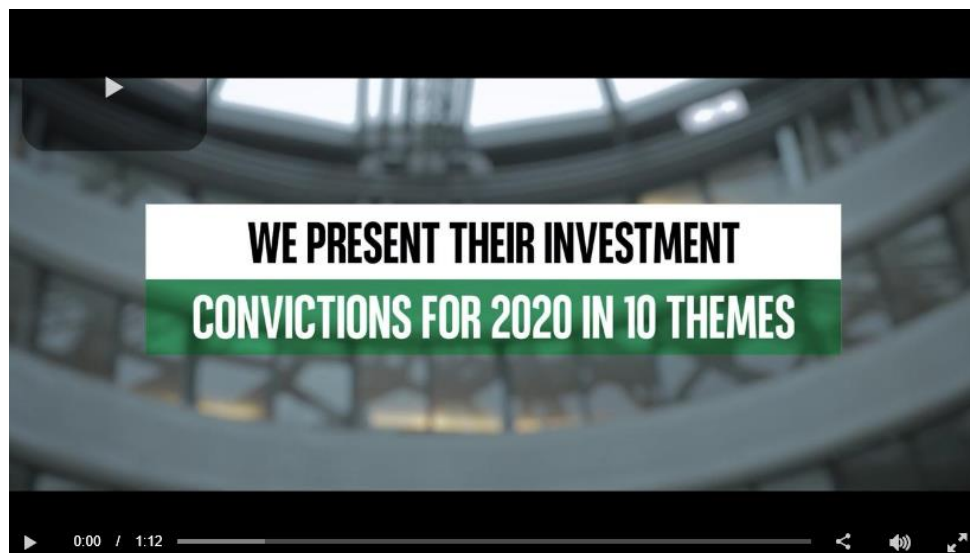


PRESS RELEASE

BNP Paribas Wealth Management presents its 10 most relevant investment themes for 2020

- Easing political risks, improving economic indicators, equity market valuation, underlie the 10 investment themes for 2020 selected by BNP Paribas Wealth Management strategists in the US, Europe and Asia to guide investors towards attractive opportunities.
- The first three themes are aimed at investors with a more conservative profile looking for steady incomes, themes 4 & 5 address opportunities in global trends, themes 6 & 7 are related to environmental issues and human capital, the last 3 themes focus on disruptive innovation, the digitalisation of consumption and technological innovations in the healthcare sector.

«Easing political risks and improving economic indicators will support the upward trend in risky assets in 2020. Like last year, our 10 investment themes for 2020 will mainly focus on the equity markets using tactical and structural themes», said Florent Bronès, Chief Investment Officer at BNP Paribas Wealth Management.



Link: <https://wealthmanagement.bnpparibas/en/what-we-do/investment-strategy/our-investment-themes/2020.html>

10 INVESTMENT THEMES FOR 2020

- Three themes offering alternatives for investors with a more conservative risk profile and offering solutions in lower volatility assets

THEME 1 – The shift from bonds to equities

Bond yields are set to remain extremely low for a long time. The race for yield will continue to whet investor appetite for high, safe and growing dividend stocks, which are known as 'dividend aristocrats'.

This theme mainly concerns investments in developed markets. In this space, the problem of squeezed bond yields is widespread.

This theme is proving an attractive alternative for investors looking for steady income, as long as they invest over the long term and accept higher volatility than that in the bond market.

THEME 2 – Investing in high-quality companies : still a choice investment in 2020

Economic growth will remain weak and vulnerable to shocks. Companies' profit margins are high. This is an ideal environment for quality stocks that delivered significantly above average returns in 2019. A stock is deemed high quality when it meets three criteria: high profitability, a low gearing and low profit variability. Companies investing heavily in research and development (R&D) are part of this defensive universe.

This theme allows for a prudent approach to equity markets.

THEME 3 – Defensive diversifiers: seeking low risks yields

As we approach the end of the economic cycle, some investors are increasingly looking for a defensive positioning in their portfolios. Investment opportunities have shrunk since central banks adopted negative rates in the Eurozone and Japan. Slightly more than 20% of global bonds have a negative yield-to-maturity. However, there are still solutions that offer positive expected returns for a relatively low level of risk.

Diversification reduces the overall risk of a portfolio. We recommend diversifying assets in a number of low-risk products and others with a calculated risk.

- Two themes that address opportunities in global trends such as deglobalisation and fiscal stimulus policies

THEME 4 – Deglobalisation: beneficiaries of the reversal in global trade

The shifting trend from globalisation to regionalisation/localisation is creating opportunities in regional/local markets including mid- and small-caps. At the same time, deglobalisation also entails more political/geopolitical uncertainty, which could lead to market volatility. **Investors are recommended to hedge their portfolios with safe-haven assets.**

THEME 5 – From monetary to fiscal policies: opportunities in infrastructure spending

Fiscal stimulus has been underway in many countries, and more is expected in 2020.

Investors may benefit from an increase in fiscal spending through:

- **Building/construction material stocks**
- **Renewable energy and clean transportation stocks**
- **Thematic funds:** infrastructure-related mutual funds or private equity funds, green/SRI-related funds
- **A re-rating in UK equities**
- **China policy beneficiaries (multi-assets)** e.g. cement, consumer discretionary, staple stocks and selective Corporate bonds.

- Two themes linked to a transition towards a more socially-responsible world with a focus on environmental issues and human capital

THEME 6 – The environment & the future of the planet: water and waste management

We expect a growing demand for goods and services, in particular related to water availability, waste management as well as clean and renewable energies. The awareness related to ESG criteria should also incite investors to focus on such sectors.

We focus our attention on 2 sub-themes

- **Water and waste management** : opportunities for investors interested in collection methods, recycling, waste-to-energy solutions and any innovations that a company may offer in these fields.
- **Clean and renewable energy:** Promising industries are those related to technological innovation and equipment in solar, wind, geothermal energy and hydroelectricity. Other chief areas include batteries and related chemicals as well as power and grid equipment-makers.

THEME 7 – Investing in human capital: 'best employers', education and healthy living

We expect a growing demand for goods and services related to these areas. Companies which obtain high ratings in the areas of 'best employers' or 'gender equality' have shown a strong performance in terms of the risk-return trade-off.

We focus our attention on 3 sub-themes:

- **Best Employers and gender equality:** The approach for selecting companies is based on rankings such as 'Best companies to work for' (e.g. Fortune). Regarding gender equality, there are similar rankings (e.g. Equileap).

- **Microfinance and education:** Microfinance is a key driver to support sustainable growth and fight poverty. In education, we have identified opportunities in new technologies in the areas of digital education, education management as well as services and supplies.
- **Healthy food and food security:** We see opportunities in areas such as alternative food, environmentally-friendly food production, food safety as well as healthy and natural food.

➤ **Three themes dedicated to disruptive innovation, the digitalisation of consumption and technological innovations in the healthcare sector**

THEME 8 – Benefiting from disruption: 5G and Artificial Intelligence innovations

This theme concerns all regions: the companies that play a key role in this theme are located in the US, Europe and Asia. The 5G technology market will truly take off in 2020. Among others, it includes mobile network equipment and operators, manufacturers of semiconductors, antennas, towers and software providers. Innovation is developing at such a fast pace that risks (above-average volatility) are very high. Significant diversification is required to reduce these risks as well as a long-term investment horizon.

THEME 9 – Consumers become hyper-connected: new trends in digital consumption

This technology theme is aimed at dynamic investors, who are interested in innovation, the progress in the Internet and new means of communication.

There are many (large) companies listed on the US equity markets to play this theme. In addition, many funds, trackers, structured products and private equity make it possible to invest in this theme.

The other major regions of the world, Europe and Asia, are also booming in this area. In particular, North-East Asia has even overtaken the West, in a whole new range of consumer applications.

THEME 10 – Innovations in health care: technology multiplies discoveries and new applications

The health care sector is outpacing the rest of the economy. On the back of growth of the Internet, means of communication, Big Data, data storage, and Artificial Intelligence, health care is progressing considerably at every level.

There are new powerful methods of research and development, new types of treatments, tools and services. **This theme is aimed at dynamic investors who are willing to take some risk over a recommended long-term investment horizon.**

The most dynamic companies in this area or the fastest-growing ones are often small and medium-sized enterprises (SMEs). However, the risk is often higher because these companies are less mature, less diversified and have fewer resources than large companies operating in this innovative industry.

Therefore, parallel to investing in stocks of a handful of leading companies, in riskier sub-segments, we like investing in diversified funds, which are managed by highly-specialised professionals.

**Click here to read the full report of the 10 investment themes for 2020
and the context analysis of BNP Paribas Wealth Management strategists**

About BNP Paribas Wealth Management

BNP Paribas Wealth Management is a leading global private bank and the largest private bank in the Eurozone. Present in three hubs in Europe, Asia and the United States, it employs over 7,000 professionals who support private investors in protecting, growing and passing on their assets, bringing long-term value to themselves, their families and society. The bank has €385 billion worth of assets under management as at 30 September 2019 and was recently named "Best Private Bank in the World" in Europe, in Hong-Kong and in US West. <https://wealthmanagement.bnpparibas/en.html>

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