

Promotional document for professional investors within the meaning of the MiFID.

White Paper

THEMATIC INVESTING

Adjusting to face
business cycles



CPRAM
The future is our today

SUMMARY

I. THE MAIN PRINCIPLES OF THEMATIC MANAGEMENT



Investing in the megatrends that are shaping our world p.05

Some characteristics of thematic investing to know p.06

II. RECENT CONTEXT & PROSPECTS



2021-2024 - A concentration of performance on mega-caps
penalising p.08

What developments would promote the selectivity of thematic
management? p.09

III. APPROACH AND STRATEGY OF THEMATIC INVESTMENT



Our analysis of thematic priorities and investment
opportunities p.14

Core or satellite investment? p.15

A thematic exhibition that makes sense for everyone p.18

IV. FROM THE THEMATIC BRICK TO THEMATIC ALLOCATION



Thematic allocation, expertise adapted to various risk profiles p.19

Setting long-term weights for each investable megatrend p.20

Combining tactical and strategic approaches for greater
robustness p.20

Investing in live securities, a guarantee of adaptability and
better readability p.22

V. CONCLUSION



p.24

ABOUT CPRAM

A pioneer in thematic investment, CPR Asset Management (CPRAM) offers investment solutions across the main asset classes – equities, credit, fixed income, money markets and multi-asset class management – to invest today in tomorrow's megatrends.

Our human, agile and open culture allows us to cultivate our ability to understand and always innovate in order to provide a response to the major challenges of our century: environmental issues, demographic and societal upheavals and technological revolutions.

A 100% subsidiary of Amundi, CPRAM combines the responsiveness of a human-sized company with the strength of being part of a leading¹ asset management group in Europe.

It is this unique profile that has been the basis of CPRAM's commitment for more than three decades: to design innovative investment solutions, to advise its clients and partners with transparency and high responsiveness and to seek long-term performance while taking into account risks.

CPRAM is exclusively involved in third-party management for all client segments: institutional clients, corporates, private banking, fund management and wealth management.



Arnaud FALLER
Deputy Chief Executive Officer and
Chief Investment Officer
CPR Asset Management

For the past 10 years, thanks to the commitment of its employees², nearly half of whom are dedicated to management and research, CPRAM has continued to structure itself around responsible investment and to innovate to develop its strategies and methodologies in line with data improvement, investor awareness and the maturity of the market as a whole.

Responsible investment is now implemented across our open range.

3

CPRAM is committed to selecting its investments according to a proprietary methodology, taking into account ESG risk factors related to the challenges of each investment sector or theme. In particular, the company has developed a thematic range on climate, social issues, and more recently on biodiversity, so that its investments actively contribute to financing the transition to a more sustainable world and reducing negative externalities on the environment and society.

At the end of December 2024, CPRAM had more than €59 billion in assets under management.

1. Source: IPE «Top 500 Asset Managers» published in June 2024 based on assets under management as of 31/12/2023.

2. CPRAM has 114 employees as of 31/12/2024.

Presentation OF THE WHITE PAPER

T hree years ago...

... At the beginning of 2022, CPRAM's research teams broadened the scope of thematic management, sharing the results of analytical work highlighting the diversity of risk factors guiding the performance of themes and exploring the interest of allocating between these themes.

This publication paved the way for the construction of a range of thematic allocation funds, sufficiently diversified to integrate the core allocation of portfolios and link it to the major economic and societal transformations of our planet.

4 Drawing on a diversified range of thematic vehicles from the main asset classes, CPRAM's management has initiated an offer of thematic allocation funds that meet various risk profiles.

In the meantime, thematic management may have proved disappointing. During the 2022-2023 period, characterised by inflationary pressures and monetary tightening of a magnitude and speed not seen for four decades, thematic funds - and more generally active growth funds based on stock selection - have on average underperformed the global fund industry, raising legitimate questions about the wisdom of continuing to invest in future trends.

This new White Paper analyses the reasons why thematic funds have sometimes failed to live up to their promise of generating regular and sustainable performance. It shows how a few stocks have concentrated most of the growth in indices during the period of rising interest rates, and offers an optimistic analysis for the period of monetary easing that lies ahead.

In the second part, this new opus dedicated to thematic management presents the thematic investment approach and strategy followed at CPRAM, highlighting the rigorous selection process of themes with high growth potential. It details how CPRAM's teams support each investor in thematic investing, offering exposure tailored to the specific constraints and objectives of each investor.

Finally, this new White Paper outlines how CPRAM structures the shift from an individual thematic management brick to a global thematic allocation, based on the megatrends shaping our world. He then presents how, within the range of thematic allocation funds, management teams combine long-term and more tactical views, in particular by using the flexibility offered by investing in live securities, to deliver resilient and efficient management.

THE main PRINCIPLES OF thematic management



Investing in megatrends that shape our world

In 2020, the United Nations³ identified five megatrends that are "shaping our world": climate change, demographic changes (and in particular population aging), urbanization, the emergence of digital technologies and increasing inequality. What these structural trends have in common is that they develop over a long period of time – decades or more – and affect large groups of human beings, countries, regions, and even the whole of humanity.

As one of the factors that have the greatest influence on societal and economic change, these megatrends lead to reallocations of investment and consumption by all economic agents - governments, companies and households.

Megatrends are the starting point for thematic investing, which focuses on developing the best possible understanding of major human, technological and planetary developments, in order to be able to make the link between the real world and the financial markets.

Thematic investing focuses on powerful economic changes or powerful economic developments that arise from megatrends.

Its vocation is to anticipate the world of tomorrow. If thematic investing had existed as such at the beginning of the 20th century, it would probably have been interested in electricity and what its all-out development allowed. If it had existed in the 1960s, it would probably have been interested in the democratization of leisure and entertainment.

Thematic investing focuses on well-defined themes and transcends traditional financial classifications (sectors, countries). Finally, it should be noted that a megatrend can give rise to several investment themes.

For example, the megatrend of climate change makes the need for an energy transition essential. This megatrend will be found in different investment themes, such as the decarbonization of the economy as a whole (this is called transition), but also the development of renewable energies or other low-carbon technologies (we are talking about solutions).

3. Source: UN, September 2020, Report of the UN Network of Economists on the occasion of the 75th anniversary of the United Nations - Shaping the trends of our time.

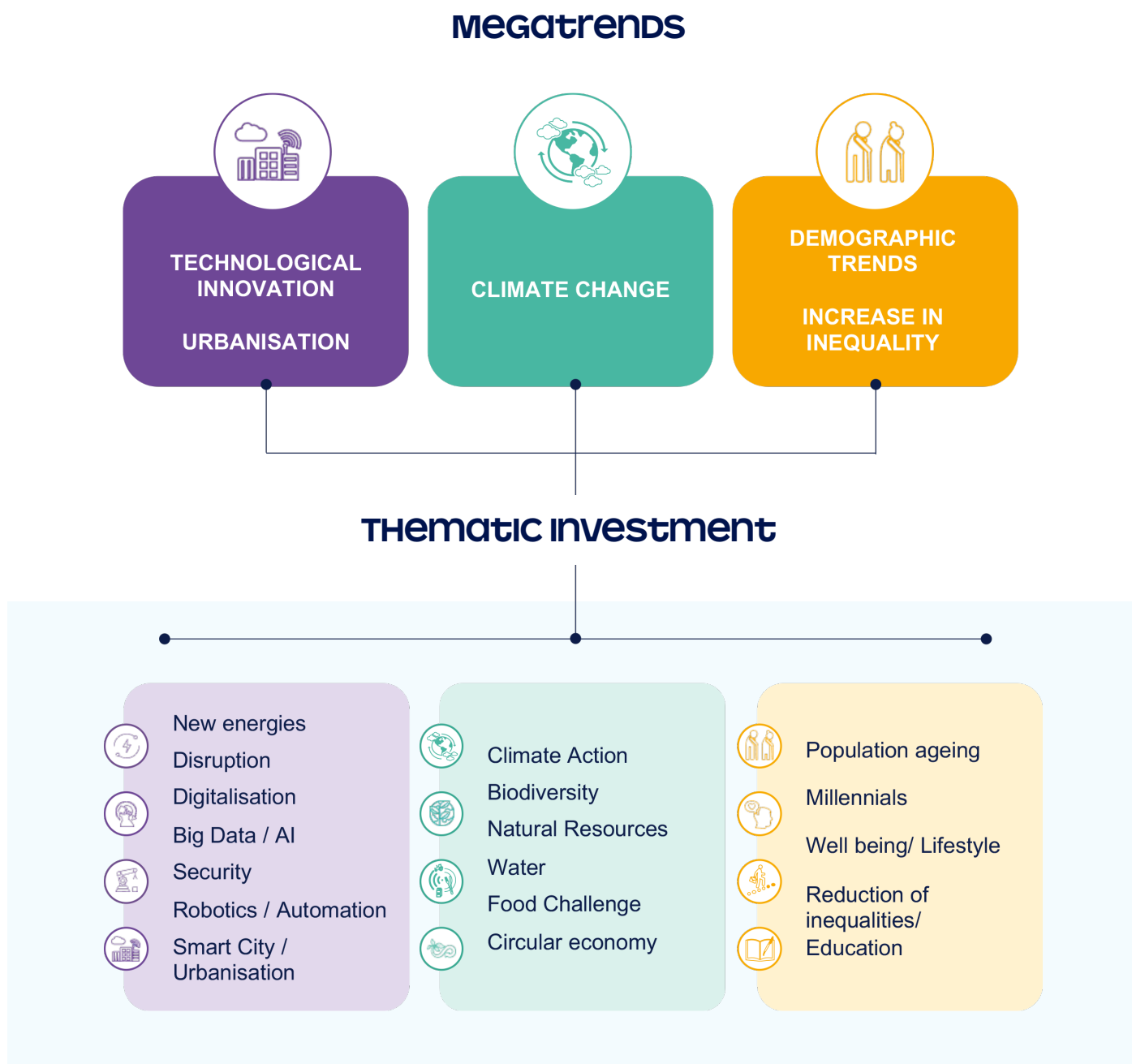
I. THE MAIN PRINCIPLES



Some characteristics of thematic investing to know

The diagram below presents various investment themes derived from the five megatrends that are shaping our world.

6



I. THE MAIN PRINCIPLES

As mentioned, these themes transcend the classifications.

What they have in common is that they have significant growth potential, even if it can sometimes take time to materialise this potential, for example because of obstacles to the diffusion of innovations.

Here are some characteristics of thematic management to keep in mind, before delving into the subject from a more technical angle.

The themes may be accelerated by the adoption of government investment plans, the implementation of consumer incentives or measures to support investment by private agents.

Because they are oriented towards the search for tomorrow's champions, thematic managers invest proportionally more in companies located at the early stage of their development cycle and/or located in niche markets destined to experience strong development. As a result, thematic equity funds have a growth bias, and to a lesser extent a size bias, because the champions of tomorrow are not small caps either!

It should also be noted that not all companies are associated with a "theme" in the same way, and even more so when it comes to listed stocks. Thematic universes most often combine pure players, stocks whose activity is fully associated with the theme, and other companies, more partially associated with the universe or in relation to several other themes. Depending on the nature and maturity of the theme, the portfolio may be more or less concentrated on securities considered to be pure players. This particularity of the construction of thematic portfolios derives a concept of purity of the thematic fund.

In response to this challenge, CPRAM's teams constantly ensure the relevance of the thematic universes by conducting a rigorous and objective analysis of the link between the company and the theme in question for each title.

Material indicators such as turnover or investments in the theme are examined; quantitative indicators such as environmental or social practices; or the existence of a project on the given theme, to name a few examples. Finally, although focused on long-term trends and structural growth phenomena, uncorrelated with the global cycle, thematic investing reacts to economic and financial news: technological advances, investment plans, monetary policy, the geopolitical environment, etc.



The themes transcend traditional classifications. What they have in common is that they offer significant growth potential, even if realising this potential can sometimes take time.

recent context and prospects



2021-2024 - A concentration of performance on Mega Caps penalizing

Funds associated with themes considered less risky – we will come back to this definition later – such as the ageing population or the food challenge have completely stalled, with some underperforming global equity indices by up to 30% between January 2023 and June 2024.

These disappointments in thematic management are linked to several factors: a hyper-concentration of stock market returns on a handful of stocks – as reflected in the stock market performance of the "Magnificent 7" (Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla); a phase of high inflation; and its corollary, a monetary tightening of a magnitude and speed unprecedented in forty years.

While the "Magnificent 7" illustrate investors' enthusiasm for technology stocks and, more specifically, for the theme of artificial intelligence, such as the performance of NVIDIA's shares, other themes such as GLP-1 weight-loss drugs have also strongly polarised the market. Thus, the therapeutic success of molecules against obesity has generated a new duopoly. The two laboratories Eli Lilly and Novo Nordisk concentrated all investor flows on the health sector, leaving the rest of the stock market. This focus on investments has literally split the stock market into two universes. On the one hand, a very small number of stocks drive the performance of global equity indices: no more than a dozen stocks for the MSCI Acwi in the first semester 2024. On the other, a multitude

of companies whose stock market performance is lagging.

Mega-caps are currently following a stock market trajectory that no longer resembles that of the rest of the world's equities and whose inertia is amplified by the (over-)development of passive management in recent decades. Passive management, which replicates all the positions in an index, strengthens the position of the established leaders of the stock market and thus supplants any other form of capitalization.

Designed to outperform benchmarks over the long term, for the past three years (2021-2024), the thematic sector has been experiencing setbacks linked to a very particular market configuration.

The concentration of stock market performance is also linked to the sharp surge in inflation in 2022 and 2023 which, coupled with monetary tightening, has penalised companies with heavy investment programmes to develop their processes and gain market share, such as those in the renewable energy sector (cleantechs). Rising resource prices, coupled with the rising cost of capital, have weighed heavily on the profitability prospects of a number of innovative infrastructure projects. In addition, the deterioration of public finances around the world has made some governments more reluctant to provide grants and/or loans to strategic companies. Valuations have collapsed in this context. The performance of the "non-profitable techs⁴" is very negative over the 2021-2023 period.

4. These are companies whose profits are negative due to significant investments in the short / medium term (R&D in particular) to maximize their profitability in the longer term. These stocks are said to have a long duration, they are more sensitive to changes in interest rates. The information provided is not intended to be considered as investment advice or a recommendation to take (or refrain from taking) any investment decision, and should not be relied upon as such. All trademarks and logos used for illustrative purposes above are the property of their respective owners. Examples of companies in the universe presented for information purposes only.

II. CONTEXT AND PROSPECTS



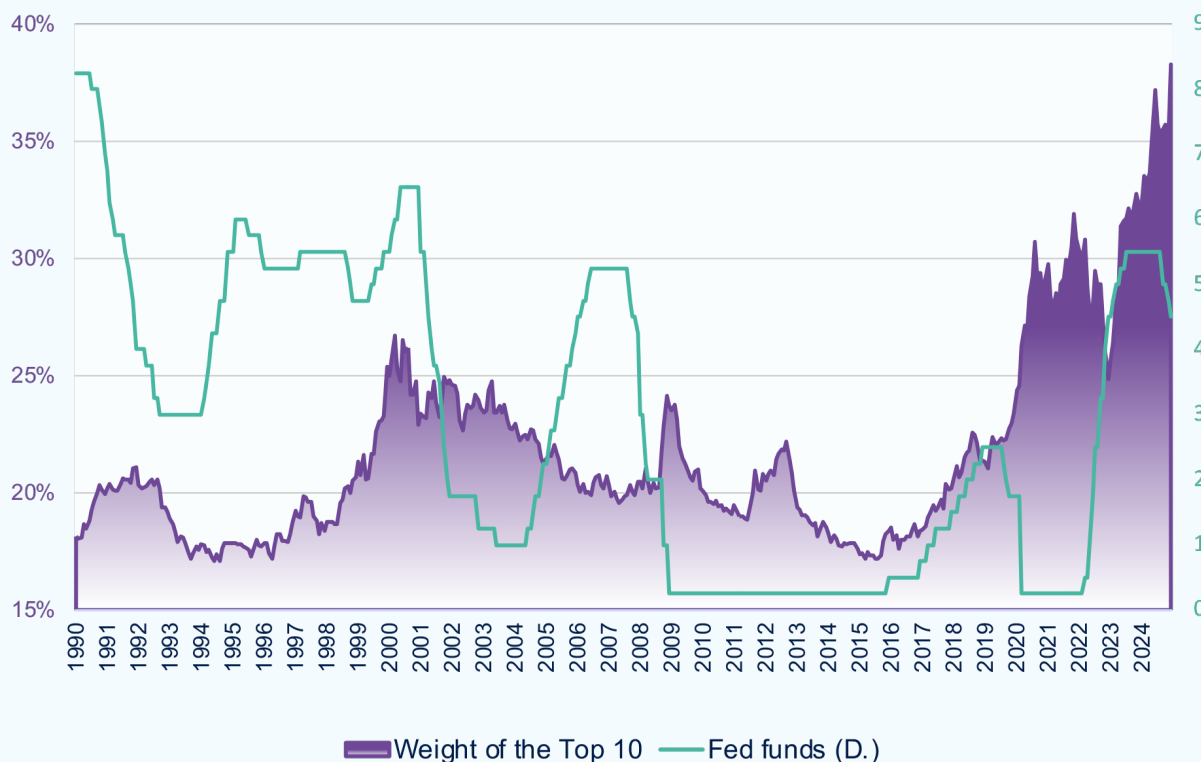
What developments would promote the selectivity of thematic management?

The value proposition based on relevant and diversified size selectivity in thematic management should benefit from a more ‘normalised’ market environment. Without being able to predict how much longer the phenomenon of hyper-concentration in stock market

performance could continue, it is interesting to note that the weight of the 10 largest companies in the S&P 500 index, which includes the 500 largest global capitalizations, reached a high of 30% in the summer of 2024, the highest ever observed in over 150 years. The over-representation of the Top 10 can also be seen in the S&P 500’s earnings per share, reinforcing the index’s significant weighting in market value. Will the earnings warnings issued by a number of tech giants in the summer of 2024 mark the start of a paradigm shift for investors over the next few quarters?

Weight of the Top 10 in the S&P 500 vs Fed funds

Past performance is not a guarantee of future performance.



Sources: CPRAM, Datastream. Data as of 31/12/2024.

II. CONTEXT AND PROSPECTS

By dividing the "Magnificent 7" from the thematic investment universe, growth stocks have significant performance potential, which would intuitively need a more favourable interest rate environment to be unleashed. This would automatically broaden investment opportunities within thematic asset management universes.

In the past, periods of declining rates have meant periods of outperformance for so-called "Small Cap" companies.

The illustrations opposite show that, even with regard to the Large Cap indices, the smaller stocks in the index have performed better than the larger stocks in times of falling rates. Based on these observations, it is reasonable to anticipate that the equal-weighted S&P 500 Index could now outperform the capitalization-weighted index.

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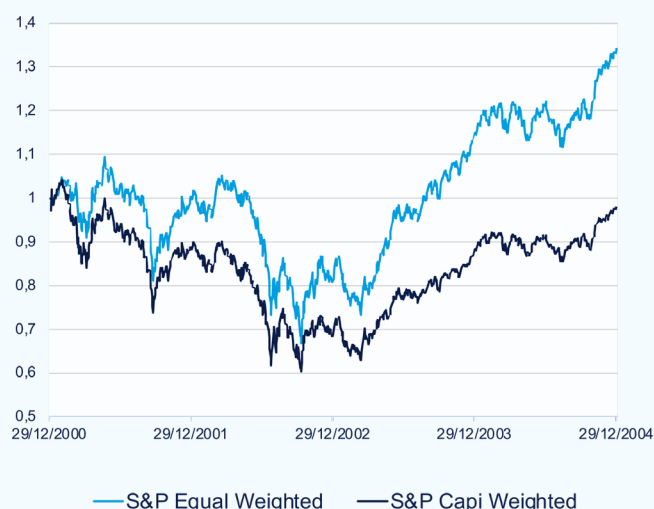
This move would benefit the thematic investment philosophy. As a reminder, thematic investing is not a small cap approach, since a large part of the stocks belong to large-cap indices. On the other hand, thematic managers put less weighting on Mega Caps.

Since the summer of 2024, the outlook has been for monetary easing in developed countries (with the notable exception of Japan). After three years of absolute focus on high inflation, central banks will provide more support to labour markets and activity. The ECB started cutting rates in June 2024 and the Fed in September 2024 (by 50 basis points).

The prospect of monetary easing should provide a "breath of fresh air" for a wider group of companies. In particular, lower interest rates suggest a potential upside for scale-ups in the cleantech sector. These companies, which require a great deal of investment to build the infrastructure for the ecological transition, had been sidelined from thematic management portfolios as valuations plummeted. They are now

Comparison of the U.S. dollar performance of the S&P 500 Market Cap Weighted Index and the S&P 500 Equal-Weighted Index

Past performance is not a guarantee of future performance.



Date	S&P Equal Weighted	S&P Capi Weighted	Excess Return
2001	-0,4%	-11,9%	11,5%
2002	-18,2%	-22,1%	3,9%
2003	41,0%	28,7%	12,3%
2004	17,0%	10,9%	6,1%
Total	34,4%	-2,1%	36,4%

Comparison of the returns (in euro) of the MSCI AC World Market Cap Weighted Index and the Equal Weighted MSCI AC World Index

Past performance is not a guarantee of future performance.



Date	MSCI AC World Equal Weighted	MSCI AC World	Excess Return
2001	-3,2%	-11,3%	8,2%
2002	-23,0%	-31,3%	8,3%
2003	30,1%	12,0%	18,1%
2004	15,6%	7,4%	8,2%
Total	12,2%	-26,7%	38,9%

Sources: Factset - Responsible Investment, Methods and Solutions Team

II. CONTEXT AND PROSPECTS

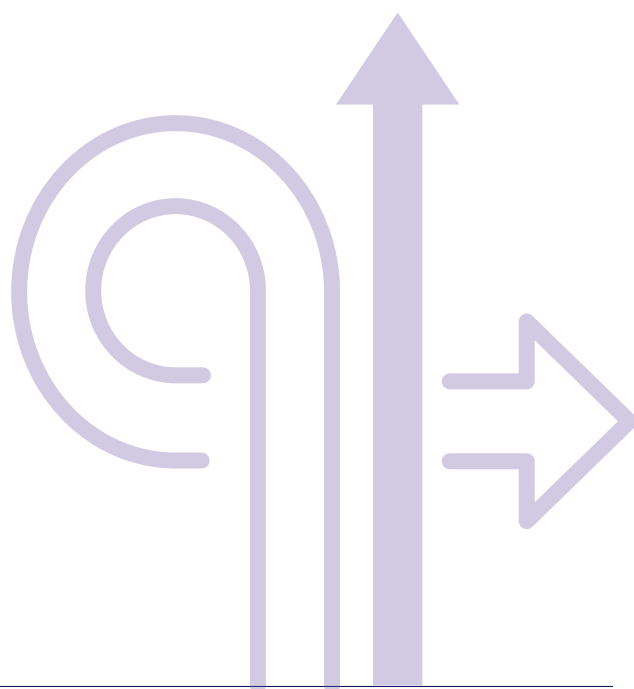
back in managers' allocations. More generally, the profitability of many companies, which had stagnated during the monetary tightening, is set to pick up again, leading to a deconcentration of index performance.

The movement may have begun. While the first half of 2024 was very similar to 2023, with a bull market and a highly concentrated performance, the third quarter, marking the start of monetary easing, was very different.

While keeping in mind that the observation period is relatively short, it appears that the concentration of performance was much lower in the third quarter.

The proportion of stocks that have outperformed the MSCI Acwi Index (Hit Ratio) has doubled. And the "Magnificent 7", after contributing nearly 41% of the total performance in the first half of 2024, posted a negative contribution in the third quarter.

The decline in performance concentration observed in the third quarter of 2024 was favourable to active stock-picking-based management. The performance of thematic portfolios was rather good in this quarter.



MEGA CAPS AND TECHNOLOGY EXPLAIN THE OUTPERFORMANCE...

The economic environment has been relatively favourable for large companies over the period 2020-2023. Often with significant liquidity and a stronger credit signature due to limited debt, very large caps have been less impacted by the sudden tightening of credit conditions. On the other hand, large firms are more able to benefit from the rapid growth associated with the latest technological innovations, unlike smaller firms, which face lower economic growth.

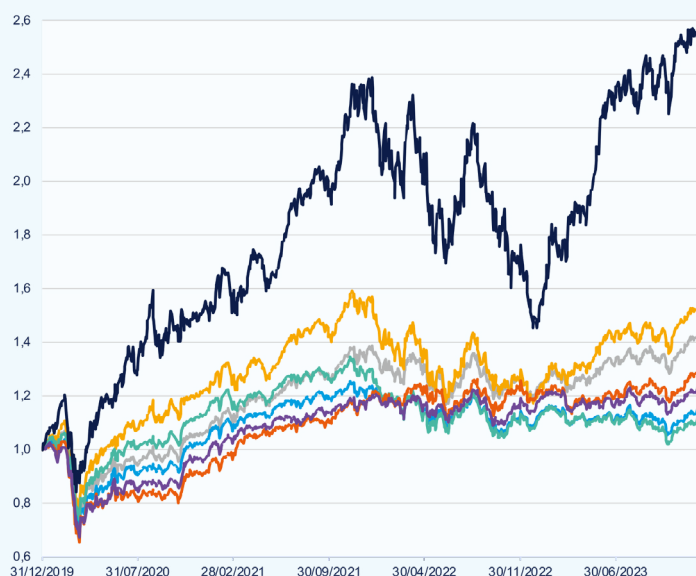
In this context, funds favouring growth stocks without necessarily favouring large-cap stocks have had a very difficult time outperforming.

Over the 2020-2023 period, when we look at the MSCI Acwi Index and its "growth" fragmentations, we can see that, as expected by investors, the growth index (which is capi-weighted) delivered the best performance. On the other hand, when we look at the equally-weighted index, whose weightings of all securities would be the same, regardless of market capitalization, we can see that the performance of the MSCI Acwi Growth Index was the worst over the period.

This shows that as a growth investor, it was not easy to "find" stocks with high potential since, if we look at the equal-weighted performance (which weights all stocks identically and does not benefit Mega Caps), this performance was relatively low over the period compared to other indices. Only 2020 was better than the Acroi Index, this year coincides with the last year of strong performance for thematic portfolios.

Past performance is not a guarantee of future performance.

Performance of the various MSCI AC World indices 2020 to 2023



Performance in EUR from 2020 to 2023

Date	ACWI	ACWI Equi-weighted	ACWI Growth	ACWI VALUE	ACWI Growth Equi-weighted	ACWI Value Equi-weighted	Magnificent 7
2020	7,2%	3,8%	22,9%	-7,9%	14,3%	-2,4%	53,4%
2021	28,1%	18,5%	26,2%	29,6%	13,3%	21,6%	51,1%
2022	-12,6%	-11,4%	-23,8%	-0,8%	-16,7%	-3,8%	-35,6%
2023	18,6%	5,8%	29,0%	8,9%	3,5%	7,8%	70,0%
Total	42,37%	15,32%	52,56%	28,94%	11,62%	23,07%	153,75%

- MSCI AC World
- MSCI AC World Equi-Pondéré
- MSCI AC World Croissance
- MSCI AC World Croissance Equi Pondéré
- MSCI AC World Value
- MSCI AC World Value Equi Pondéré
- 7 "Magnifiques"

Sources: Factset - Responsible Investment, Methods and Solutions Team

II. CONTEXT AND PROSPECTS

...OF GROWTH STYLE FUNDS OVER THE 2020-2023 PERIOD

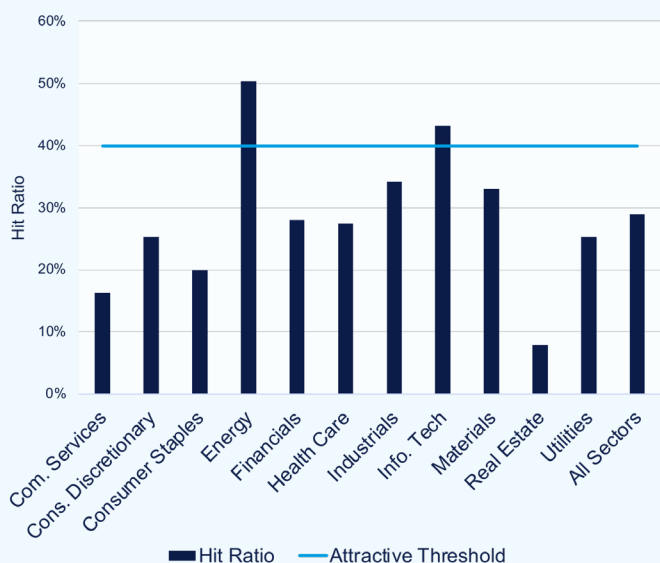
The very low levels of the Hit Ratios over the period demonstrate the high concentration of the market in terms of performance. The performance of the sectors, which are weighted by capitalization, was significantly higher than the average returns of the underlying stocks.

The Hit Ratio corresponds to the number of stocks in the index that have outperformed it over the number of total stocks. In theory, the more stocks that outperform the index, the «easier» it is to select stocks that can make a portfolio outperform. We know that 2023 has been very concentrated (emergence of the name of "Magnificent 7"). It can be seen that the average performance of the stocks making up the MSCI Acwi index has been weak compared to the market (9.8% vs 18.65% for the index, 104% for the "Magnificent 7"!). Only 30% of stocks outperformed the index in 2023.

Over a longer period (2020-2023), the observation is almost identical. The Hit Ratio was very low, the "Magnificent 7" delivered a very strong performance, few stocks outperformed the MSCI Acwi index (34%).

Past performance is not a guarantee of future performance.

Intra-Sector Hit Ratio - 2020-2023



Sources: Factset - Responsible Investment, Methods and Solutions Team

5. Stock picking = stock selection by the manager

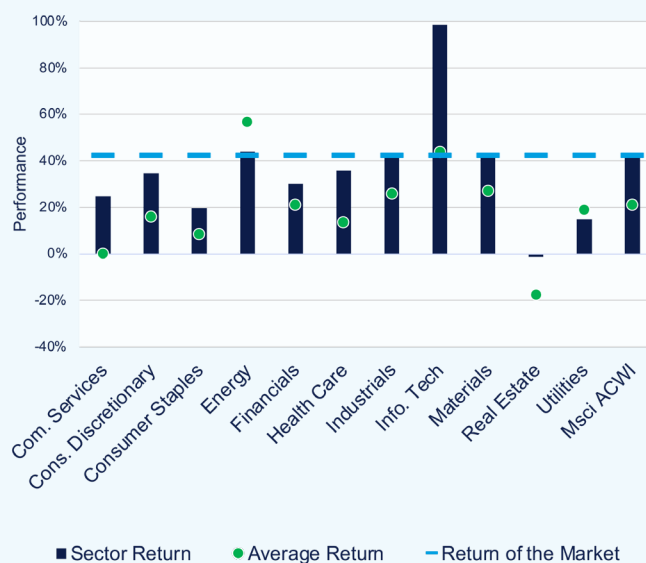
The concentration was also observed within "Sector-wise" since within each sector, the average performance was lower than the performance associated with the sector (except for the energy and utilities sectors).

Keeping the equi-weighted reasoning, only stocks in the energy sector, (very often excluded in thematic investing), delivered on average a higher outperformance than the index.

The performance of the tech sector was much higher than that of the market, but the average performance of stocks was barely at the level of the index
(bottom right chart).

We can see on the left-hand graph that only stocks in the energy and tech sectors had a hit ratio above 40%. This shows the difficulty of carrying out stock picking⁵ over the period.

Cumulative sector performance within the MSCI AC World over the period 2020 – 2023



III. APPROACH AND STRATEGY OF thematic investment



Our analysis of thematic

priorities and investment opportunities

An analysis of the recent economic situation highlights more promising prospects for thematic management. In particular, we highlighted the close link between mega infrastructure projects and the evolution of long-term rates. We therefore believe that it is relevant to continue to give priority attention to the issue of combating global warming.

14 At the heart of economic and societal issues, the environmental transition should remain an essential strategic focus for investors.

In our opinion, another major theme that stands out in the current context is that of technology. Innovation, which is driving the profound transformations of our societies, opens up a field of considerable opportunities, whether in the fields of artificial intelligence, digitalization, or sustainable technologies.

Together, we believe these two areas illustrate the most promising dynamics for thematic investments, but others, such as the ageing population or the food challenge, will continue to shape our world of tomorrow and to be the recipients of significant investment flows.

The accelerated diffusion of innovation and the speed with which lifestyles are changing globally, as evidenced recently by the rise of remote work in developed economies, illustrate the increasing

complexity of identifying key values related to a theme. The variables to monitor are multiplying, and timing is becoming a crucial issue.

The theme of innovation is now renewed every quarter. Who in 2022 would have predicted that Microsoft, then losing growth drivers for years, would become the leader in AI in 2023? And who doesn't tell us that a dinosaur like IBM, the world's largest patent owner, won't be the next AI leader in six months?

Finally, what about the dissemination of this innovation to companies? Understanding this innovation is essential, because it makes it possible, in a competitive environment, to identify future monopolies and the future productivity gains that will be achieved by the companies that are clients of this theme.

Find companies that will be as successful as Tesla, NVIDIA, or Novo Nordisk requires expertise on every topic.

In addition to this search for innovation, thematic managers integrate megatrends into their monitoring of the economy. For example, by looking at the choices of public decision-makers, investment plans in favor of the fight against climate change, or by integrating demographic trends into the analysis of labor market dynamics, etc.

And because performance comes from what is not priced in, the analysis takes into account the recent past to assess both the positioning of a trend in its cycle and the stock market potential of each security selected in the investment universe.

These visions are those of CPRAM at the end of December 2024 and are subject to change. The information provided is not intended to be considered as investment advice or a recommendation to take (or refrain from taking) any investment decision, and should not be relied upon as such. All trademarks and logos used for illustrative purposes above are the property of their respective owners. Examples of companies in the universe presented for information purposes only.

III. APPROACH AND STRATEGY

Let's take the example of some key themes and the associated issues: food, the ageing of the population, the environmental transition.

The topic **of population ageing** is not limited to following the development of seniors' residences, but also looks at home support technologies, assistive and digital health technologies, as well as advances in biotechnology and regenerative medicine.

The theme **of food** is particularly linked to environmental concerns, which are pushing consumers towards more sustainable food practices, such as organic farming, as well as alternatives to meat and advanced agricultural technologies. The issue of food security is also present in this theme, against a backdrop of world population growth.

On **the environmental transition**, technological advances in renewable energies (solar, wind, hydro), electric vehicles, energy storage technologies, and sustainable materials offer investment opportunities. Growth is there, but it is more contingent because it is financed by companies and public authorities that have their own constraints. Even if recently, States have withdrawn from ambitious objectives for financing the environmental transition for budgetary reasons, it is a theme that remains predominant (warnings from scientists, increase in physical risks, etc.).

If the existence of a multi-decade is almost beyond doubt, however, its development also depends on changes in the economic situation.



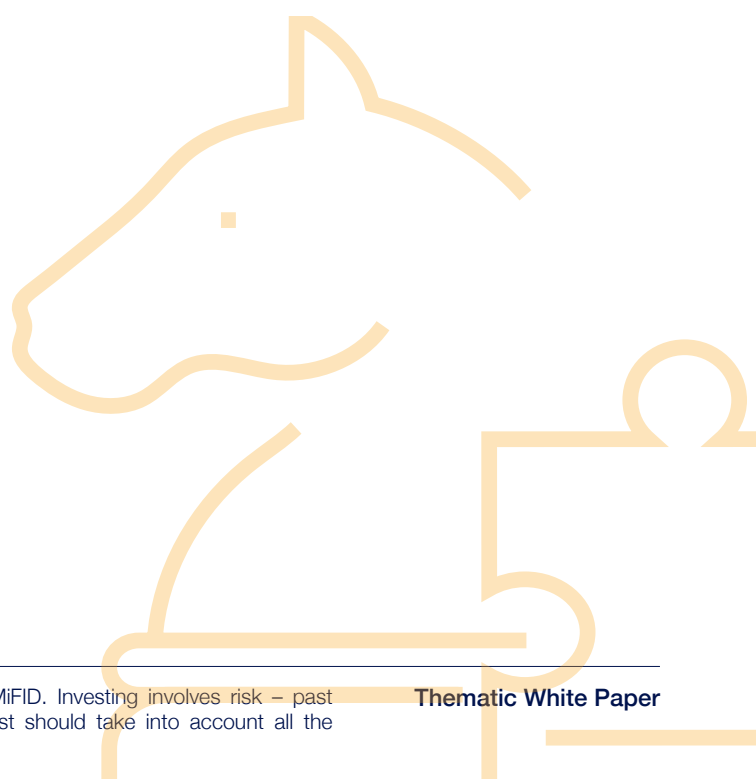
Core or satellite investment?

The other subject that is important to each investor is to know precisely the risk profile of each thematic investment category and to determine its possible positioning within an allocation: as a core portfolio, i.e. as a substitute for a traditional equity investment, or as a satellite to diversify performance?

There are «all-terrain» thematic strategies, which have limited deviation from traditional indices and are able to withstand rising risks to global growth thanks to a particularly broad investment universe. For example, the funds in CPRAM's climate range, which address transition issues, generally have relatively low tracking errors because these funds have the capacity to invest in all sectors, following a carbon emissions reduction angle. These funds could replace core equity investments, as they have a comparable risk profile and also provide an environmental benefit.

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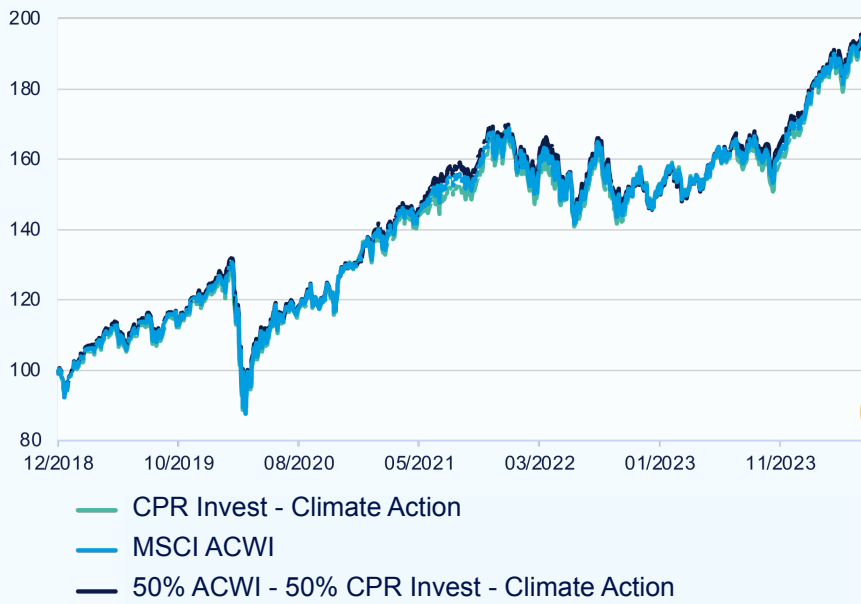
Multi-sector strategies with a standard deviation of less than 4% from the benchmark can generally be considered as core investments. For example, these are themes that focus on companies' practices in terms of climate, biodiversity, or social issues.



III. APPROACH AND STRATEGY

Performance of CPR Invest-Climate Action since its inception date to the end of June 2024

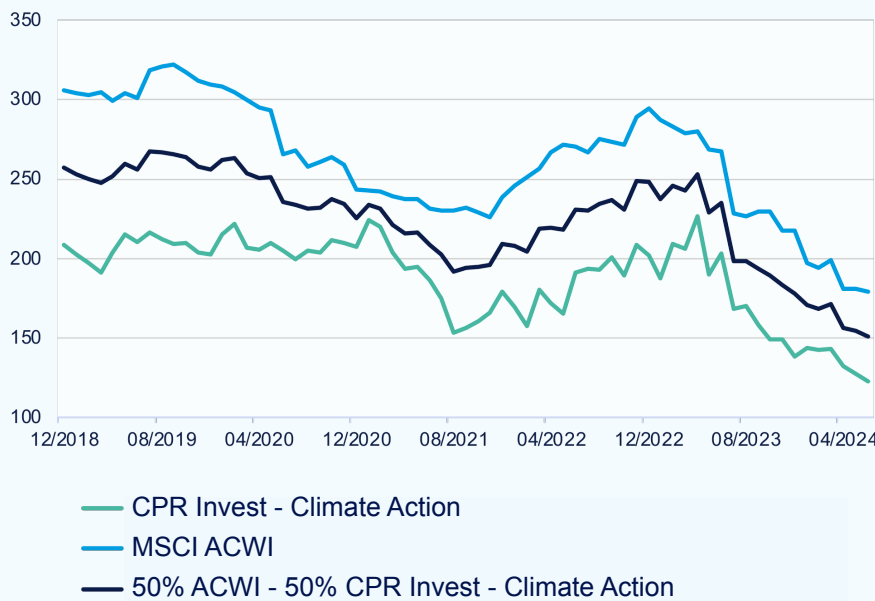
Past performance is not a guarantee of future performance.



?

The two graphs opposite show how the CPR Invest - Climate Action fund generates a performance very similar to the MSCI ACWI world equity index, for a carbon intensity that is structurally 50% lower.

Carbon intensity⁶ since launch date



16

Annual Ex-post Tracking Error			
Date	MSCI AC World	CPR Invest-Climate Action	50% CPR Invest-Climate Action - 50% AC World
2018	-	-	-
2019	-	2.8%	1.4%
2020	-	3.9%	2.0%
2021	-	3.8%	1.9%
2022	-	4.2%	2.1%
2023	-	3.1%	1.5%
2024 (end of June)	-	3.3%	1.6%
Total	-	3.7%	1.8%

Sources: Factset - Responsible Investment, Methods and Solutions Team

6. Carbon intensity is measured in tonnes of CO2 per M€ of turnover.

III. APPROACH AND STRATEGY

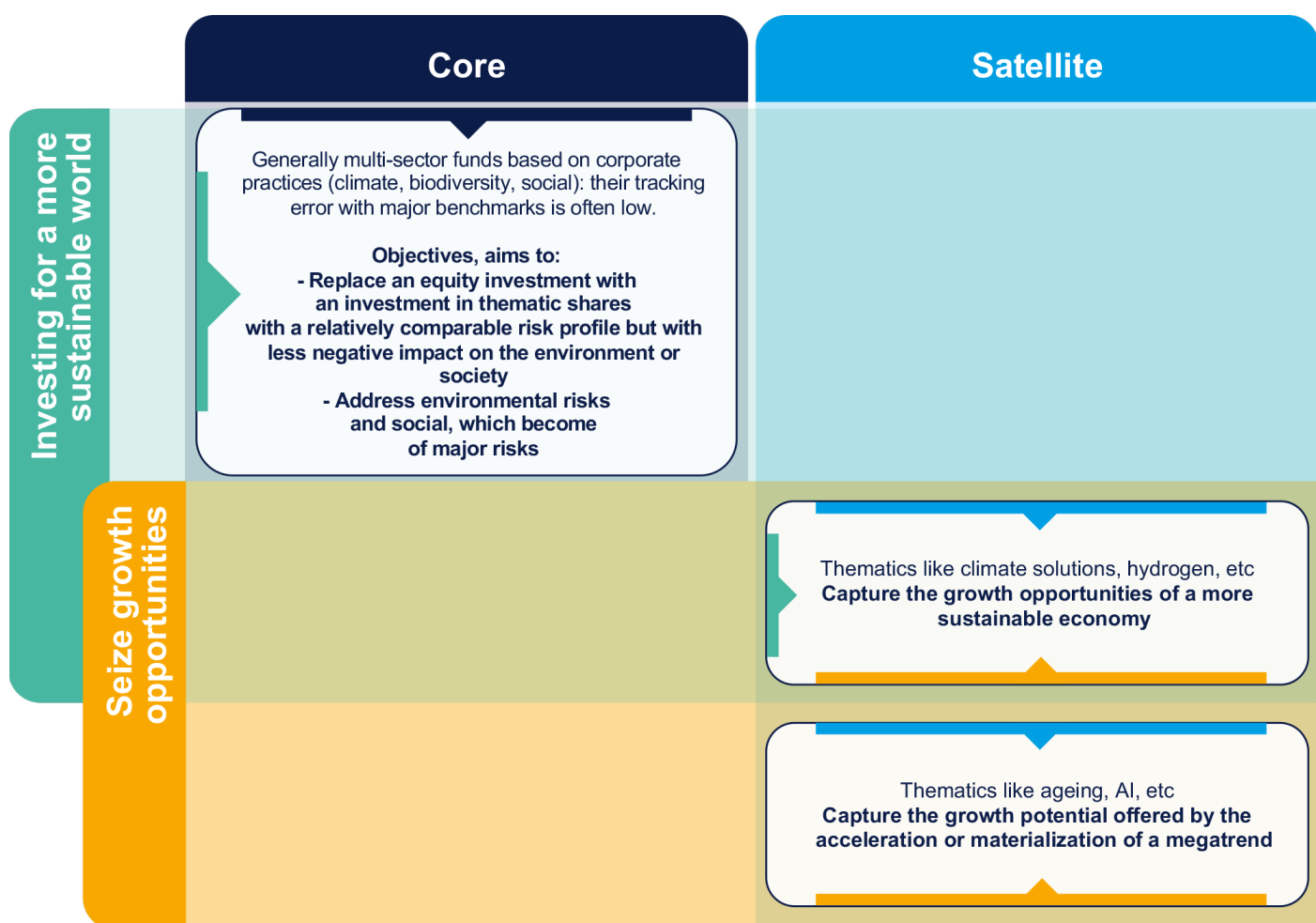
Other themes, related to food and the ageing of the population, are likely to present a lower level of risk, being by nature mainly made up of industries that have shown lower volatilities than benchmarks over the long term. They aim to remain considered satellite investments, however, due to their nature, which diverges significantly from a diversified index. We believe that these themes can be combined with other, more volatile themes such as artificial intelligence, to offer attractive diversification.

For example, with a tracking error of between 5 and 8%, the CPR Invest - Silver Age fund, which invests in the theme of an ageing population, falls into the category of satellite investments. With a universe comprising less than 30% of MSCI Acwi stocks, it is more concentrated and aims to achieve the dual objective of diversification and improving overall portfolio performance.

Diversification is neither a guarantee of profits nor a protection against losses.

In our approach, the ranking of thematic investments can be summarized schematically as follows. On the core side, multi-sector strategies which, through the search for a more responsible world, capture a very wide investment universe. On the satellite side, more targeted strategies linked to the growth opportunities of a theme related to a more sustainable economy (electrification) or to the materialization of a megatrend (ageing, artificial intelligence).

Our classification of thematic funds



Source: Responsible Investment, Methods and Solutions

III. APPROACH AND STRATEGY



A thematic exposition that makes sense to everyone

CPRAM's Research teams have developed risk analysis tools that they now put at the service of investors, in order to target the thematic bricks that would intelligently complement their allocation. The aim is to build a targeted exposure to thematic investments according to the wishes of each investor, in accordance with their own risk criteria.

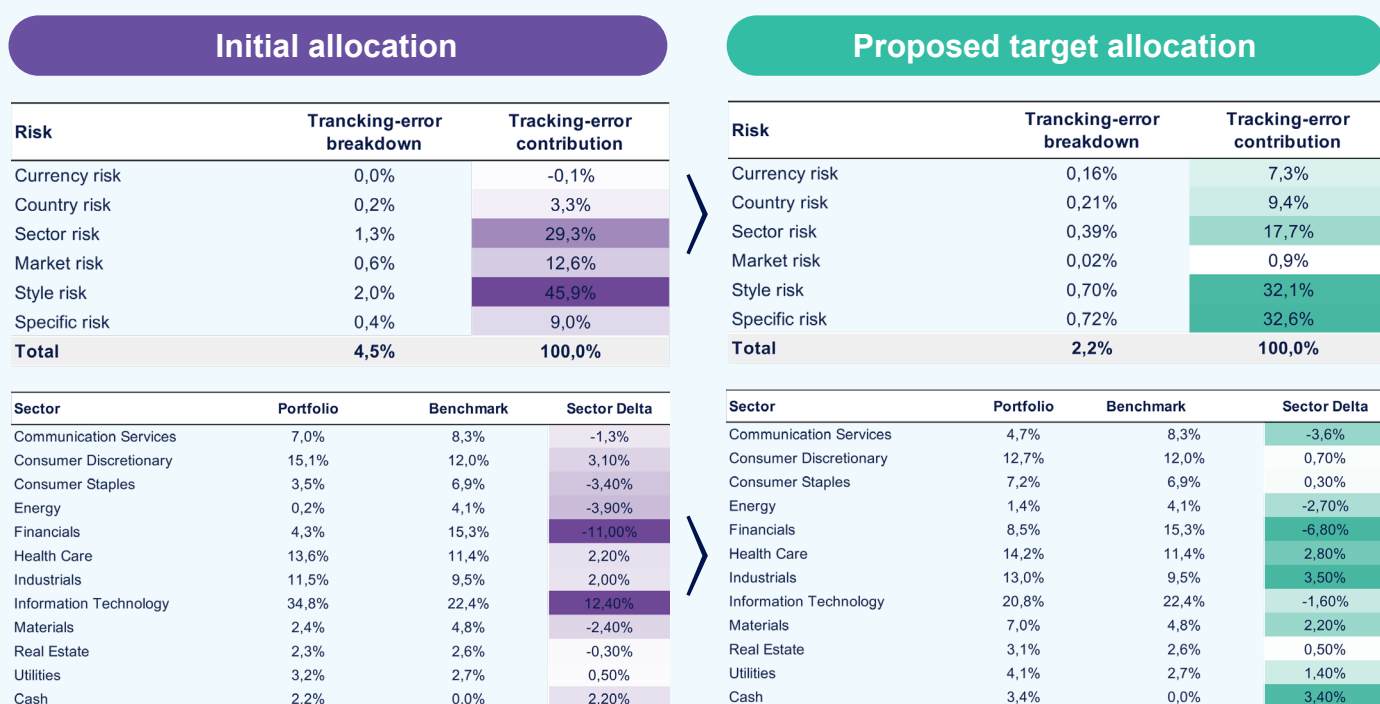
Here is an example of how CPRAM's teams recently worked with an institutional to build a portfolio aimed at being more resilient, by addressing both its concern for reducing tracking-error compared to a broad equity index, and its thematic investment objectives.

The analysis of the portfolio allocation revealed a significant vulnerability to style and sector factors, a source of high volatility in the portfolio (tracking error of 4.4%).

The recommended solution was to significantly reduce the growth bias, materialized by a high exposure to the information technology sector, and to seek to rebalance the allocation by introducing two thematic funds with more exposure to the value factor managed by CPRAM's teams. The result is exposure that is more in line with the investor's benchmark and tracking error that aims to be halved and whose components are more balanced with each other.

This work requires an in-depth analysis of the client's initial allocation, based on the transparency of all positions. The exercise is carried out according to the client's objectives (appropriate calibration of tracking-error, growth bias, overlap between funds, choice of targeted themes to gain exposure to certain sectors, such as health for example, greater consideration of "climate" risk by allocating part of the portfolio to funds aligned with the objectives of the Paris Agreement, etc).

Analysis and improvement of an existing allocation Example of an allocation review (objective: reduce tracking errors)



Sources: Barra - Responsible Investment, Methods and Solutions Team - February 2022

IV. From the thematic BRICK to thematic allocation



Thematic allocation, adapted expertise to a variety of risk profiles

CPRAM has been offering thematic allocation solutions for 3 years. The objective of thematic allocation is not to use thematic management as a simple diversification brick, but to provide institutional and retail investors with 100% diversified, modern thematic management that can be integrated into the core of portfolio allocation.

Diversification is neither a guarantee of profits nor a protection against losses.

This range of thematic allocation funds has been built gradually. It was initiated by the launch of a first 100% equity thematic allocation fund, CPR Invest-Megatrends, which used all the equity thematic bricks developed within CPRAM to compose an allocation between these funds.

Then were launched vehicles combining 100% equity funds with bond investments to offer multi-asset class thematic allocation products (diversified funds with a bond component, a more balanced risk profile than pure equities), more "all-terrain".

In the fixed income world, the way issuers are selected is based on more or less the same methodology as in the equity universe, thus covering the same themes. Thematic bond investing has made it possible to develop multi-management vehicles to address broader risk profiles.

The range has continued to evolve by offering a management in live securities, combining flexibility and robustness.

Investing in major trends with the Thematic Allocation range more than €600 million in assets under management⁷ spread over 3 funds with different profiles and investment horizons

CPR Invest Smart Trends

Objectif : une performance positive quelles que soient les conditions de marché à moyen terme.

Exposition Actions

-10% 0% 20% 35% 40% 60% 80% 100%

Exposition Obligataire

0% 20% 65% 80% 100%

Type : Fonds de fonds diversifié
Benchmark : €STR index

ARTICLE 8

1 2 3 4 5 6 7

Risque plus faible Risque plus élevé

L'indicateur part de l'hypothèse que vous gardez le produit pendant 2 ans

CPR Allocation Thématique Responsable

Objectif : surperformer son indice de référence en combinant approches thématique et ESG.

Exposition Actions

0% 0% 20% 40% 60% 80% 80% 100%

Exposition Obligataire

0% 0% 20% 40% 60% 80% 100%

Type : Fonds diversifié en titres vifs
Benchmark : €STR capitalisé

ARTICLE 9

1 2 3 4 5 6 7

Risque plus faible Risque plus élevé

L'indicateur part de l'hypothèse que vous gardez le produit pendant 4 ans

CPR Invest Megatrends

Objectif : surperformer les marchés actions mondiaux à long terme en s'exposant aux mégatendances.

Exposition Actions

0% 20% 40% 60% 75% 80% 100% 120%

Type : Fonds de fonds actions
Benchmark : MSCI World Net Return Total Index

ARTICLE 8

1 2 3 4 5 6 7

Risque plus faible Risque plus élevé

L'indicateur part de l'hypothèse que vous gardez le produit pendant 5 ans

7. Source: CPRAM as of 31/12/2024.



Setting long-term weights for every investable megatrend

As with all active management, thematic allocation aims to combine a long-term vision with more tactical long-term vision with more tactical elements, ensuring that the portfolio is well aligned with the economic climate.

But how? What methodology should be used to seek to achieve an exposure that is properly exposed to the societal and economic upheavals of our world, while remaining in line with the market environment and seeking to deliver a performance in line with the investor's risk budget (volatility or tracking-error)?

It quickly became apparent that a strategic allocation based on fixed weightings given to the different themes froze the portfolio and hindered the ability of managers to implement their short-term views on sectors, geographies and styles. For example, while there are many ways to gain exposure to the megatrend of the fight against climate change, a strategic allocation based specifically on very specific themes such as hydrogen or cleantech stocks meant that the manager had to invest in the corresponding available vehicles within the CPRAM range of funds, without much more latitude.

In order to broaden the scope of opportunities for the management teams, while maintaining a long-term strategic vision for thematic allocation, a new approach was found based on strategic orientations no longer set at the level of themes, but at the level of megatrends. In this allocation framework based on exposure to the various megatrends, the manager can build his tactical allocation in a more flexible way.

For example, it will expose itself to the megatrend of the fight against climate change by using either multi-sectoral climate transition strategies, whose tracking error is quite low, or, on the contrary, climate solutions such as cleantech or hydrogen, whose risk profiles are more aggressive and more concentrated on certain sectors. This approach is also valid for investing in live stocks, through a mapping of stocks to different themes, then to different megatrends.

The weightings on the megatrends that are imposed on the manager reflect the scoring of each megatrend established by CPRAM's strategy according to its investability, its maturity in the cycle and its economic weight (see box on the next page). And rather than setting in stone a target weighting, strategic exposure to the various megatrends is broken down through limits, again to allow the manager to better combine his portfolio according to his market views.



Combining approaches tactical and strategic for more robustness

Because it is important that the portfolio is able to reflect the manager's convictions, the tactical dimension consists of integrating sector, geographical and style (growth – value – quality – size) forward-looking views into the thematic allocation on a monthly basis, while reflecting the strategic orientations on the megatrends (and adapting to the vehicles available in each megatrend). The exercise is carried out through a series of optimisations to determine the best allocation of investments and with close collaboration between the manager and the financial engineer.

IV. FROM THE THEMATIC BRICK TO THEMATIC ALLOCATION

FROM MEGATREND TO THEMATIC ALLOCATION

At the operational level, the implementation of a diversified thematic allocation is based on the analysis of three fundamental criteria of each megatrend:

MATURITY

While some trends have been at work for a long time, with well-identified mechanisms and beneficiaries, others are still in their infancy.

ITS ECONOMIC WEIGHT

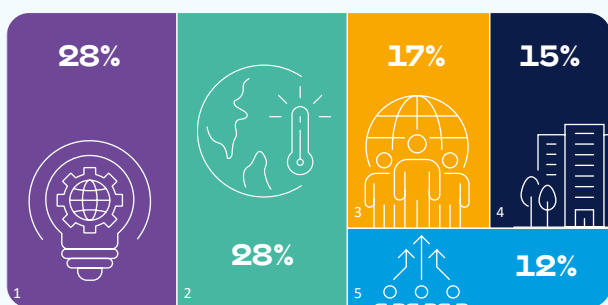
The weight of current public and private consumer and investment spending and future, differs according to megatrends. It depends in particular on public opinion and the appropriation of the subject by the political authorities.

THE MANAGER'S ABILITY TO LEVERAGE THE MEGATREND AND ITS DIFFERENT VARIATIONS

It is not always possible to find investment vehicles (securities or funds) that can benefit from of certain economic and societal changes. The theme must intersect with an investment universe sufficiently broad of companies directly benefiting from one or more megatrends to be considered an investable theme.

This exercise, which is not necessary in the context of single-thematic management, makes it possible to prioritize the megatrends to allocate between the different themes.

? Target weight for megatrends



- Technological innovations
- Fight against global warming
- Demographic changes
- Urbanisation & social change
- Fight against inequalities

Example of strategic allocation and portfolio construction after tactical review:

Megatrends	Thematics	Weight
INNOVATION 25,9%	Disruption	22,3%
	Digitization	0,0%
	Big Data / AI	3,3%
	Autonomy / Security	0,3%
	Robotics / Automation	0,0%
CLIMATE 29,1%	Climate Actions	21,7%
	Biodiversity	0,0%
	New energies	1,3%
	Water	1,5%
	Circular Economy	1,9%
	Natural Resources	2,7%
DEMOGRAPHY 16,3%	Ageing of the population	8,4%
	Millennials	0,0%
	Well being / Lifestyle	7,9%
INEQUALITY 23,6%	Reduction of inequalities/ Education	22,3%
	Food Challenge	1,3%
URBANISATION 3,7%	Smart City / Urbanization	3,1%
	Infrastructure	0,6%
OTHERS 1,4%	Other	1,4%

Source: Responsible Investment, Methods and Solutions

At the end of this tactical review, the thematic allocation manager will then choose the most relevant vehicles for his portfolio and may even decide to tactically cut his exposure to certain themes. In order to allow for a more adapted tactical allocation, CPRAM's teams have evolved their investment methodology for thematic allocation funds, which was originally exclusively based on a multi-management format. Indeed, the implementation of a tactical thematic allocation in a multi-management format generates strong constraints. The thematic funds available to the multi-manager inherently incorporate biases, which limit certain style exposures (growth bias vs. few value vehicles, geographical biases, etc.). The number of media available, although close to twenty, is sometimes limited for building certain exhibitions. For example, thematic funds have traditionally had less or no exposure to financial stocks. Finally, multi-managers must carefully follow the views implemented by each manager of the underlying funds.

22

For example, the CPR Invest - Global Disruptive Opportunities fund makes it possible to strengthen or build a long-term exposure to the infotech sector. This fund invests in the shares of companies that establish or benefit - totally or partially - from disruptive business models. As a result, it has a long exposure to the healthcare sector. The biases imported by each underlying force us to make choices and to dialogue closely with thematic managers to determine which tactical views can be implemented and to prioritize them. This fine-tuning is important.

The diversity of CPRAM's thematic funds and the low tracking-error of some core funds such as CPR Invest - Climate Action make it possible to build thematic allocations with little active risk. By selecting funds with different investment strategies and combining them appropriately, it is possible to reduce the overall risk of the allocation. However, in order to offer more latitude to the manager to implement his tactical views, the investment methodology has opened up to the "securities" format.



Investment in living titles, Adaptability and better readability

Securities management aims to allow a more efficient tactical allocation with a much more precise margin of maneuver than fund of funds management. Indeed, this methodology makes it possible to directly manage the weightings of securities, which gives the manager the ability to overweight convictions on certain securities, as well as to transcribe sectoral, geographical and style views with much greater flexibility than a fund allocation.

It may happen that a thematic allocation manager has his own convictions, which do not relate to a sector view but to a trend that he has identified in relation to thematic investing. To take a recent example, let's mention the desire to very quickly build exposure to companies benefiting from the rise of artificial intelligence. Typically, in the absence of underlyings that would allow them to gain exposure at a given time, the manager will need latitude to be reactive.

By relying on the in-depth knowledge of the thematic universes available to select the right securities, the allocation to live securities offers this flexibility. The use of derivatives to implement market views is no longer necessary.

IV. FROM THE THEMATIC BRICK TO THEMATIC ALLOCATION

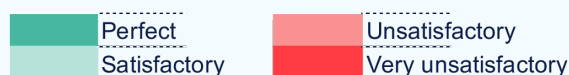
Illustration of the additional room for manoeuvre provided by investing in live securities

Thematic allocation construction in which we seek to implement views on sectors and style factors, we see that the securities format allows us to obtain a portfolio that is more aligned with the views.

Sectors	View	View's implementation quality	
		Fund of Funds	Paper security
Communication Services	+	Very unsatisfactory	Satisfactory
Consumer Discretionary	-	Perfect	Perfect
Consumer Staples	+	Satisfactory	Perfect
Energy	Neutral	Unsatisfactory	Unsatisfactory
Financials	Neutral	Very unsatisfactory	Very unsatisfactory
Health Care	+	Perfect	Perfect
Industrials	+	Satisfactory	Perfect
Information Technology	-	Perfect	Perfect
Materials	Neutral	Satisfactory	Perfect
Real Estate	Neutral	Perfect	Perfect
Utilities	Neutral	Very unsatisfactory	Perfect

Factors	View	View's implementation quality	
		Fund of Funds	Paper security
Qualité	Neutral	Very unsatisfactory	Perfect
Croissance	Neutral	Perfect	Perfect
Value	Neutral	Unsatisfactory	Perfect
Volatilité	-	Unsatisfactory	Perfect

Sources: MSCI - Responsible Investment Team, Methods and Solutions.



The allocation to live securities also makes it possible to capitalise on the alpha of thematic managers. By investing directly in the underlying assets of thematic funds managed by competent managers and selecting the assets that best align with the views of multi-asset managers, it is possible to leverage the alpha of these thematic managers to improve the overall performance of the allocation.

The securities format also makes it easier to implement specific ESG constraints, or to combine securities for more satellite themes and funds for multi-sector core portfolio themes. The securities format also makes it easier to read, as the largest positions in the portfolios reflect the manager's choice of themes.

On the other hand, the title format complicates the attribution of performances by theme, because the same title can be found in several thematic funds, for different reasons. In an adverse context for thematic management, CPRAM's live equity funds managed to achieve market beta in 2022-2023, thanks to an increased capacity to react compared to thematic allocations invested exclusively in thematic funds.

The gradual migration of CPRAM's range of thematic allocation funds to an investment approach in live or mixed securities has begun to meet this triple requirement of responsiveness, flexibility and robustness.

V. conclusion



Vafa AHMADI
Head of Thematic Equities,
Amundi & CPRAM

This new White Paper on thematic allocation provides a new set of valuable insights, starting with a point at why thematic investing has performed poorly over the past three years. It highlights promising prospects and insists on the need to fully master the way to integrate thematic building blocks into the portfolio.

CPRAM reaffirms its role of innovative player and committed, always attentive to market developments to offer high-performance and resilient solutions, at the service of institutional and individual investors.

24

The analysis also shows how CPRAM, a pioneer in thematic investing, has refined its approach to thematic allocation by confronting it with its limitations, without losing its convictions or its commitment to building a more sustainable world.

Our teams have been able to refine their management by facilitating the control of biases, by integrating lively stocks and by structuring a global thematic allocation aligned with the major megatrends.

By reconciling a long-term vision with tactical adjustments, and thanks to greater flexibility and in-depth risk analysis tools, CPRAM's teams help each investor to build a thematic allocation tailored to their specific objectives.

The next frontier will probably be to offer options combining listed and unlisted investments, based on the new format of ELTIFs, these long-term European investment funds that are part of a process of supporting economic growth, employment and innovation within the European Union.

Designed in 2015 to favour illiquid assets such as real estate, infrastructure and renewable energy, ELTIFs are now available in a revamped version.

The new ELTIF 2.0 framework, which came into force in 2024, is intended to be more flexible and attractive in order to offer democratized access to private equity, allowing retail investors to access vehicles previously reserved for institutional investors through their life insurance policies or their PER. This innovative format can make it possible to develop solutions with more liquidity than that of unlisted funds and makes it possible to diversify across the entire value chain, from supporting developing companies to investing in more mature companies.

In line with recent regulations, such as the Green Industry Law, these funds aim to offer a relevant response for the PER horizon grids by integrating a non-listed dimension. By combining agility and a long-term vision, CPRAM intends to consolidate its role as a key player in thematic investment and support for economic transformations, both globally and in Europe.

Contributors



Arnaud FALLER,
Deputy Chief Executive Officer and
Chief Investment Officer, CPRAM



Vafa AHMADI,
Head of Thematic Equities,
Amundi & CPRAM



Julien DAIRE,
Head of Fixed Income, Credit
and Diversified Investments at CPRAM



Julien LEVI-KERN,
Thematic Diversified Manager,
Live Securities and Fund of Funds



Nicolas PICARD,
Deputy Head of the Thematic Actions De-
partment, CPRAM



Noémie HADJADJ-GOMES,
Head of the Responsible Investment Team,
Methods and Solutions, CPRAM



Jérémy BANNIER,
Financial Engineer, Responsible
Investment, Methods and Solutions Team,
CPRAM



Bastien DRUT,
Head of Research and Strategy - CPRAM



Juliette COHEN,
Senior Strategist, CPRAM



Jean-Thomas HEISSAT,
Strategist, CPRAM

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CPR Invest – Climate Action <https://cpram.com/fra/en/professional/products/LU1902443420>

CPR Invest – Megatrends : <https://cpram.com/fra/en/professional/products/LU1734693812>

CPR Invest – Silver Age : <https://cpram.com/fra/en/professional/products/LU1291158233>

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CPR Invest – Smart Trends : <https://cpram.com/fra/en/professional/products/LU1989771529>

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(Autorité des Marchés Financiers 17, place de la Bourse, 75082 Paris),
SA with a capital of 53,445,705 euros 399 392 141 RCS – 91-93, boulevard Pasteur
CS 61 595 – 75730 Paris – Cedex 15 – Tel: 01 53 15 70 00