CARDIF LUX VIE
BNP PARIBAS GROUP

GENERAL FUND
CARDIF LUX VIE

FINALISED ON 10 JULY 2024

A PREMIUM ON FLEXIBILITY

For almost 18 months now, we have been writing in our publications or saying in our presentations that it was essential to remain agile in our allocations and long-term positioning considering the uncertain macroeconomic context and the unstable (geo)political environment.

The first half of the year validates our measured risk-taking approach, based on our main convictions for 2024: rates that remain volatile for part of the year, a less optimistic macroeconomic environment than in 2023, and rates that remain high for longer.

This obviously deserves some explanation.

UNCERTAINTY ABOUT RATES

While the European Central Bank began cutting rates on 6 June, monetary policy remains uncertain because the macroeconomy is still resilient in the first half of the year. They are the determining factor in the financial markets, and are compounded by the economic, geopolitical, political and social upheavals in and around Europe.

It is the US economy that raises the most significant questions. Following the release of statistics, economic players try to anticipate the pace of rate cuts by the American Central Bank, which defines its policy as "data-dependent". A few weeks ago, a series of consumer statistics hinted at the soft landing we are expecting. This was good news, accompanied by moderate inflation figures. US long-term yields started to fall again and the prospect of a cut in short-term yields by the Federal Reserve became likely again at the end of the summer. More recently, however, a lot of figures once again showing strong business activity have rekindled uncertainty. Consumer confidence has risen, and the job market has shown signs of renewed strength. The contradictory statements made by the various members of the Federal Reserve are helping to blur the message.

We are maintaining our scenario of a moderate slowdown in US activity. The latest employment figures, which were worse than expected at the start of July, confirm this scenario. Past rate rises are gradually spreading through the economy. The post-covid savings reserve has now melted away and should help to curb household consumption. US industrial activity has already been slowing for several months. Services are now the main driver of the economy. This engine should gradually lose power.

On the inflation front, the statistics oscillate between good and bad surprises. Indices are falling back overall but are still above the 2% target. Among the points to watch are wages, whose recent moderation requires confirmation, and property, which remains a key component of US inflation. Container prices have also started to rise again, due to ongoing security problems in the Red Sea. . Finally, some commodities, such as copper, are recovering, while oil has recently fallen back despite international tensions.

These contradictory messages on activity and inflation make the Central Bank's future actions difficult to predict. However, we are sticking to our scenario of a first rate cut in September, possibly followed by another in 2024. This trend is set to continue in 2025.

In Europe, things seem clearer. The economy remains weak, despite a slight rebound, and inflation is now close to desired levels. However, we still need to be cautious about prices, because of potential aggravating factors such as wages and raw materials. The European Central Bank started an initial rate cut of 25 basis points in June and has subsequently communicated a factual and pragmatic analysis. Temporary decorrelation in monetary policy cannot be sustained over time.

WM-Mot du Gérant-en-072024

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In Asia, the Chinese economy is gradually picking up, but remains below the government's expectations. Further monetary and fiscal stimulus is still possible, and we expect slightly stronger growth over the coming quarters. China and Asia as a whole, should contribute to the future strength of global activity.

The economic picture is therefore rather encouraging, but we are still at the mercy of a worsening geopolitical situation, with Ukraine and the Middle East the main points of tension. We keep this in mind in our management policy.

EQUITIES: MICROECONOMICS AND VALUATION TAKE PRECEDENCE OVER MACROECONOMICS

While the main world indices remain close to their all-time highs, they hide major disparities: technology stocks and luxury goods largely explain the performance of these indices.
A small number of stocks are in the spotlight: Nvidia steals the show at the FOMC! Microeconomics and above all, valuation take precedence over macroeconomic indicators, which are relegated to second place. (saut de ligne)
In the short term, we do not see any factors disrupting this reversal in the hierarchy of forces. However, we will be keeping a close eye on developments in the US presidential campaign over the coming months.

C'EST LA VIE

Finally, we could not avoid the French situation and the period of uncertainty unfavourable to the market resulting from President Macron's decision to dissolve the National Assembly on Sunday 9 June.
As I write these lines, in the aftermath of the second round of legislative elections, the political situation is far from clear. The field of possibilities remains wide for the formation of a new government, and the markets' main fears concerns on taxation and public spending. The gap between the OAT and the Bund and the underperformance of the French markets illustrate this. The risk premium on French debt is at its highest level since 2020, with the 10-year spread against the Bund stabilising at just under 70 basis points (bp) after having diverged by more than 30 bp in the space of a few days, reaching more than 80 bp on 27 June.
Budgetary discipline is a sensitive issue for the markets, and the current political uncertainty is worsening the situation of a profligate state. On 19 June, the European Commission opened the excessive deficit procedure for France. Less than a month ago, S&P downgraded France to "AA-". For its part, Moody's warned at the beginning of July that the election result was sending out a negative signal for the credit rating of French debt.

The question of potential contagion beyond France's borders arises. At this stage, the other European markets have been only slightly affected, and the impact has been limited to European domestic stocks, starting with banks. The US markets seem to be totally immune (75% of S&P500 profits are made in the USA).

From a more general point of view, this political instability, this pressure from the markets on the credit premiums of the French State, a pillar of the Eurozone, adds, in the medium term, a major element in the balance of the Central Bank for its monetary policy. It was primarily for reasons of stability and to avoid a systemic crisis or the break-up of the Eurozone that Mr Draghi unleashed his "Bazooka" in 2012. We are still a long way from that, but France is a major pillar of the Eurozone, and if its interest rates drift too far out of line, it could be the trigger for a more serious crisis. We therefore believe that these French confusions could, over time, result in a slight acceleration in key rate cuts, which argues in favour of investors stepping up bond investment, maintaining or extending duration and continuing the shift from High Yield to Investment Grade, which is more defensive in times of stress.

BENEFITS OF THE CARDIF LUX VIE EURO FUND

In line with its strategy of diversification and flexibility, Cardif Lux Vie's general fund is well protected against this French risk, with only 7% exposure to the OAT. Moreover, the fund does not invest in listed public agencies or companies. Credit exposure to the French financial or corporate sector remains limited and involves strong companies and/or bonds that are largely secured.

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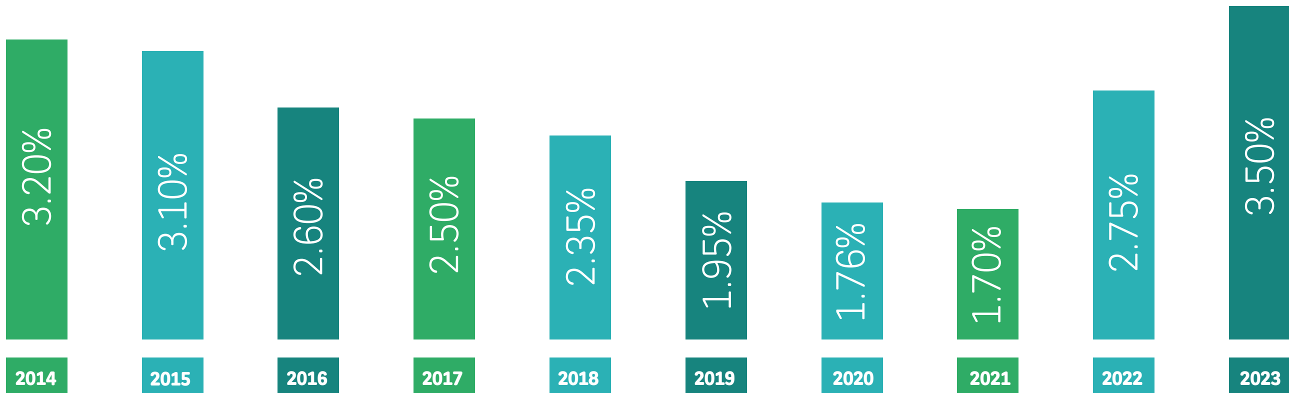
In addition to the solidity and diversification of its investments, the Cardif Lux Vie euro fund benefits from many advantages of Luxembourgish insurance market, particularly in terms of protections and guarantees.

Finally, for French investors and policyholders, it has the advantage of not being reinsured by a French fund: it is therefore not subject to the Sapin 2 law, which, if activated in France, would block the possibility of surrendering all or part of the policy.

Have a great summer!

Arnaud MIROUDEL
Director of Asset Management

HISTORY OF THE GENERAL FUND'S GROSS RETURNS[1]



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1- Details of past returns provide no guarantee or limitation of future returns. Returns do not take account of the management costs for investment instruments..

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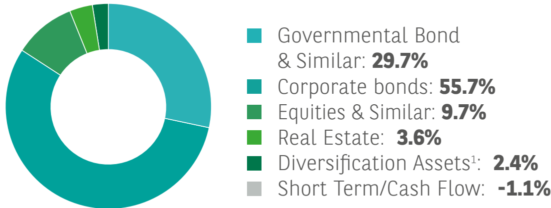
MANAGEMENT OF THE CARDIF LUX VIE'S GENERAL FUND AS AT 28/06/2024

Capitalisation of the General Fund in market value: **7,59 billion EUR.**

COMPOSITION OF THE CARDIF LUX VIE'S GENERAL FUND



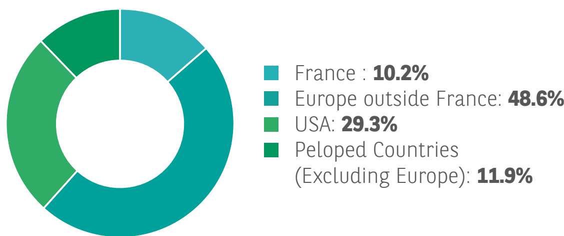
- Governmental Bond & Similar: **29.7%**
- Corporate bonds: **55.7%**
- Equities & Similar: **9.7%**
- Real Estate: **3.6%**
- Diversification Assets[1]: **2.4%**
- Short Term/Cash Flow: **-1.1%**

COMPOSITION OF THE EQUITIES COMPARTMENT

Share risk exposure around **9.65%.**

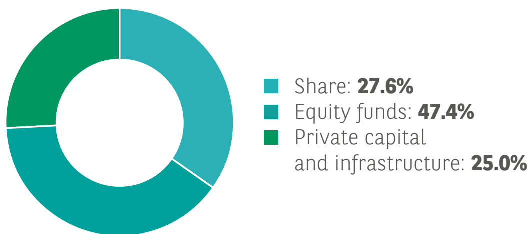
The equity market sensitivity (beta) of the portfolio is **7.65%.**

Equities compartment detail by geographic zone



- France : **10.2%**
- Europe outside France: **48.6%**
- USA: **29.3%**
- Peloped Countries (Excluding Europe): **11.9%**

Details of the equity sector by nature



- Share: **27.6%**
- Equity funds: **47.4%**
- Private capital and infrastructure: **25.0%**

COMPOSITION OF THE BOND COMPARTMENT

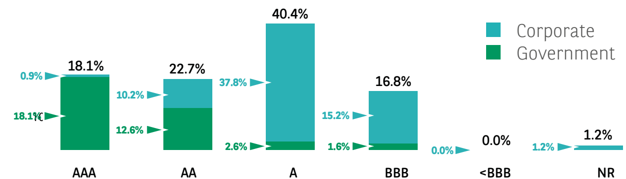
The global sensitivity to the rates of our portfolio is close to **6.29.**

Bond compartment detail by rating

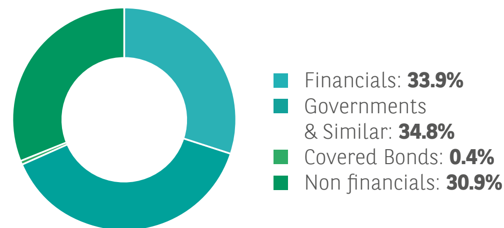
The bond portfolio has an excellent quality rating with an average rating of "**A**".

Rating[2] of the Government State Bonds in portfolio at 28/06/2024:

AAA : Luxembourg, Germany, Netherlands, USA, European agencies
AA : Finland, France, Belgium, Austria
A : Slovakia, Spain, Chile
BBB : Italy

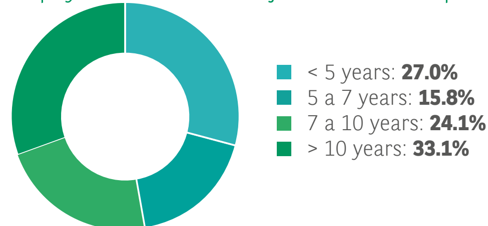


Bond compartment detail by issuers



- Financials: **33.9%**
- Governments & Similar: **34.8%**
- Covered Bonds: **0.4%**
- Non financials: **30.9%**

Repayment schedule of the Bond compartment



- < 5 years: **27.0%**
- 5 a 7 years: **15.8%**
- 7 a 10 years: **24.1%**
- > 10 years: **33.1%**

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2- Emerging debt, high yield and alternative Funds.
3- Median rating of the 3 agencies Standard & Poor's, Fitch and Moody's.

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