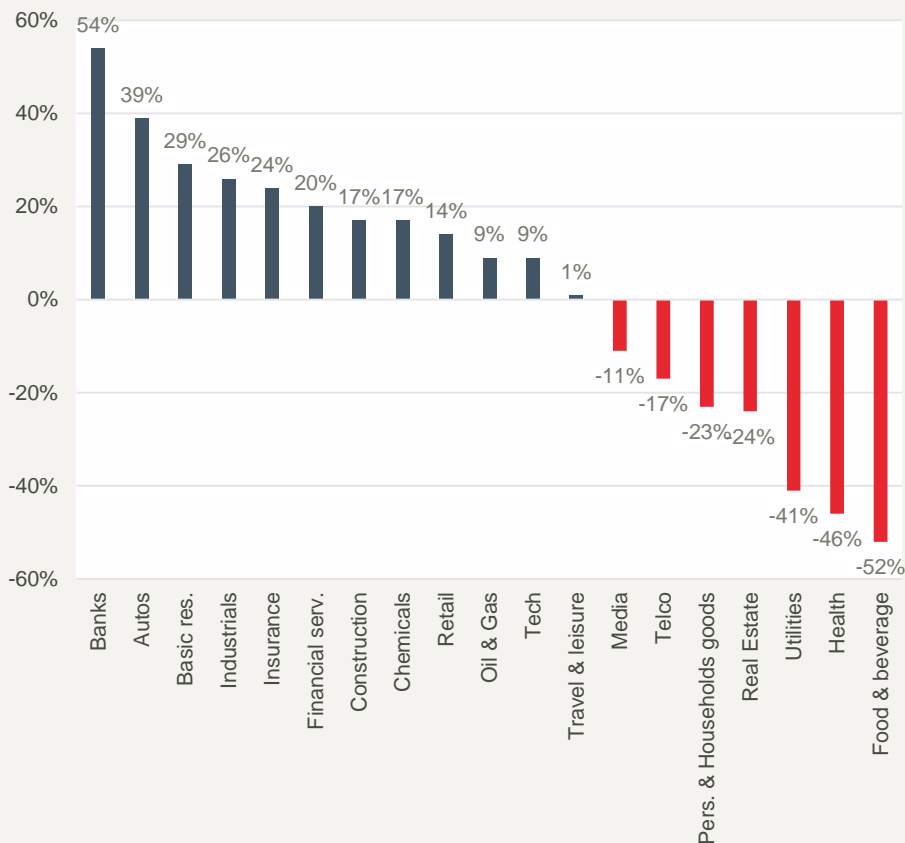


Source: ODDO BHF AM GmbH, PORT | Data as at 02/12/2019

But catch-up may materialize with a positive turnaround in cyclical results, expected with growth stabilisation



Correlation of performance with German 10 year yields



Heatmap of an intra-sector/sector rotation

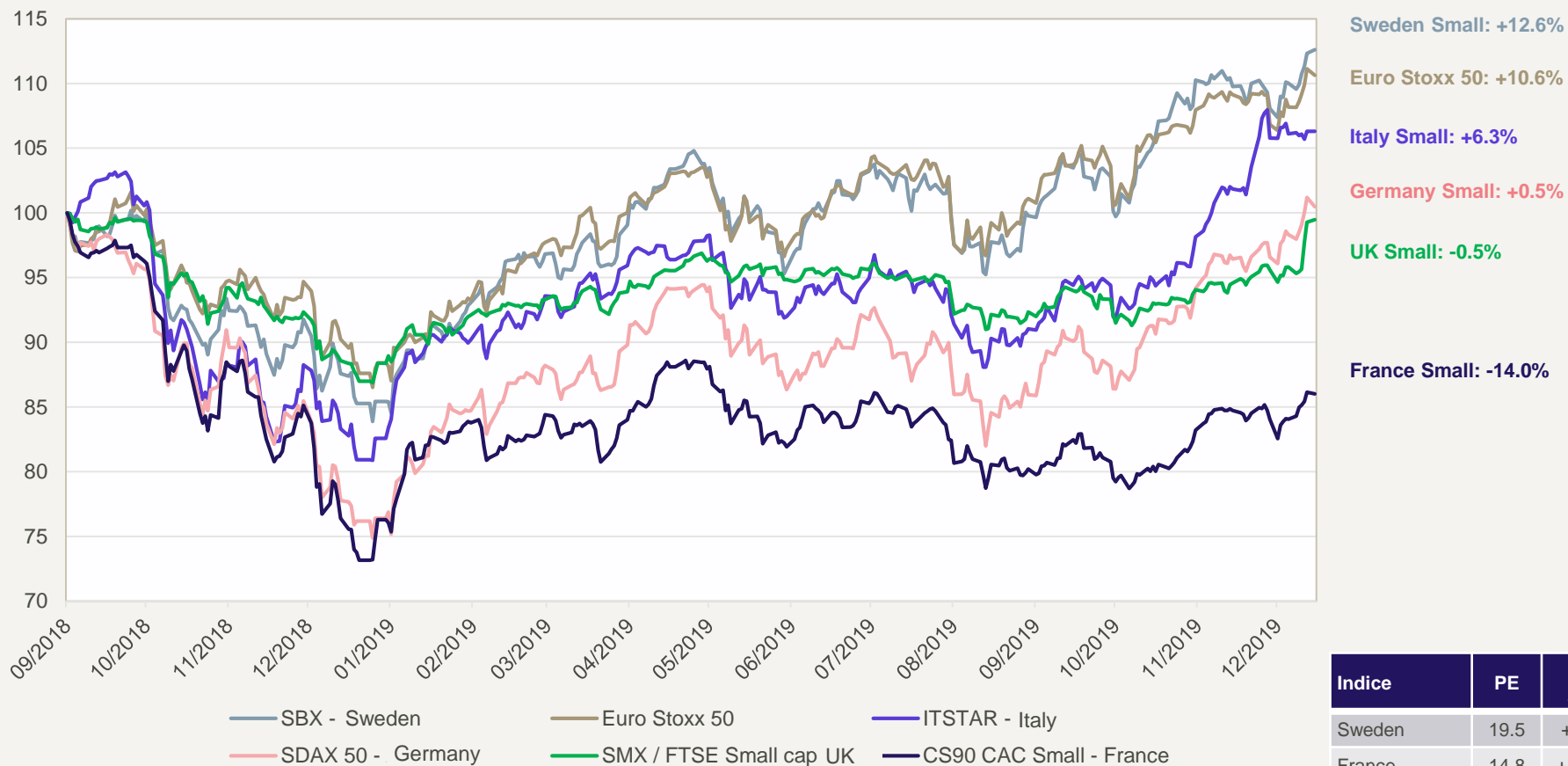
Performance	Value (PE)	
	Jan-Aug.	Sept-Oct
Market	-16.7	10.0
Banks	-6.8	1.3
Autos	-6.3	-2.8
Basic resources	-12.0	0.9
Industrials	-4.0	2.3
Insurance	-3.7	6.4

Sources: ODDO BHF AM SAS, Exane BNP Paribas estimates, Bloomberg | data as of 12/2019

Focus on the "size" factor - the universe of French small caps penalized in Europe



Comparison of Small cap indices in France, Germany, Italy and Sweden

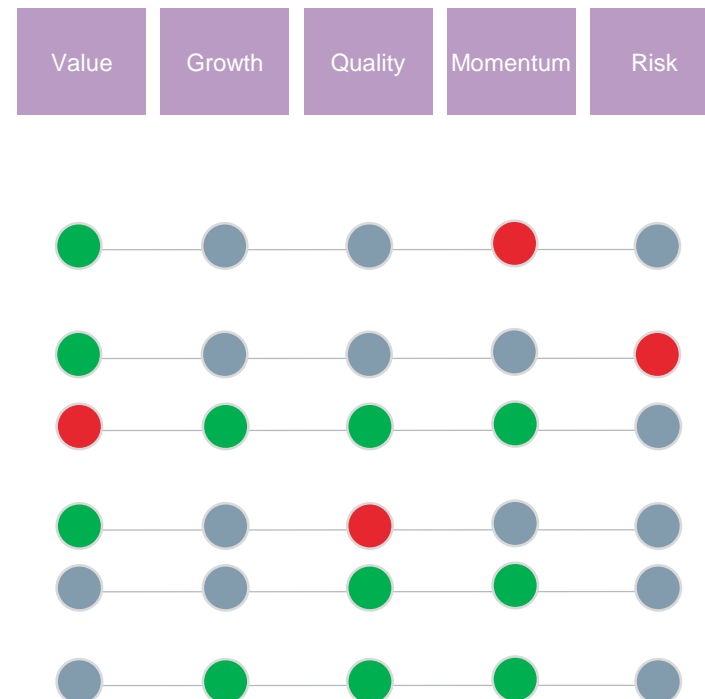


Past performances are not a reliable indicator of future performances and are not constant over time.
Sources: ODDO BHF AM | Datastream, Factset. Data as of 12/16/2019.

Which sectors to favor?



	12-month forward P/E, Dec. 2019	2017 EPS growth	2018 EPS growth	2019 EPS growth	2020 EPS growth	Dividend yield	YTD performance
STOXX Europe 600	14.6 x	21%	5%	3%	8%	3.6%	20.7%
Commodities							
Oil & Gas	11.4 x	83%	40%	-12%	17%	5.9%	2.6%
Cyclicals							
Automotive and spare parts	8.0 x	34%	-10%	-4%	9%	3.9%	16.5%
Technologies	21.5 x	11%	8%	10%	16%	1.4%	33.3%
Financials							
Banks	9.0 x	49%	13%	1%	4%	5.9%	3.7%
Real estate	18.1 x	12%	19%	0%	6%	3.9%	22.8%
Defensives							
Healthcare	17.9 x	4%	4%	7%	8%	2.7%	25.9%



● Favorable ● Neutral ● Unfavorable

Source: ODDO BHF AM SAS, FactSet. Figures as of 12.02.2019 | Attention, some discrepancies may exist between sectors



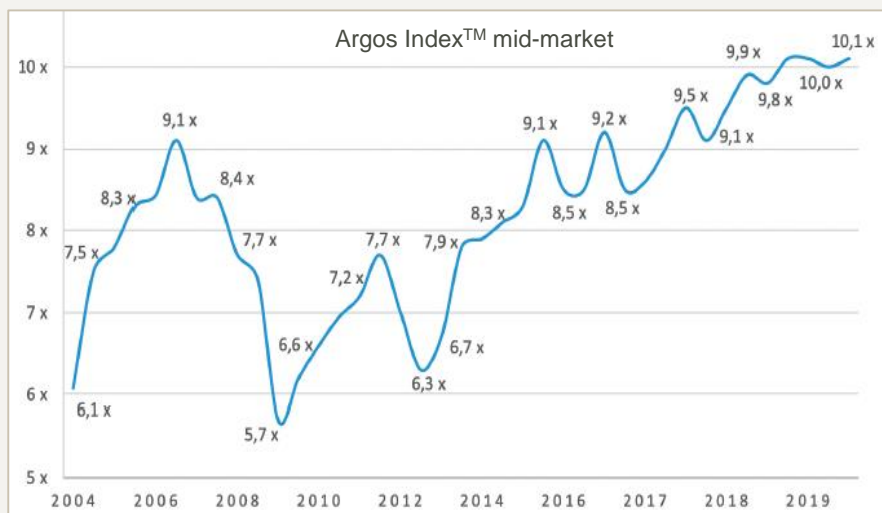
PRIVATE EQUITY

Focus on Private Equity

The market is expensive amid an environment where M&A deals are slowing down

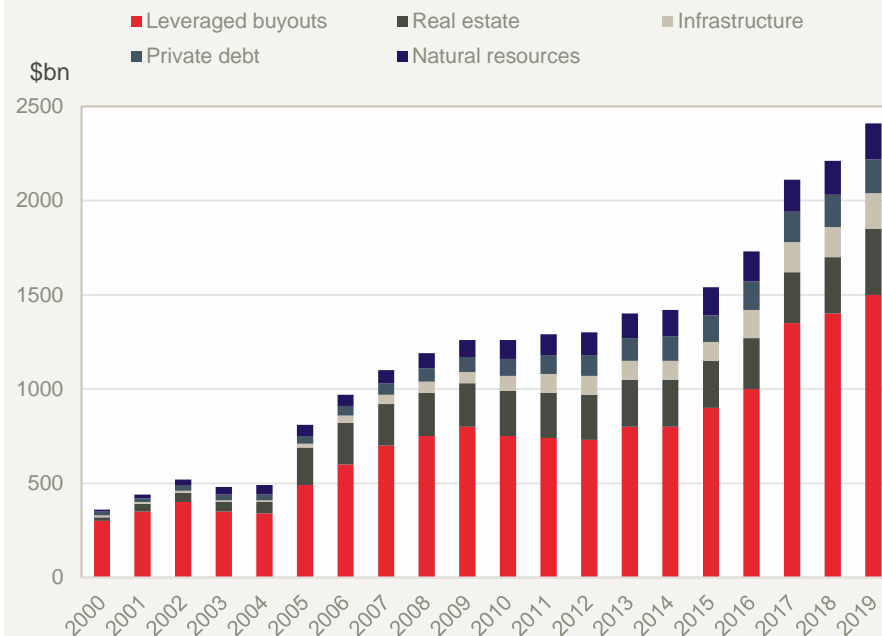


Multiple median EV/EBITDA rolling 6-months



PE deals have never been so expensive...

Amounts to be invested (Dry Powder) by PE Funds



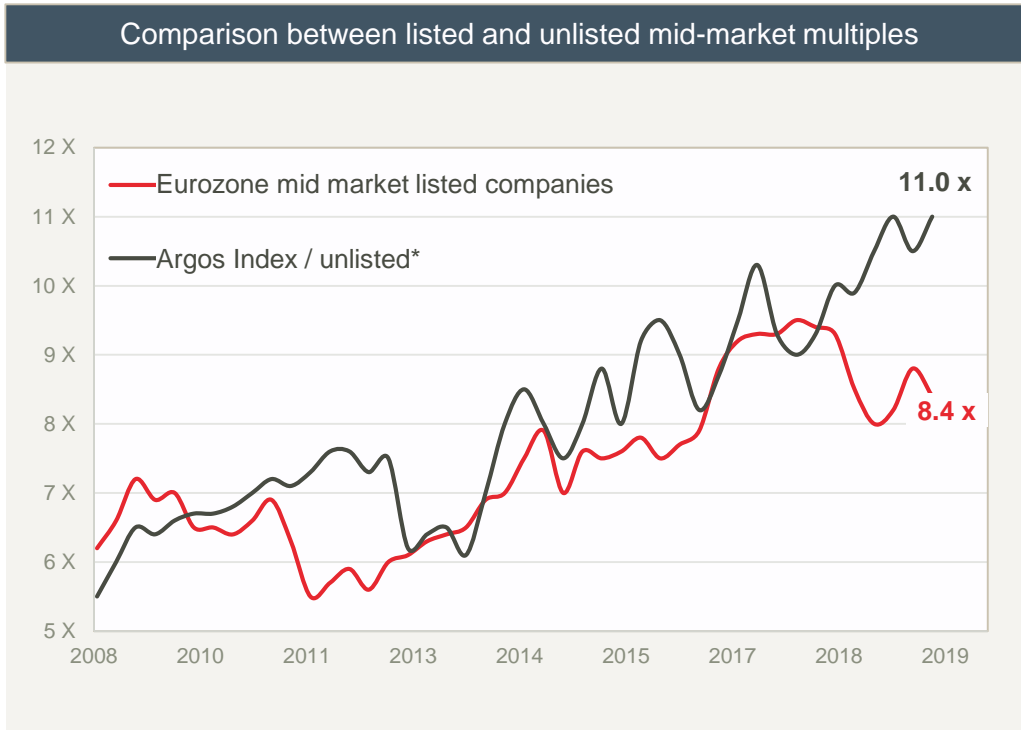
Very significant amounts to be deployed: \$2,500bn, more than half of which comes from LBO

Sources : ODDO BHF AM | Argos Index™ mid-market / Epsilon Research | Financial Times, Preqin | data as of Q3/2019

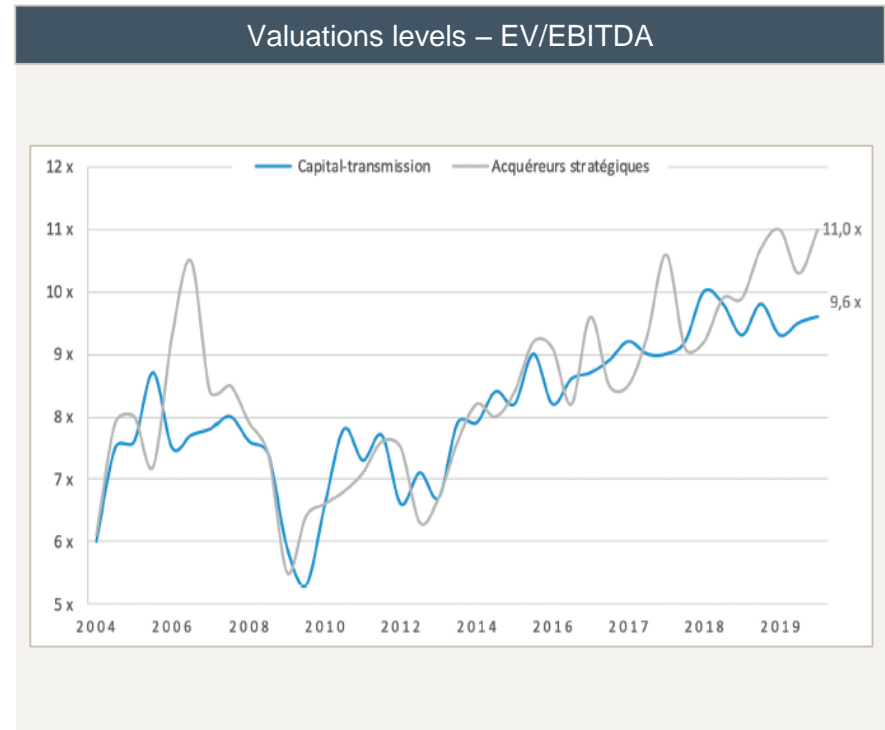
A trend fueled by strategic buyers



Multiples reached a record level of 11x EBITDA for the unlisted vs. 8.4x for the European mid caps (listed)



Gap between valuations of private equity and listed stocks have never been so wide post 2008 crisis



Strategic buyers drive valuations up and bring some dispersion

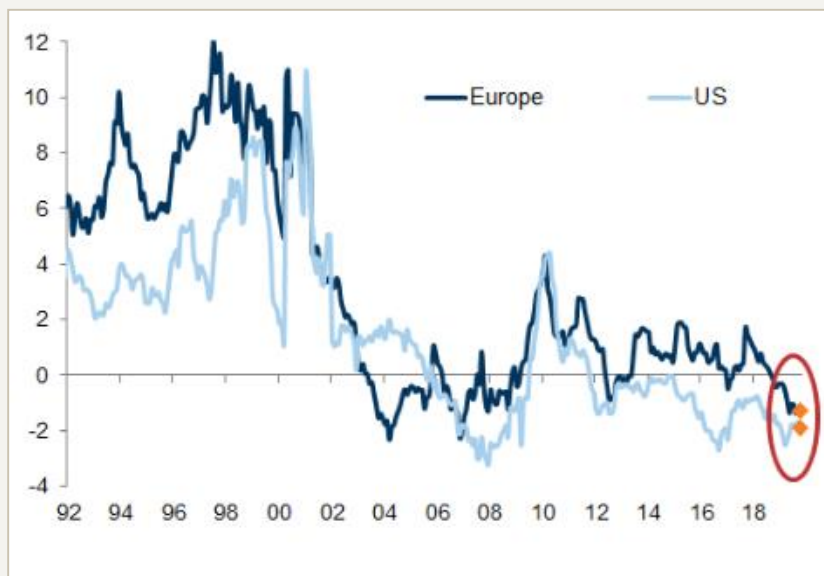
The potential discount on the secondary market enables to stay out of these multiple levels

Multiple médian EV/EBITDA
Sources : ODDO BHF AM | Argos Index™ mid-market / Epsilon Research | data as of Q3/2019

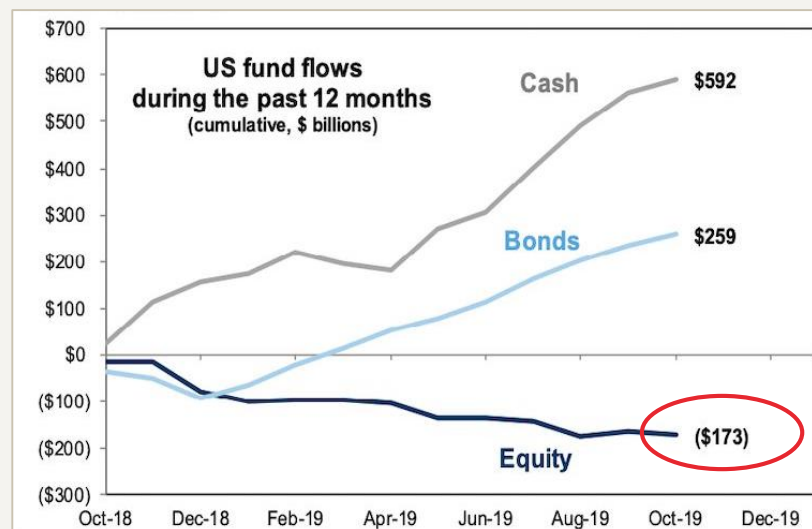
Zoom in on the flows - Delisting combined with a return of investors could boost the market



Supply / demand in Equities in Europe



US flows over 12 months



Sources : ODDO BHF AM | EPFR & Goldman Sachs Global Investment Research, data as of 10/24/2019





03

OUR POSITIONING

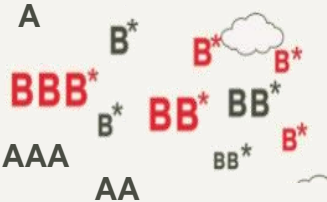



Geography






Fixed income






Investment Grade



High Yield « B »

Equity




Value

Growth

Revisions

Risk

Momentum



Tactical


Value


Small cap.

Strategic

Quality

Private assets





Private equity
primary

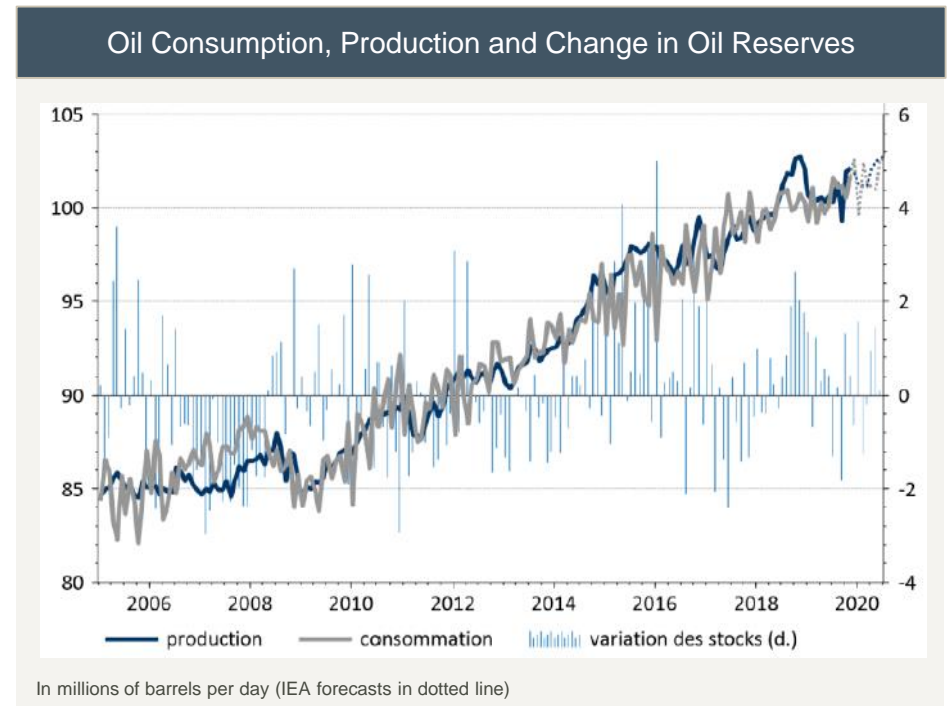
Thematic

Private equity
secondary

Buyout

Source : ODDO BHF AM | The opinions presented in this document result from our market forecasts on the publication date. They are subject to change according to market conditions and ODDO BHF ASSET MANAGEMENT SAS shall not in any case be held contractually liable for them.

What about commodities?



Past performance is not a reliable indication of future returns and is not constant over time.

Sources: ODDO BHF AM | Bloomberg. Data as of 01/06/2020 | Refinitiv Datastream, *Les cahiers verts de l'économie*



Central scenario: Signs global growth stabilization. US-China trade tensions easing, but geopolitical risks rising

Europe

- Recent data shows tentative signals of a bottoming out in the industrial sector but first green shoots still need to be confirmed in coming months. Domestic demand still very robust
- Accommodative monetary policy prolonged at least until 2020

US

- Economy still robust despite headwinds. Risk of spill-over of weakness from manufacturing into service sector has been contained so far
- Fed to pause after mid-cycle adjustment is done
- Uncertainty coming from more protectionism and regulation

65%

Assets to overweight



- Equities (still neutral)
- Credit

Assets to underweight



- Sovereigns

Strategy



- Flexibility
- Hedging (options, gold,...)

Alternative scenario: Interest rate risk fueled by surprise jump in the US inflation and growing US budget deficit

- Wage acceleration
- Surging oil prices fuelled by an escalation of political tensions in Middle East
- Reduction of growth potential

10%

Assets to overweight



- Inflation-hedged bonds
- Alternative strategies
- Cash

Assets to underweight



- Equities
- Core Sovereigns
- High Yield credit

Alternative scenario: Increase in protectionism and contagion from geopolitics

- US-China trade war impacting global supply chains
- Geopolitical risks materializing
- China: risks of economic rebalancing
- Brexit: deal after general election

25%

Assets to overweight



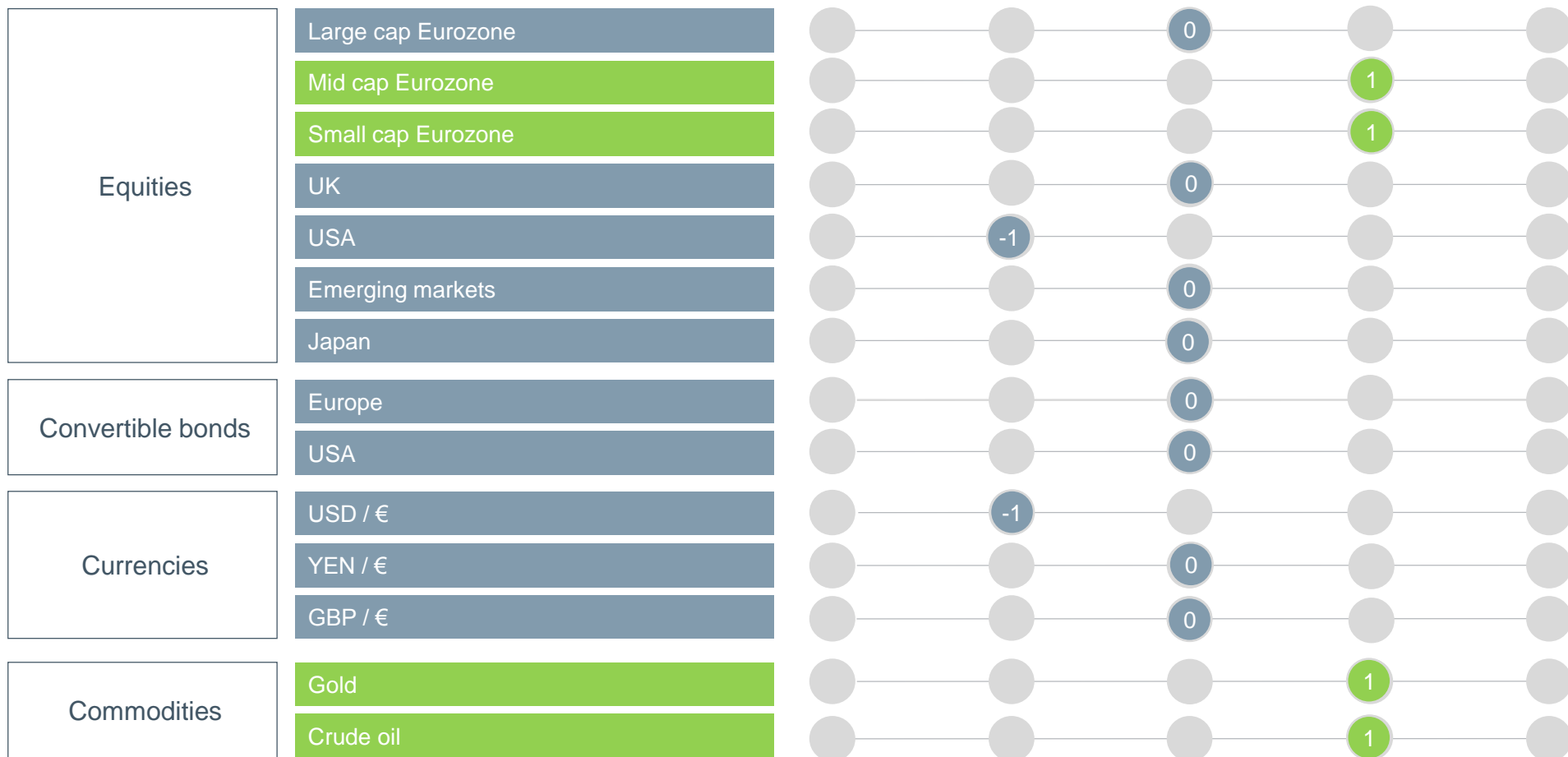
- Money Market CHF & JPY
- Volatility
- Core government bonds

Assets to underweight



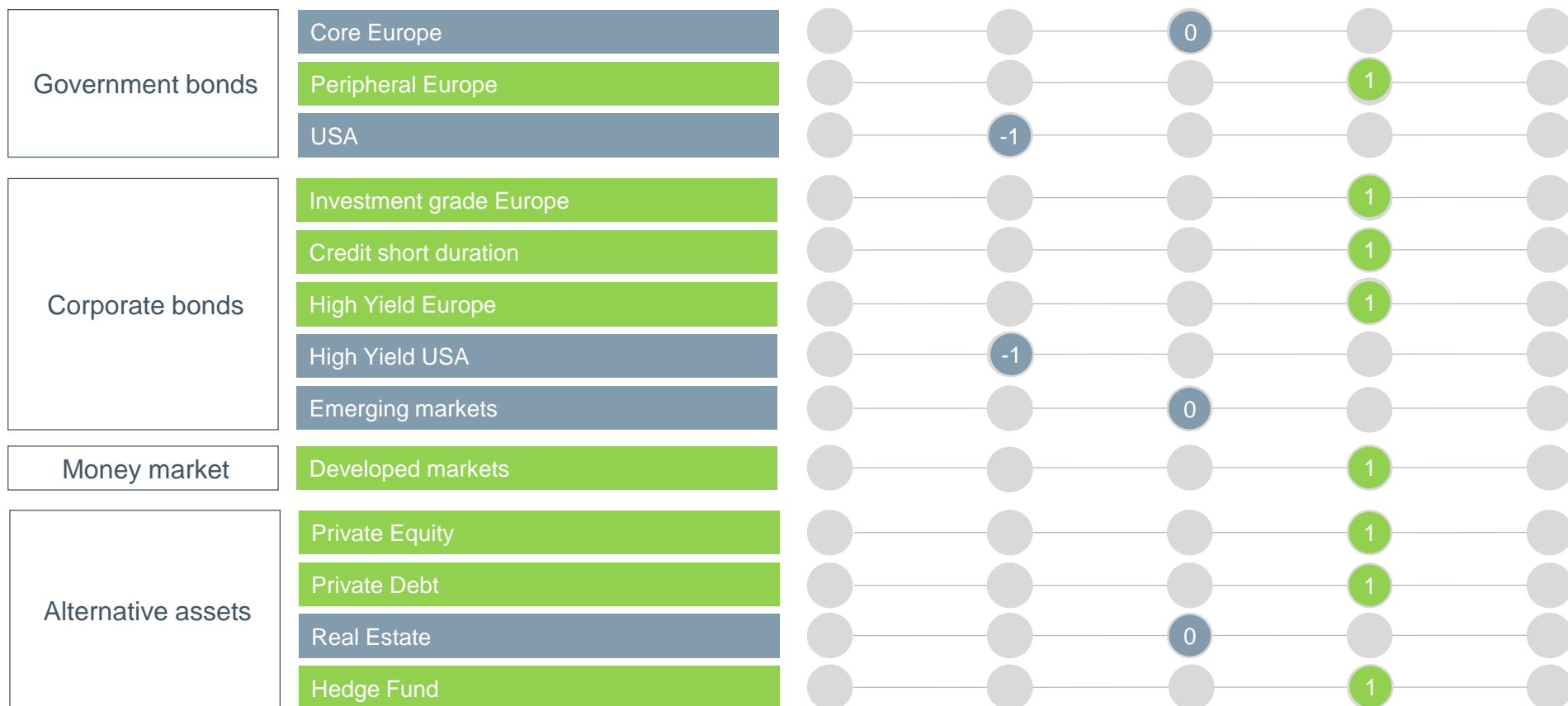
- Equities
- High Yield credit

Our 6-month convictions for each asset class



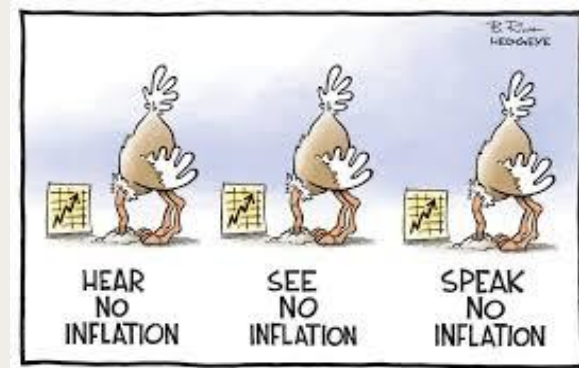
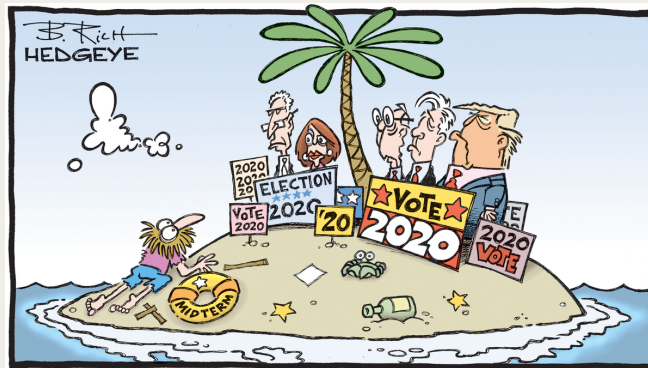
ODDO BHF AM | comments as of 01/09/2020 | **The opinions presented in this document result from our market forecasts on the publication date. They are subject to change according to market conditions and ODDO BHF ASSET MANAGEMENT SAS shall not in any case be held contractually liable for them.**

Our 6-month convictions for each asset class



ODDO BHF AM | comments as of 01/09/2020 | **The opinions presented in this document result from our market forecasts on the publication date. They are subject to change according to market conditions and ODDO BHF ASSET MANAGEMENT SAS shall not in any case be held contractually liable for them.**

Main risks to consider

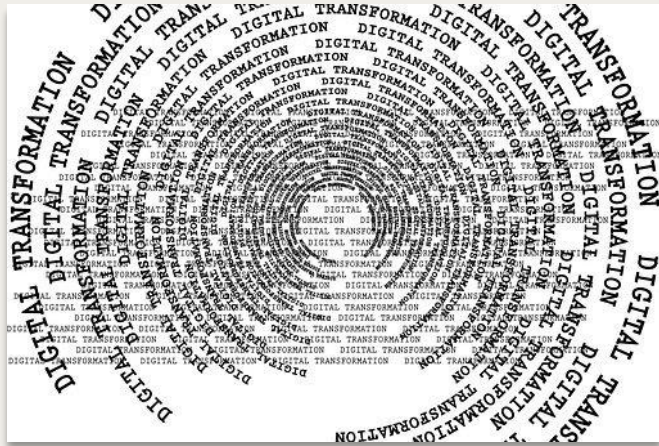




04

NEW WAYS OF INVESTING

In reaction to the disruptions in our societies and the long-term risks, it is now essential to rethink how we invest



Analysis powered by artificial intelligence

Getting the jump on the major trends of the next few years and identifying the most promising companies



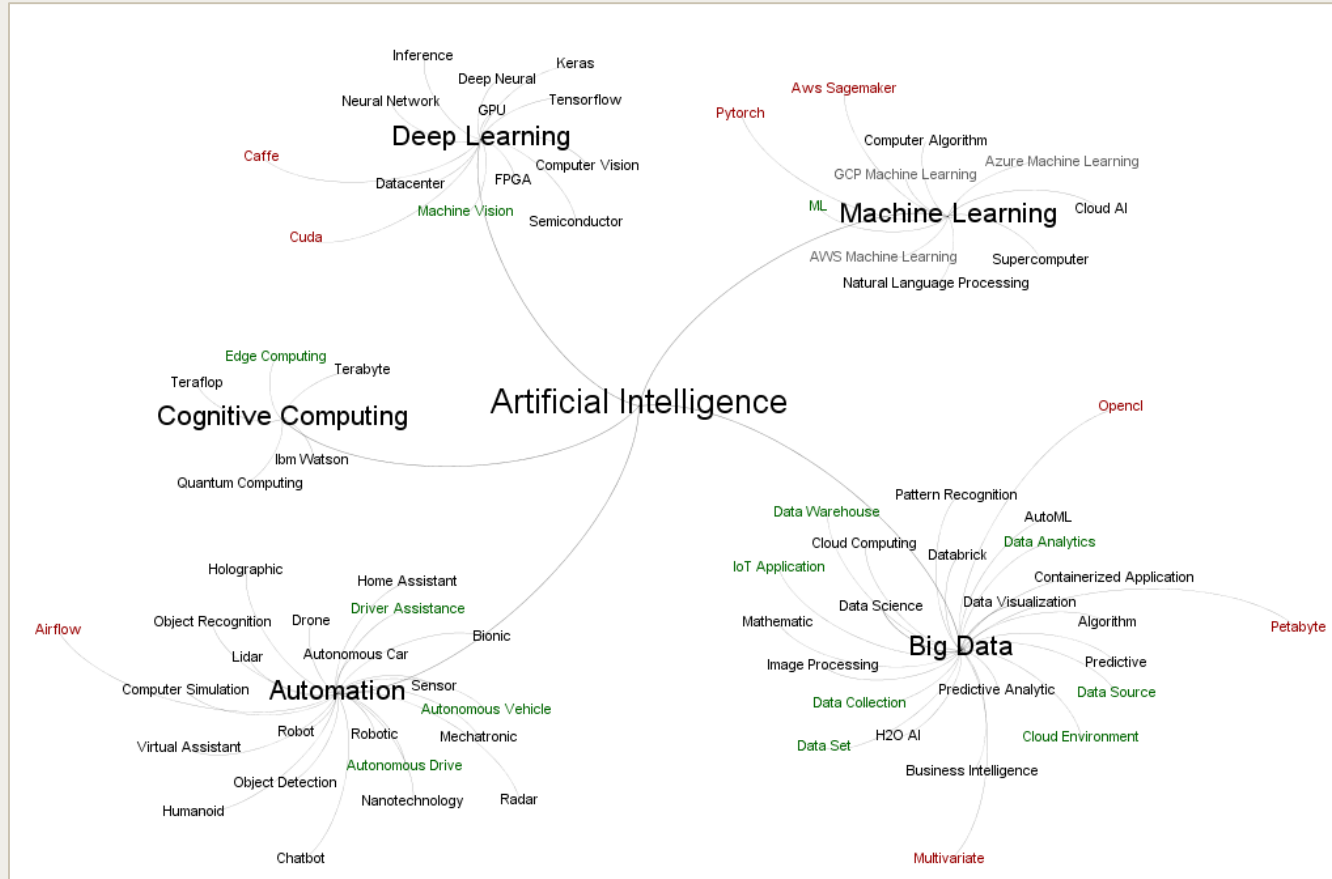
ESG integration's impact on performance

Research based on extra-financial data (ESG criteria, CSR reports, etc.) provides greater insight into companies

ANALYSIS POWERED BY ARTIFICIAL INTELLIGENCE



Detecting promising themes thanks to semantic analysis and Big Data
 Taking the "Artificial Intelligence" theme as an example: in 2019, 13 new words entered the semantic field.



Source: ODDO BHF AM SAS. These examples are not investment recommendations . Data for illustration purposes only – 12/2019

Precise scoring of stocks thanks to Big Data analysis allowing to select the most promising companies in the field of AI



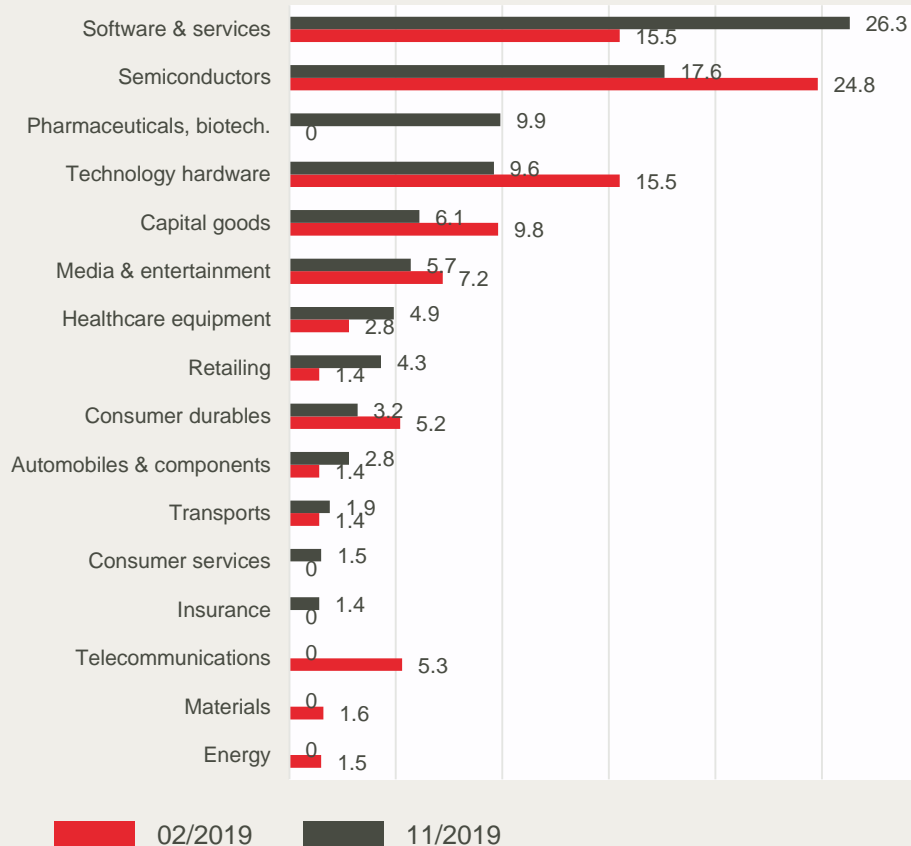
Company Name	Automation	Big Data	Cognitive Comput	Deep Learning	Machine Learning	Global Score	Rank	
Amazon.com	↑ 0.39	↑ 0.56	→ 0.01	↑ 0.16	↑ 0.28	↑ 141	1	=
Microsoft	↑ 0.35	↑ 0.52	→ 0.02	↑ 0.24	↑ 0.26	↑ 138	2	=
Apple	↑ 0.39	↑ 0.25	↑ 0.02	↑ 0.18	↑ 0.08	↑ 0.90	3	+4
Alphabet	↑ 0.20	↑ 0.24	↑ 0.01	↑ 0.09	↑ 0.15	↑ 0.69	4	+8
Intel	↑ 0.10	↓ 0.10	→ 0.02	↑ 0.26	↓ 0.07	↑ 0.54	5	-1
NVIDIA	↑ 0.07	↑ 0.08	→ 0.01	↑ 0.27	↓ 0.05	↑ 0.48	6	=
QUALCOMM	↑ 0.07	↑ 0.04	→ 0.00	↓ 0.23	→ 0.01	↓ 0.35	7	-4
Facebook	↓ 0.05	↓ 0.17	→ 0.00	→ 0.03	↑ 0.05	↓ 0.32	8	=
SAMSUNG	→ 0.10	↑ 0.04	→ 0.00	↑ 0.14	↑ 0.02	↑ 0.30	9	+2
IBM	↓ 0.05	↓ 0.10	↑ 0.05	→ 0.03	↓ 0.06	↓ 0.29	10	-5
Oracle	↓ 0.07	↓ 0.10	↑ 0.01	↑ 0.02	↑ 0.07	↓ 0.28	11	-2
AT&T	0.05	0.05	0.01	0.03	0.08	0.21	12	New
Keysight Technologies	0.01	0.09	-	0.10	0.00	0.21	13	New
Micron Technology	0.03	0.01	0.00	0.14	0.03	0.20	14	New
Semtech	→ 0.03	↑ 0.09	→ -	↑ 0.07	→ -	↑ 0.20	15	-2
SAP	0.04	0.06	0.00	0.01	0.07	0.18	16	New
NXP Semiconductors NV	↓ 0.01	↓ 0.00	→ 0.00	↓ 0.16	→ 0.00	↓ 0.18	17	-4
Synopsys	→ 0.07	↑ 0.02	→ 0.00	↑ 0.08	↑ 0.01	↓ 0.18	18	-3
General Motors Company	0.14	0.01	0.00	0.01	0.01	0.16	19	New

→ Changed from January 2019

Overview of change in sectors' portfolio weight and their impact on performance



Comparison of sectors' portfolio weights (in %)



Comparison of top portfolio positions

02/2019

Stock	Weight	Sector	Country
Robot	2.09%	Households appliances	
ARISTA	1.82%	Communications equipment	
GARMIN	1.80%	Consumer electronics	
mercury systems	1.80%	Aerospace & defense	
WABCO	1.79%	Construction & farm machinery & heavy trucks	

11/2019

Stock	Weight	Sector	Country
IAG INTERNATIONAL AIRLINES GROUP	1.93%	Airlines	
FORTINET	1.90%	Systems software	
ST	1.84%	Semiconductors	
GUIDEWIRE	1.83%	Application software	
REGENERON	1.81%	Biotechnology	

Source : ODDO BHF AM SAS. These examples are not investment recommendations.



Launched in December
2018



€68 m in
assets under
management



+ 30.2% in
2019



Q1
since the beginning of
2019

- Global equities exposed to the theme of Artificial Intelligence
- **A process that uses the most advanced technologies available to an asset manager:** a combination of analysis based on artificial intelligence, our quantitative multi-factor model "Algo 4" and a fundamental review.
- **Small and mid caps at the core of our strategy:** thanks to artificial intelligence analysis, the fund is able to identify promising small and medium-sized companies "under the radar" of fundamental managers.
- **Diversification, one of the fund's pillar:** diversification by AI sub-theme, sector and country
- Artificial intelligence analysis also allows for the **early detection of new trends in the field of "Artificial Intelligence"** as well as **changes in market sentiment.**

Past performance is not a reliable indication of future return and is not constant over time



Annual performance since inception* (in %)

From	19/12/2018			
to	31/12/2019			
ODDO BHF Artificial Intelligence Clw-USD**	29.6%	Fund (Clw-USD)	Benchmark	<i>For information Morningstar Category***</i>
Benchmark	26.2%	1 year volatility	10.1%	12.0%
<i>For information</i>				
Morningstar category***	23.9%			

Evolution of performance since inception (base 100)



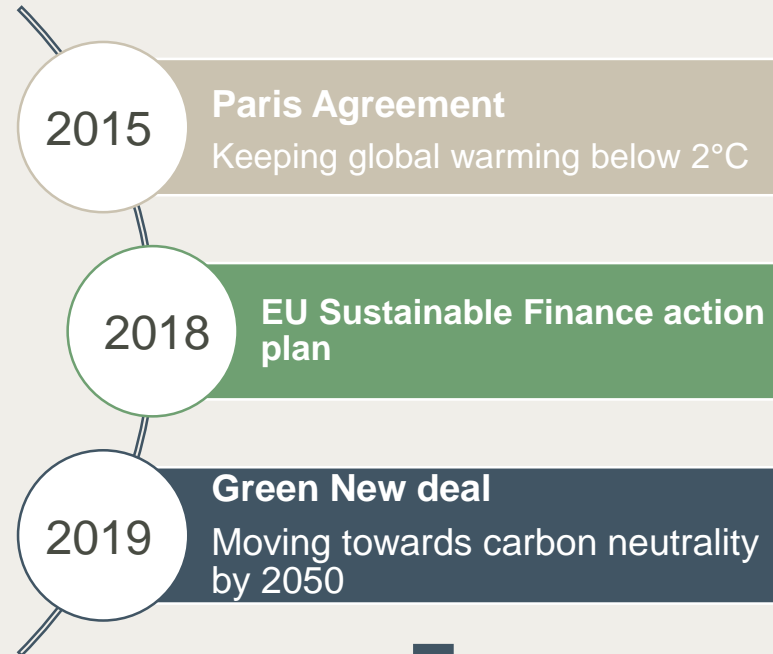
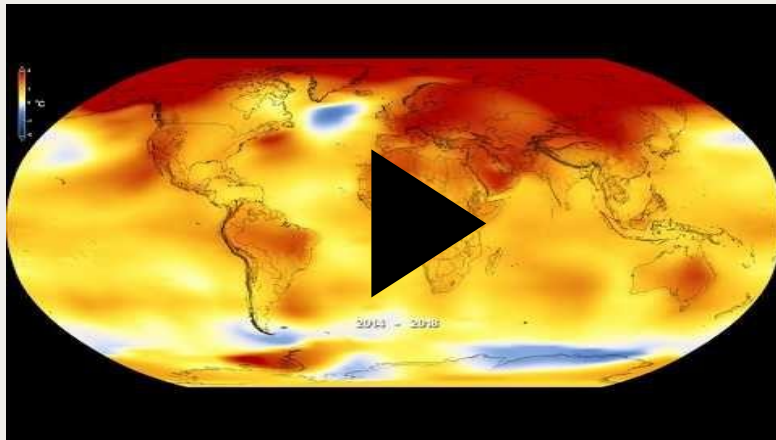
Past performance is not a reliable indication of future return and is not constant over time

The fund is exposed to a risk of capital loss

Benchmark: 100% MSCI World NR USD. Source : ODDO BHF Asset Management SAS. Data as of 31/12/2019. Part Clw-USD. Net of fees. * Inception date 12/19/2018 **The CR-EUR share does not have sufficient performance history to be reported. *** Morningstar category: Global Large-Cap Blend Equity

ESG INTEGRATION'S IMPACT ON PERFORMANCE



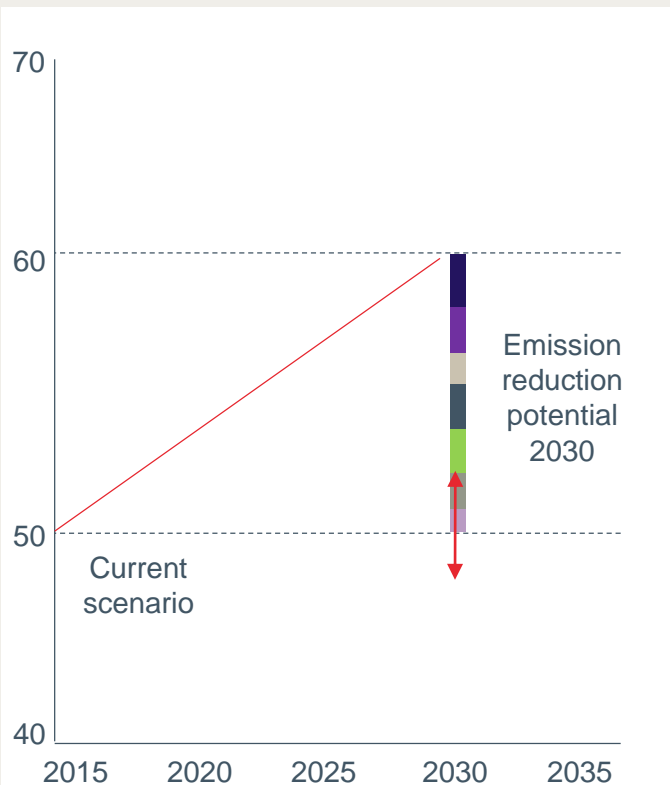


Reallocating financial flows to finance the Ecological Transition

The ecological transition is an opportunity for investors



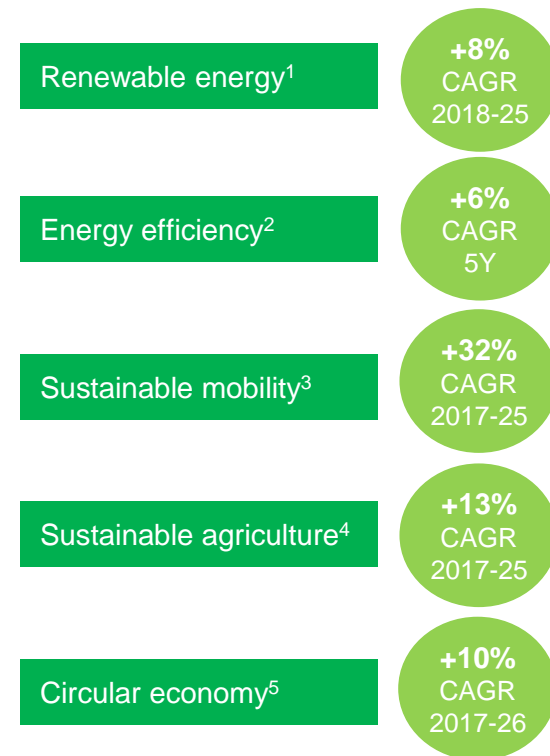
Annual Global Total Greenhouse Gas Emissions



Sectoral emission reduction potentials in 2030



Opportunities



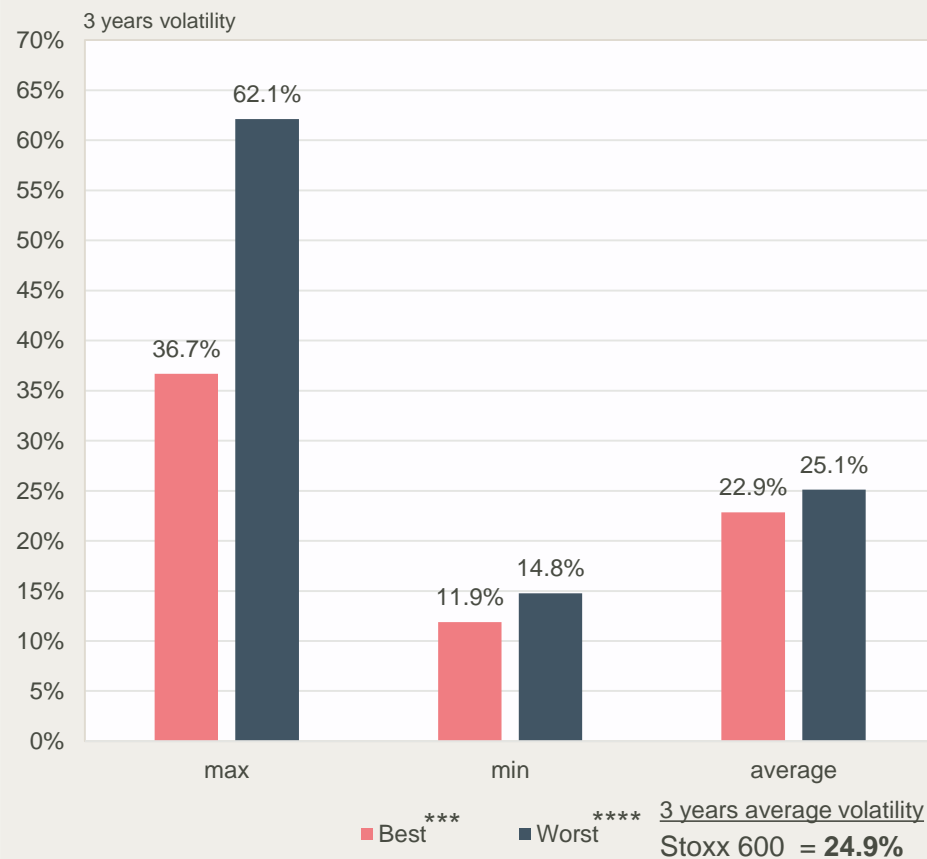
Sources : ODDO BHF AM SAS, ¹ International energy agency, November 2018, *World Energy Outlook 2019* – excluding conventional hydroelectric | ² Bloomberg, April 2019 – *2019 Sustainable Energy in America FactBook* | ³ Bloomberg New Energy Finance, October 2018, *electric Vehicle Outlook 2018* – annual sales volume | ⁴ Zion Market Research, June 2019, *Smart Agriculture Market by Agriculture Type* | ⁵ Research & Markets, February 2019, *Water Treatment Technologies – Global Market Outlook (2017-206)*



Operational management: Human capital, a key source of long-term business performance



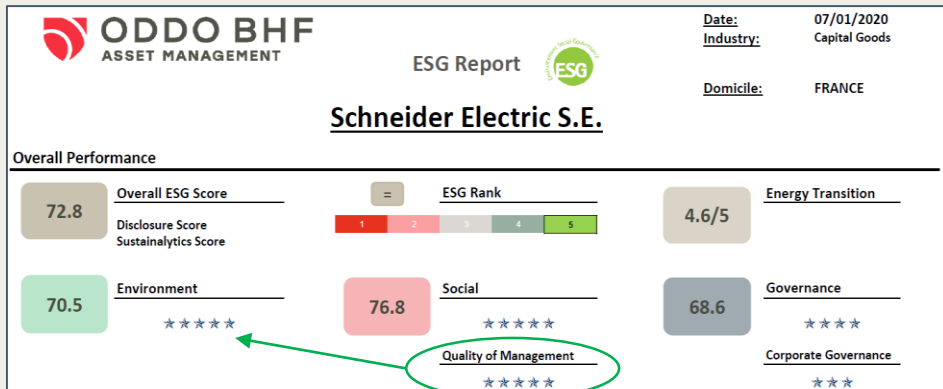
Control: Corporate Governance, a key source of risk mitigation



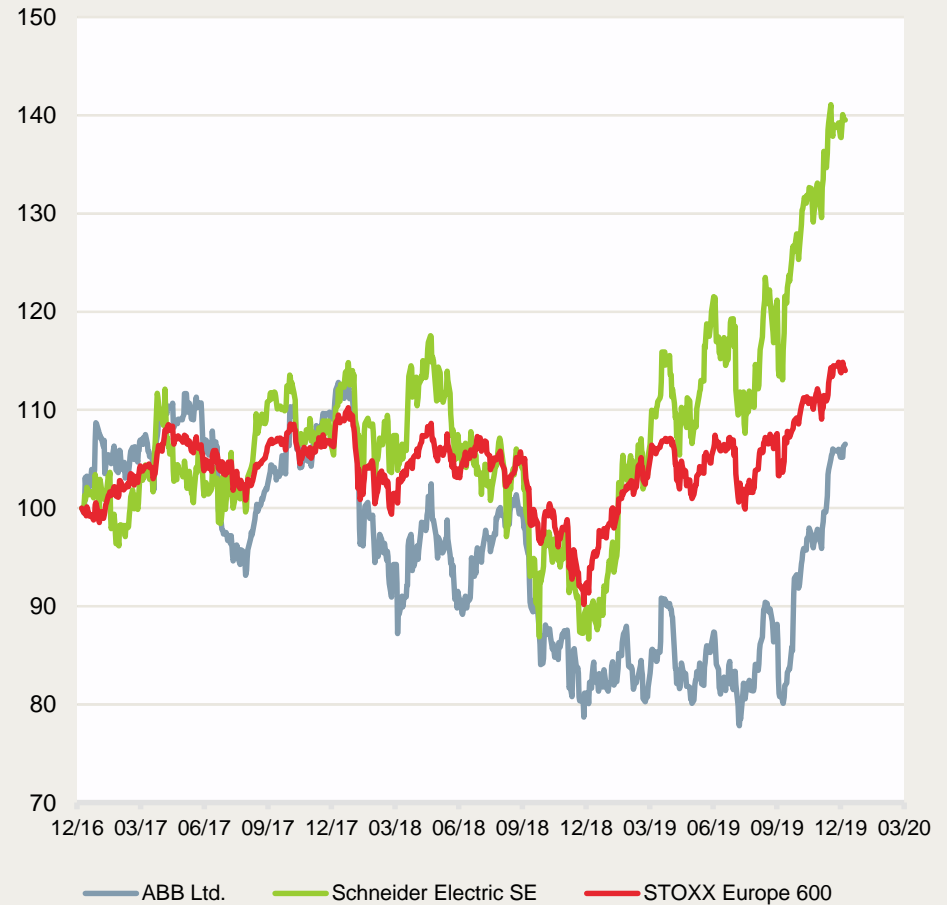
Sources: ODDO BHF AM SAS, Factset données au 30/09/2019 * 118 entreprises ; ** 103 entreprises | *** 129 entreprises ; **** 79 entreprises



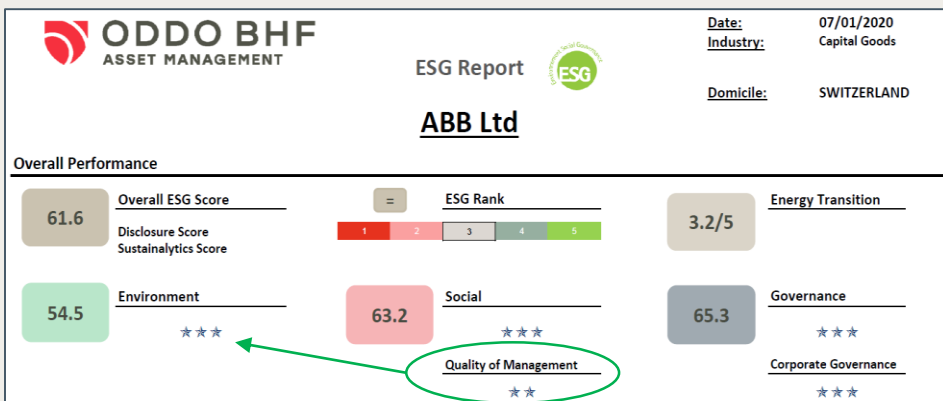
An example: Schneider Electric 45% of turnover related to energy efficiency



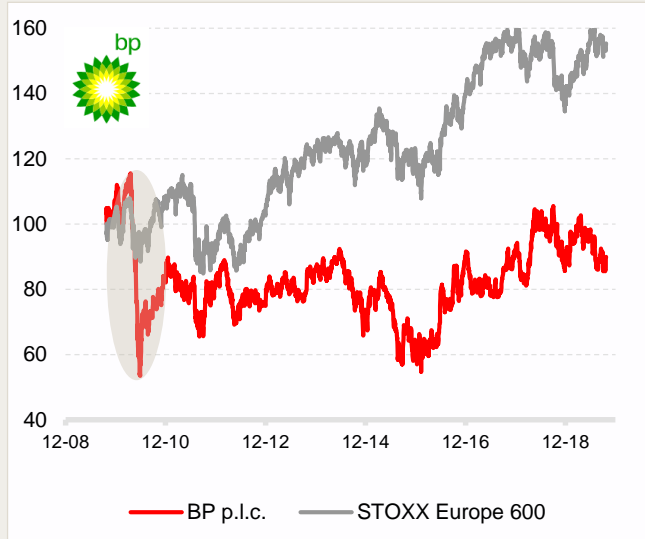
Performance over 3 years



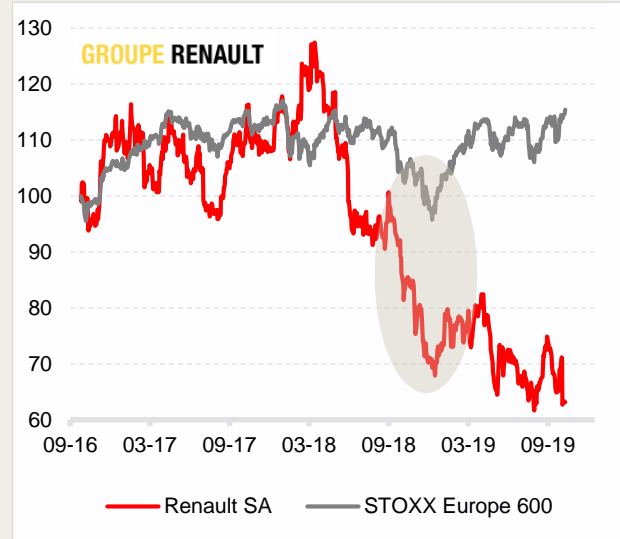
An example: ABB Ltd 57% of turnover related to energy efficiency and clean energies



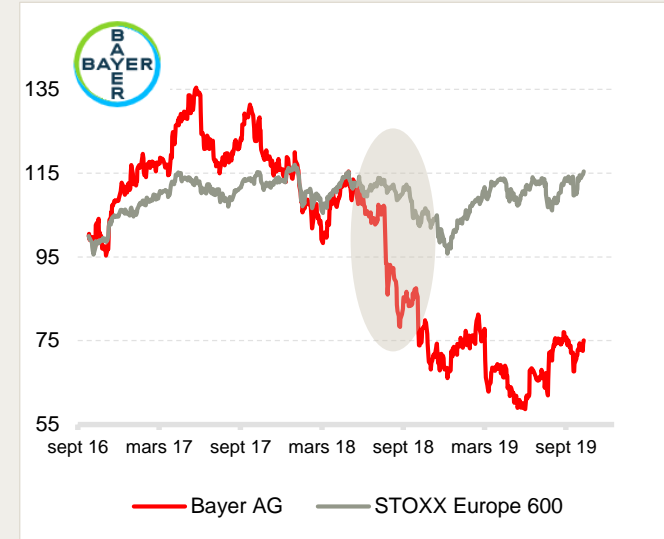
Financial materiality of controversies



On 20 April 2010, an offshore oil platform, the Deepwater Horizon exploded, and BP's safety measures were quickly blamed. For the first time, a company's environmental liability was recognised. BP would ultimately pay more than \$50bn in fines and damages between 2010 and 2015.



In November 2018, the chairman and CEO of the Renault-Nissan Alliance, Carlos Ghosn, was arrested at the Tokyo airport after an investigation into possible tax evasion. This led to his resignation in January 2019. In June 2019, an internal audit uncovered suspicious spending within the Dutch subsidiary.



Bayer finalised the acquisition of Monsanto in May 2018 while several lawsuits were pending. An initial guilty verdict was handed down in June 2018, followed by another one in March 2019, and fears increased of a class action lawsuit. In April 2019, 55% of shareholders voted against Bayer management's strategy.

Our sustainable approach



€9.5 bn of assets under management integrating environmental, social and governance (ESG/SRI) criteria



INTEGRATION OF ESG FACTORS

- A “best-in-universe” approach with an internal rating scale based on the analysis of ESG/SRI factors
- A rating that influences directly the construction of portfolios with a focus on human capital and corporate governance



DIALOGUE WITH COMPANIES

- Engaging with companies on a regular basis
- Signatory to the Climate Action 100+ initiative to enter into dialogue with the most polluting companies



CLIMATE APPROACH

- Quantitative measure of carbon intensity
- Qualitative measure of portfolio contribution to energy transition towards a low-carbon economy



COMMITMENTS

- Signatory PRI since 2010
- Complying with Ottawa Treaty 1997 and Oslo Convention 2008
- Founder member of the FIR
- Member of the FNG



VOTING POLICY

- Systematically voting with an emphasis on Governance and Human capital analysis





FORECASTS - REAL GDP GROWTH*													
	Average			2019				2020				Consensus**	
	2018	2019	2020	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2019	2020
World	3.7	3.1	2.9										
US	2.9	2.3	1.8	3.1	2.0	2.1	2.0	1.6	1.7	1.8	1.8	2.3	1.8
EMU	1.9	1.2	1.3	1.8	0.7	0.9	1.2	1.4	1.5	1.6	1.6	1.2	1.0
- Germany	1.5	0.6	0.9	1.9	-1.0	0.3	0.5	1.1	1.3	1.5	1.5	0.5	0.9
- France	1.7	1.3	1.7	1.1	1.4	1.1	1.4	1.8	1.8	1.8	1.8	1.3	1.2
- Italy	0.7	0.2	0.6	0.5	0.2	0.2	0.5	0.6	0.9	1.0	1.0	0.2	0.4
- Spain	2.4	2.0	1.8	2.2	1.6	1.7	1.6	1.9	1.9	1.9	1.9	2.0	1.6
UK	1.4	1.3	1.1	2.3	-0.9	1.2	0.6	1.6	1.2	1.4	1.4	1.3	1.1
Japan	0.3	1.2	0.6	2.6	2.0	1.8	-2.0	1.0	1.0	1.0	1.0	1.0	0.3
China (y/y%)	6.6	6.1	5.8	6.4	6.2	6.0	5.8	5.8	5.8	5.8	5.8	6.1	5.8

* y/y or q/q annualised rate

**9 December 2019

FORECASTS - RATES & FX												
	Actual	Target		Last 5 years*		Average						
	06/12/2019	3M	12M	High	Low	2015	2016	2017	2018	2019	2020	
Policy rate												
Fed funds	1.75	1.75	1.75	2.50	0.25	0.27	0.52	1.13	1.96	2.31	1.75	
ECB deposit rate	-0.50	-0.50	-0.50	-0.20	-0.50	-0.20	-0.38	-0.40	-0.40	-0.43	-0.50	
10Y rate												
US T-note	1.8	1.8	2.0	3.2	1.5	2.1	1.8	2.3	2.9	2.1	1.9	
German Bund	-0.3	-0.3	-0.2	0.8	-0.6	0.5	0.1	0.4	0.5	-0.2	-0.3	
French OAT	0.0	0.0	0.0	1.2	-0.3	0.8	0.5	0.8	0.7	0.1	0.0	
Forex												
EUR/USD	1.10	-	1.15	1.23	1.05	1.11	1.11	1.13	1.18	1.12	1.13	
USD/JPY	109	-	105	124	101	121	109	112	110	109	107	
USD/RMB	7.03	-	7.10	7.12	6.20	6.28	6.64	6.76	6.61	6.91	7.07	

*monthly average

Source: consensus forecasts, IMF, ODDO BHF

Risk profiles and fund characteristics



COUNTRY AVAILABLE FOR SALES France, Italy, Germany, Switzerland, Spain, Luxembourg, Sweden

General characteristics

Fund name	ODDO BHF Artificial Intelligence
Benchmark	MSCI World NR USD
Investment objective	Generate capital growth by investing in listed international equities that are exposed to the global trend of "artificial intelligence".
Recommended investment horizon	5 years
Inception date	December 19 2018
PEA Eligibility	No
Morningstar™ category	

Share class	CR-EUR	CR-EUR [H]	CR-USD	CRw-EUR [H]
ISIN code	LU1919842267	LU1833932608	LU1833932780	LU1833933085
Bloomberg code				
Currency	Euro	Euro	Dollar	Euro
Dividend policy	Accumulation	Accumulation	Accumulation	Accumulation
Minimum initial investment	100 EUR	100 EUR	100 EUR	100 EUR
Subscription fees			5% (maximum)	
Redemption fees	None	None	None	None
Management fees	Up to 1.6% of the net assets	Up to 1.6% of the net assets	Up to 1.6% of the net assets	Up to 1.9% of the net assets
Performance fees	A maximum of 20% of the Fund's outperformance relative to the benchmark index provided that the Fund's performance is positive.	A maximum of 20% of the Fund's outperformance relative to the benchmark index provided that the Fund's performance is positive.	A maximum of 20% of the Fund's outperformance relative to the benchmark index provided that the Fund's performance is positive.	None

Structure and technical information

Legal structure	SICAV
Management company	ODDO BHF AM SAS
Custodian	Caceis Bank Luxembourg (Luxembourg)
Subscriptions/redemptions	Daily at unknown price until 16:00 (Paris)
NAV calculation frequency	Daily

ODDO BHF Artificial Intelligence

Capital loss risk, equity risk, mid-cap holding risk, interest rate risk, credit risk, discretionary management risk, volatility risk, counterparty risk, liquidity risk of underlying assets, modelling risk, risk related to commitments on forward financial instruments, currency risk, emerging market risk.

The investor is invited to read the Key Investor Information Document and the fund prospectus for a detailed view of the risks to which the fund is exposed.



ODDO BHF Asset Management SAS (France)

A portfolio management firm certified by the French Financial Markets Authority (AMF) under n°GP 99011. Established in the form of a simplified joint-stock company with authorised capital of €9,500,000. Entered into the Paris Register of Trade and Companies under number 340 902 857.

12. boulevard de la Madeleine - 75440 Paris Cedex 09, France - Tel. : 33 (0)1 44 51 85 00