FINALISED ON 3 JANUARY 2020

GENERAL FUND

CARDIF LUX VIE

We end the year relieved. The risk of recession in the world's leading economies has been averted, at least for a few quarters. The main source of our relief has been the pragmatic attitudes of the central banks, and the Federal Reserve in particular, as they face up to the industrial recession that climaxed in the middle of the summer. Uncertainty provoked by the intense questioning of the globalisation of trade and value chains has hit the major industrial exporters hard, particularly German automotive companies whose business model has also been challenged by the energy transition agenda.

By cutting key interest rates three times and reinjecting liquidity into the US banking system, the Fed has successfully rebuilt confidence among investors and companies without stoking fears of a real estate bubble or of runaway inflation (inflation remains under control at around the 2% mark). Like its US counterpart, the ECB relaunched an asset purchase programme on a scale of 20 billion euros per month and cut its deposit rate by 0.1% to -0.5% in a bid to revive inflation expectations. At the same time, and at the instigation of Christine Lagarde, the Bank launched a strategic review to investigate in particular the effects of its negative rates policy.

Meanwhile, the Chinese central bank also took action against the negative fall-out from current trade disputes, paving the way for growth figures that edged above 6%.

This interventionism from the central bankers, coupled with very robust domestic demand (unemployment rates are at their lowest levels for more than 10 years in the USA, Europe and Japan), has supported the services sector which, unlike industry, has continued to make advances worldwide. Ultimately, global growth can be expected to remain slightly above 3%, markedly down on 2018 figures but in line with the levels reached in earlier years.

In terms of international trade relations, the announced signature of a Phase One agreement between China and the USA applicable from January onwards and the ratification of the USMCA (between the USA, Mexico and Canada) are grounds for hope that 2020 will be less chaotic. Furthermore, in the short term, Boris Johnson's election victory for the Conservatives in the UK also encourages a more optimistic view of the political and economic situation in Europe.

Yet while this situation is more favourable compared with this time last year, it is by no means devoid of risk. The damage done to international trade will not be remedied by a preliminary agreement considering that there is still the threat of a backward step, namely custom duty hikes, as the USA and China look to negotiate a broader trade agreement. Furthermore, a potential trend reversal could be triggered by the US electoral campaign whose turn of events will most probably be a source of volatility.

In the European Union, while Eurosceptics have not yet single-handedly succeeded in gaining power in any of the major member states, their growing strength is forcing the traditional parties to enter into unstable coalitions, which is making decision-making difficult. Furthermore, even if the UK is in all likelihood set to leave the EU at the end of January, Boris Johnson's insistence on a period of "just" one year to negotiate the terms of the future relationship between the EU and the UK puts the possibility of a hard Brexit back on the agenda.

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At the same time, doubts are starting to emerge about China's ability to maintain a sufficiently high level of growth while still avoiding any real estate bubbles and keeping the rise in corporate and household borrowing in check.

Finally, in addition to the risks outlined above, we cannot ignore those associated with potential geopolitical tensions. These are by their very nature difficult to predict but can have a significant impact on global growth.

In 2020, as has been the case for many years now, we are likely to need the central banks to remain resolute in order to extend this phase of slow growth that has now been in evidence for more than 10 years on the other side of the Atlantic.

During the second part of the year the financial market continued to fare well, buoyed by the more encouraging news described above and by investors' willingness to look beyond the high prices of some classes of risky assets.

Equity markets in the developed countries, excluding dividends, put on more than 7%, taking annual growth to more than 28% in the case of the S&P 500, with the Eurostoxx 50 nudging 25%. The flagship index on the US stock exchange ended close to its highest ever level while most European indices have come close to or exceeded their 2015 levels. After advancing "only" by a little more than 15%, the Topix finds itself at the bottom of the global league table for equity indices, matching the performance of the emerging markets index (MSCI EM). From a sector-based perspective, we have seen solid performance among numerous cyclical segments in Europe, led by construction, technology and industrial stocks with an increase of more than 35%, while oil stocks have only gained around 11%. Among defensive stocks, utilities have benefited from an increase in value of more than 30% despite the ongoing presence of structural challenges, while telecoms had to make do with a rise of just 5%. Finally, in terms of financials, it is financial services that are dominating with a performance of more than 43%, while banks were up just 14%, hampered by the low interest rate environment and continuing strong regulatory pressure.

On the bond markets, the most volatile segments such as high yield, subordinated and emerging debt in local currencies were the most sought-after, with performances of between 11% and 16%. As risk-free long-term rates remained extremely low, this obviously boosted appetite for risk despite the historically high volume of primary issues in euros (€ 445 billion, of which € 375 billion in the investment grade segment). The long-term rates in the best ranked European countries, despite having recovered well compared with the historic lows of mid-August (with a 10-year bund lower than -0.74%), were down by more than 40 bp over the year as a whole; 10-year bunds ended on -0.19% and their US equivalent close to 1.92%, equating to a year-on-year drop of 0.76%. Peripheral debt performed well, especially 10-year Italian debt instruments which benefited from a relatively calm political period with the spread against Germany contracting by 0.9%.

As far as our investments in the General Fund are concerned, we stayed out of the bond markets for a good portion of the summer in the wake of the extreme fall in long-term risk-free rates and the lack of opportunities on the credit market. The reopening of the primary credit market, in late August, enabled us to invest some of the accumulated liquidity, focusing on non-cyclical issuers with significant geographical diversification. As risk-free rates rose again and credit spreads narrowed, we resumed our investment in the most solid government debt in order to increase our interest rate sensitivity to over 4.8 at the end of the period after having flirted with 4.5 in August. This new exposure to government debt will be gradually reduced in favour of credit bonds as and when market opportunities arise during 2020.

With regard to the equity markets, we maintained an allocation of close to 9% throughout the year, progressively trimming our exposure as the market rallied. During the fourth quarter we also opted to switch some of our Tracker funds towards dynamic funds in the interest of increasing our diversification and our medium-term return. In relation to direct investments in equities, we maintained a defensive bias by staying underweight in cyclical stocks (oil and automotive) and companies whose business model has been structurally questioned or whose reputation has been damaged. Looking to 2020 and taking into account valuations, very favourable expectations in terms of future results and the support of the monetary authorities, we are cautiously optimistic and will benefit from any significant market rise, assuming a comparable economic environment, to continue to reduce our exposure.

As far as other asset classes are concerned, we continued to take up positions in buyout private equity funds. We are also considering secondary private equity funds in order to be able to benefit from any cyclical turnaround. In terms of real estate, we have launched an initial investment in the hotel sector in Europe and are looking to build on this theme in 2020 by investing in an open-ended fund.

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We have also increased our exposure to the office sector in two open-ended funds already included in the portfolio. Finally, we maintained our exposure to healthcare real estate, investing in retirement homes in Germany. Our aim is to achieve a real estate weighting of close to 4% by the end of 2020 compared with just under 3% currently.

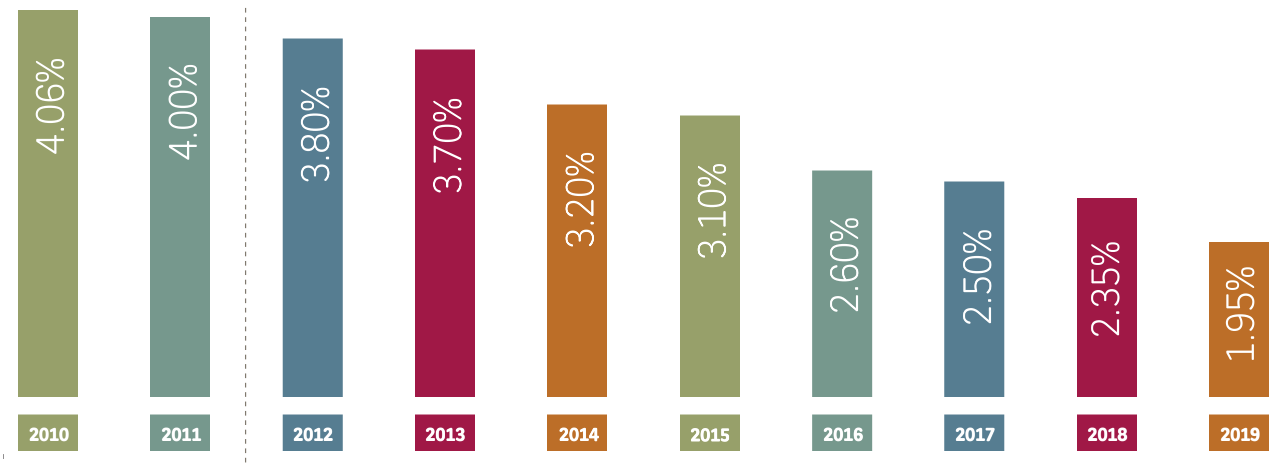
In 2019, as has been the case for many years now, we strove to select investments on the basis of ESG criteria, particularly by applying the best in class and energy transition filters in relation to direct investments. Moreover, we are currently studying the implementation of investments with a positive impact on reducing greenhouse gases and protecting the world's oceans.

François LUCCHINI
Director of Asset Management

KEY TAKEAWAYS

- Household spending is compensating for the challenges faced by the industry
- A global recession has been averted in the short-term
- The central banks are standing guard
- Risky asset classes are no longer under-valued

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



1- The performances reported up to the end of 2011 relate to the General Fund offered by Cardif Lux International (part of BNP Paribas Cardif assets). Since 2012 the General Fund has been under the direct management of Cardif Lux Vie. 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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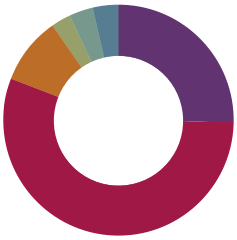
MANAGEMENT OF THE CARDIF LUX VIE'S GENERAL FUND AS AT 31/12/2019

Capitalisation of the General Fund in market value: 9.9 billion EUR.

COMPOSITION OF THE CARDIF LUX VIE'S GENERAL FUND

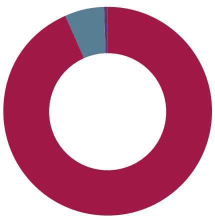


- Governmental Bond & Similar: **25.3%**
- Corporate bonds: **55.8%**
- Equities & Similar: **9.2%**
- Real Estate: **3.0%**
- Short Term/Cash Flow: **3.1%**
- Diversification Assets[1]: **3.6%**

COMPOSITION OF THE EQUITIES COMPARTMENT

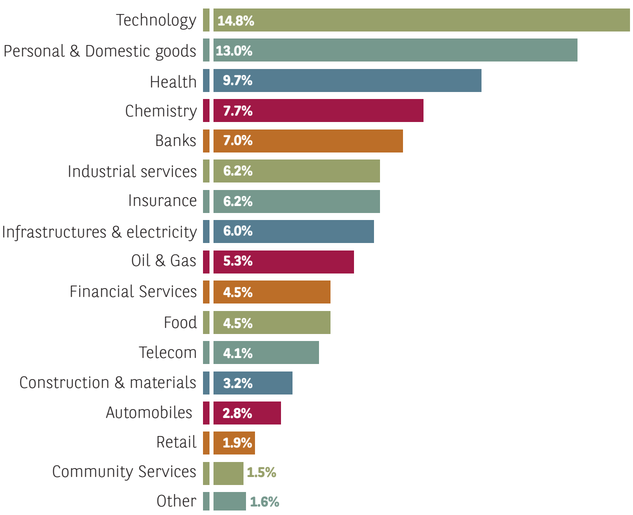
Share risk exposure around 9% (beta).

EQUITIES COMPARTMENT DETAIL BY GEOGRAPHIC ZONE



- Europe: **93.4%**
- Developed Countries (Excluding Europe): **6.2%**
- Emerging Countries: **0.3%**

EQUITIES COMPARTMENT DETAIL BY SECTOR



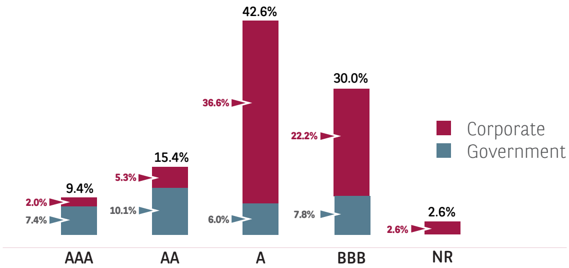
COMPOSITION OF THE BOND COMPARTMENT

The global sensitivity to the rates of our portfolio is close to 4.8.

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 31/12/2019:
AAA: Luxembourg, Germany, Netherlands and European agencies
AA: Finland, France, Belgium and Austria
A: Slovakia, Spain, Poland, Ireland and Czech Republic
BBB: Italy and Mexico



BOND COMPARTMENT DETAIL BY ISSUERS

- Financials: **32.3%**
- Corporate: **31.2%**
- Covered Bonds: **3.0%**
- Industrials: **33.5%**

REPAYMENT SCHEDULE OF THE BOND COMPARTMENT

- < 5 years: **34.1%**
- 5 to 7 years: **19.4%**
- 7 to 10 years: **24.5%**
- > 10 years: **22.0%**

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