

The background of the cover is a dramatic image of a space shuttle launching. The shuttle is white with blue and red accents, ascending vertically with a large plume of white smoke and fire. The sky is a deep blue with some clouds. The overall tone is patriotic and technological.

# US PATRIOT TECHNOLOGIES INDEX

**BNP PARIBAS CIB  
GLOBAL MARKETS**

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**BNP PARIBAS**

The bank  
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world

## INTRODUCING THE US PATRIOT TECHNOLOGIES INDEX

# US PATRIOT TECHNOLOGIES INDEX

The **BNP Paribas US Patriot Technologies RC5 AR Index** ("US Patriot Technologies Index" or "the Index") is a rules-based index that aims to provide a balance between growth potential and asset protection by offering exposure to companies that are aligned with the United States Department of Defense's critical technologies list. It also adds a layer of risk control through the BNP Paribas volatility control overlay.

The Index is composed of an Equity portion, which selects the components that will make up its final portfolio, and a Hypothetical cash position, deployed to keep Index volatility at 5%.



The **Equity** portion of the Index is made up of exposure to companies that pass the critical technology screen and that have a low relative exposure to geostrategic risk and foreign influence as determined by J.H. Whitney<sup>1</sup>.

A **hypothetical cash position** is employed as the second layer of the volatility control mechanism, to target an annualised realised volatility of 5%.

<sup>1</sup>J.H. Whitney is a geopolitical risk consulting firm whose proprietary geostrategic risk scoring methodology helps inform the equity portion of the Index.



## WHY IS THE US PATRIOT TECHNOLOGIES INDEX RELEVANT?

### PATRIOT

- The Index is composed of **US large & mid cap companies that align with national modernisation priorities.**
- In response to rising geopolitical risk in the world today, the strategy features a stock selection methodology designed to reduce risk, **by excluding companies that have a higher likelihood of being negatively impacted by geopolitics** (i.e. economic sanctions, national industrial policy actions, national regulatory actions, and other economic and strategic competition actions taken by either the US or adversarial nations).

### TECHNOLOGY

- Index constituents are selected due to having significant dealings in one of the 14 technologies the US Department of Defense (DoD) defines as dual-use, disruptive, emerging or **critical to both national and economic security.**
- Given the DoD has significant interest in seeing these technologies grow and succeed in national territory, the **US Government may deploy a variety of policy tools in support of their development**, which could help selected companies outperform (i.e. tax incentives, research & development funding, protection of intellectual property).

*Source: BNP Paribas and J.H. Whitney.*

### US Patriot Technologies Index:

The strategy that fuses patriotism and innovation, showcasing critical and emerging dual-use technologies that can drive breakthroughs in both national security and economic prosperity.

# 01. CRITICAL TECHNOLOGIES BY THE US DEPARTMENT OF DEFENSE

The Index constituents are selected from the **14 technologies** that the **US Department of Defense** seeks to **accelerate the development and growth of**, in order to **support and enhance** both the national security capabilities and economic prosperity of the country:

## EMERGING OPPORTUNITY AREAS



Advanced Materials



Biotechnology



Quantum Science



Future Generation  
Wireless Technology

## DEFENSE SPECIFIC AREAS



Hypersonics



Cyber



Directed Energy

## EMERGING ADOPTION AREAS



Human-Machine Interfaces



Space Technology



Trusted AI



Advanced Computing  
& Software



Microelectronics



Renewable Energy  
& Storage



Integrated Networks

Source: BNP Paribas and J.H. Whitney, for illustrative purposes only.

## 02. GEOSTRATEGIC RISK RATINGS (GRR)

### J.H. WHITNEY'S RISK MITIGATION APPROACH

1. A proprietary 10-factor model is employed to assess an entity's vulnerability to geostrategic risk
2. this model uses publicly available company-reported and government data to measure thresholds, entanglement, or dependency across geopolitical borders
3. The model is scored 1 to 3, with 1 being the most risky (China, Russia, North Korea...) and 3 being the least risky (USA, UK, Canada...)

### THE 10 GRR COMPONENTS AND THEIR WEIGHT:

#### Governance (46%)

1. Country of Incorporation (11.5%)
2. Board Composition (11.5%)
3. Foreign Ownership (11.5%)
4. USG Exemption List (11.5%)

#### Operational (27%)

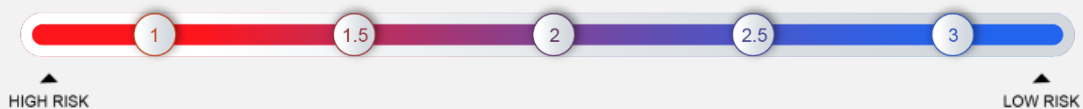
8. Customers (9%)
9. Geographic Assets (9%)
10. Suppliers (9%)

#### Commercial (27%)

5. Geographic Revenue (9%)
6. Joint Ventures (9%)
7. Strategic Alliances (9%)

the GRR score of a company is the weighted average of the above 10 GRR components

#### GRR Scale



**A higher GRR score usually indicates relatively lower vulnerability to geostrategic risk**

*Source: BNP Paribas and J.H. Whitney, for illustrative purposes only.*



### 03. STOCK SELECTION PROCESS

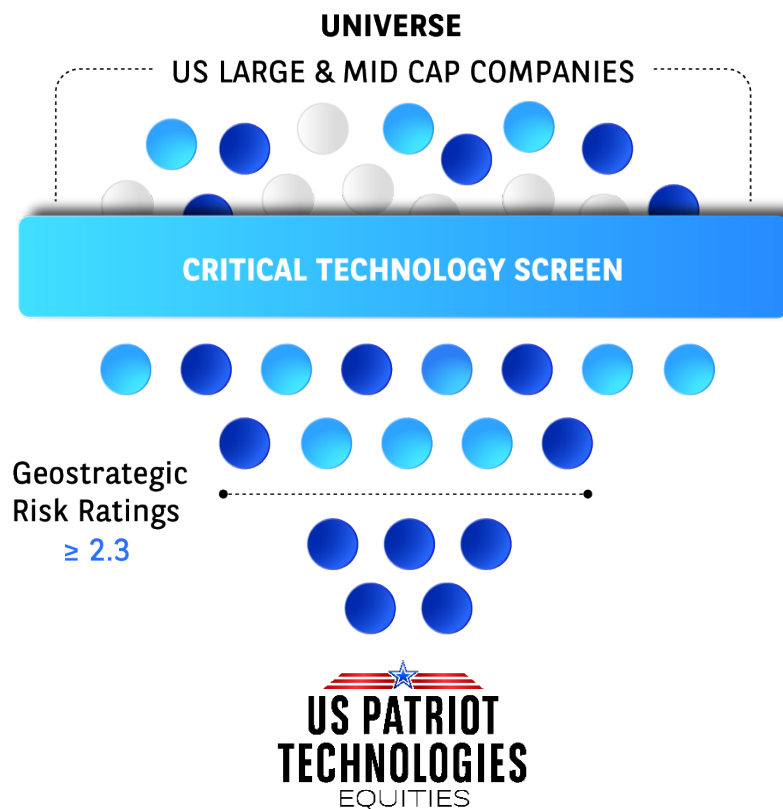
Every month, the Index rebalances its equity component through the following process:

#### STEP 1: CRITICAL TECHNOLOGY SCREEN

Stocks from the universe related to any of the 14 critical technologies selected by the US Department of Defense are kept for consideration

#### STEP 2: GEOSTRATEGIC RISK RATINGS

Lower risk companies identified through comparable geostrategic risk ratings (GRR score at or above 2.3) within relevant critical technology sectors are selected to form the Index\*



The equity portion of the **US Patriot Technologies Index** targets a market cap weighted portfolio that aligns with US modernisation priorities and with minimised geostrategic risk from sanctions, trade, and conflict.

\*J.H. Whitney is a geopolitical risk consulting firm whose proprietary geostrategic risk scoring methodology helps inform the equity portion of the Index.

## 04. RISK OVERLAY

### SEEKING VOLATILITY CONTROL

In an effort to limit the impact of large and sudden market movements, the Index methodology is designed to adjust exposure, on a daily basis, among the portfolio of companies and a hypothetical cash position to target an annualised realised volatility of 5%.

#### **IF EQUITY PORTFOLIO VOLATILITY**

**> 5%**

Exposure to the underlying  
Index<sup>1</sup> is decreased...

... UNTIL TARGET  
VOLATILITY IS 5%

#### **IF EQUITY PORTFOLIO VOLATILITY**

**< 5%**

Exposure to the underlying  
Index<sup>1</sup> is increased...

<sup>1</sup>Solactive Whitney U.S. Patriot Technology Index TR

Through a rules-based approach, the **US Patriot Technologies Index** aims to create value by:



**Allocating to companies that are aligned with the United States Department of Defense's critical technologies list with low geostrategic risk & foreign influence**



**Providing a diversified exposure to equities.**



**Employing a risk reduction mechanism**

## 05. INDEX PERFORMANCE

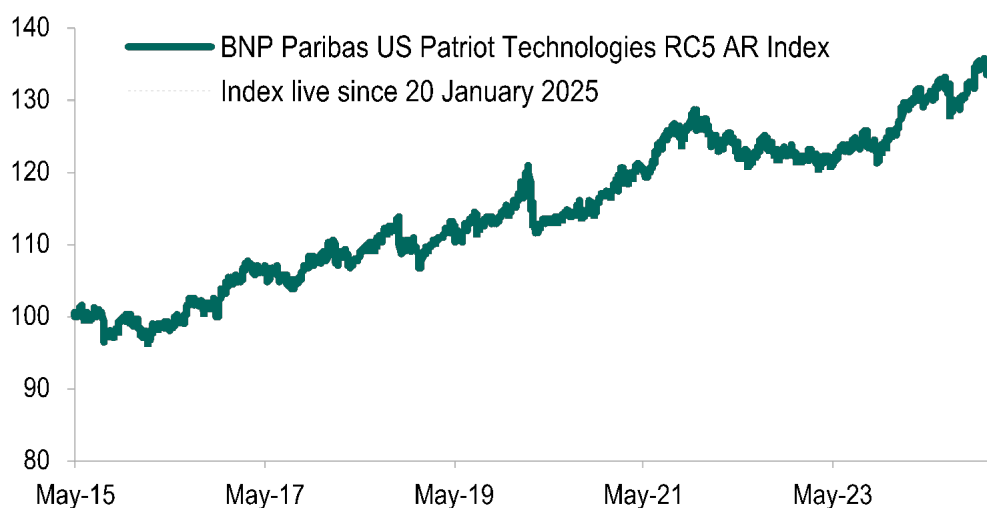
### INDEX INFORMATION

Bloomberg ticker	BNPIPAT5 Index	Index Launch Date	20 January 2025
Calculation Agent	BNP Paribas Financial Markets	Index Type	Excess Return <sup>1</sup>
Index Sponsor	BNP Paribas	Underlying Index <sup>2</sup> Rebalancing	Quarterly
Hypothetical Performance Start Date	07 May 2015	Volatility Control Mechanism Frequency	Daily rebalancing

<sup>1</sup>The BNP Paribas US Patriot Technologies RC5 AR Index "Excess Return Index" meaning that the Euro short-term rate (€STR) is deducted on a daily basis from the Net Total Return Index performance.

<sup>2</sup>Solactive Whitney U.S. Patriot Technology Index TR

### HISTORICAL & HYPOTHETICAL INDEX PERFORMANCE



*Hypothetical past performance is based on criteria applied retroactively with the benefit of hindsight and knowledge of factors that may have positively affected its performance, and cannot account for all financial risk that may affect the actual performance of the Index.*

*Hypothetical past performance might not reflect all possible market conditions. The Index may perform differently under other market conditions.*

May 15 - Feb 25	US Patriot Technologies RC5 AR
Annualised Performance	3.03%
Annualised Volatility	5.16%
Sharpe Ratio	0.59
Max Drawdown	-7.65%

Source: Bloomberg, BNP Paribas from May 7<sup>th</sup> 2015 to January 31<sup>st</sup>, 2025. Past performance is not an indicator of future performance.





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# SELECTED RISKS & CONSIDERATIONS ASSOCIATED WITH THE INDEX

## **The US Patriot Technologies Index levels are based on the values of notional assets and liabilities.**

The US Patriot Technologies Index only calculates the exposure to a dynamic, hypothetical portfolio that tracks the excess returns of the underlying components and is purely notional. There is no actual portfolio of assets to which any person makes any investment or has any ownership interest.

## **No recommendation.**

BNP Paribas makes no recommendation as to the suitability for investment of the US Patriot Technologies Index or any products or strategies based partly or wholly on US Patriot Technologies Index. You should reach a decision after careful consideration with your advisors.

## **Strategies relying on the levels of the US Patriot Technologies Index may not be successful.**

There is a risk that the rules-based methodology of the US Patriot Technologies Index does not meet its stated objectives, including meeting its annualised target volatility of 5%, resulting in underperformance of the components that comprise the index.

## **Correlation of performances among the underlying components may reduce the levels of the US Patriot Technologies Index.**

Performances among the underlying components may become highly correlated from time to time. High correlation during periods of negative returns among underlying components representing any one sector or asset type that have a substantial weighting in the US Patriot Technologies Index could have a material adverse effect on the levels of the US Patriot Technologies Index, which could in turn negatively affect the performance any product or strategy based partly or wholly on the levels of the US Patriot Technologies Index.

## **Legal and regulatory regimes may affect the US Patriot Technologies Index, its components or its sub-components.**

The US Patriot Technologies Index and its components (and sub-components thereof) are subject to legal and regulatory regimes in various regions and, in some cases, in other countries that may change in ways that could negatively affect the US Patriot Technologies Index or its components (or sub-components thereof). Changes to the applicable legal or regulatory regimes may have a negative impact on the US Patriot Technologies Index level. The components (or sub-components thereof) of the index that are traded on one or more public exchanges are subject to the rules of the relevant exchange.

## **The US Patriot Technologies Index has limited historical information.**

The US Patriot Technologies Index is a new strategy, launched on June 18<sup>th</sup> 2024. The performance shown before that date is hypothetical past performance, based on hypothetical back-tested information. This brochure also contains certain performance data based on back-testing, i.e., calculations of the hypothetical levels of the US Patriot Technologies Index as if it had actually existed during a defined period of time, and may in certain circumstances contain simulated levels information where the US Patriot Technologies Index has recently been established or issued. For time periods prior to the launch of any ETF included in the index, back-testing uses alternative performance information derived from a proxy with similar asset exposure, rather than performance information for the relevant ETF. Further, you must note that such analysis is based on a number of working assumptions that may not be capable of duplication in actual trading terms. Unlike actual performance records, hypothetical or simulated performances, returns or scenarios may not necessarily reflect certain market factors such as liquidity constraints, fees and transaction costs and must be considered as illustrative only. Actual historical or back-tested past performance does not constitute an indication of future results. The actual performance of the US Patriot Technologies Index may bear little relation to its hypothetical historical results.

## **The US Patriot Technologies Index has limited public information.**

The US Patriot Technologies Index is a custom index developed by BNP Paribas, the Index Sponsor. There is limited information relating to the US Patriot Technologies Index that is publicly available. In addition, publicly available information on the US Patriot Technologies Index, its methodology and its components is limited.

## **The US Patriot Technologies Index's daily volatility control mechanism may result in a lower index level and the actual volatility of the US Patriot Technologies Index may not equal its target volatility.**

The US Patriot Technologies Index's daily volatility control allows the US Patriot Technologies Index to dynamically adjust the value of the hypothetical exposure to the portfolio the index is based on and any cash component, depending on the volatility environment. However, the risk control overlay might limit overall levels of the US Patriot Technologies Index in rising equity markets and may provide imperfect, limited protection in falling equity markets, particularly against sudden, large equity losses. No assurance can be given that the US Patriot Technologies Index methodology will achieve its target volatility goals or that products or strategies based partly or wholly on the levels of the US Patriot Technologies Index will outperform any alternative investment.

## **The closing level of the US Patriot Technologies Index is net of BNP Paribas' replication and rebalancing costs.**

The Closing Level of the US Patriot Technologies Index is net of BNP Paribas' replication and rebalancing costs associated with the index. As a result of these costs, the value of the US Patriot Technologies Index could trail the value of a hypothetical identical portfolio from which no such amount is deducted.

## **BNP Paribas Financial Markets SNC, an affiliate of the US Patriot Technologies Index Sponsor, BNP Paribas, is the index's calculation agent who is responsible for calculating the levels of the US Patriot Technologies Index.**

The policies and calculations for which the calculation agent is responsible could have an impact, positive or negative, on the level of the US Patriot Technologies Index. BNP Paribas and its affiliates are under no obligation to consider your interest as an investor in a product linked to the US Patriot Technologies Index.

## **Portions of the US Patriot Technologies Index may be effectively uninvested and earn no return**

The US Patriot Technologies Index, on each day on which it is calculated, adjusts its exposure to its components in an attempt to maintain an annualised volatility of 5%. If the aggregate weight of the components is less than 100%, the US Patriot Technologies Index will allocate exposure to a hypothetical cash position. As a result, the US Patriot Technologies Index may underperform a similar index that provides 100% exposure to its components. The hypothetical cash position is an uninvested position that does not earn interest or any other return.

## **The price, level or value of the components used in the US Patriot Technologies Index may differ from other publicly available prices.**

The levels of the components that are Treasury Futures Indices (the "BNPP Component Indices") are intended to reflect the performance of the relevant futures contracts on a daily volume-weighted average price, subject to a set of trade filters selected by the Index Sponsor to exclude trades with certain codes provided by the relevant exchange that indicate non-standard trades. Such levels are calculated by the Index Calculation Agent or an affiliate thereof and are not publicly available and may not reflect all trades reported by the relevant futures exchange. The daily closing price or any other price of the underlying futures contract may vary from the volume-weighted average price reflected by the level of the applicable BNPP Component Index.

Furthermore, a BNPP Component Index may be subject to a disruption due to the unavailability of a volume-weighted average price despite regular trading of the underlying futures contract and the availability of a closing price for such contract.

## **The US Patriot Technologies Index 's target volatility feature may reduce its appreciation potential.**

Under normal circumstances, equity or commodity futures may exhibit significantly higher volatility than the target volatility of 5%. Accordingly, the "volatility control" mechanism of the US Patriot Technologies Index may have the effect of skewing allocations among components in the US Patriot Technologies Index toward components that provide exposure to fixed-income assets (which typically have lower volatility than components that provide exposure to equity or commodity futures) or to cash (which has zero volatility). Index components that typically have lower volatility may have lower return potential than components that typically have higher volatility, and any allocation to cash will earn no return at all.

Moreover, if the US Patriot Technologies Index has a relatively high allocation to components that provide exposure to fixed-income assets, it will be particularly sensitive to factors that adversely affect the value of fixed-income instruments, such as increases in interest rates or declining perceptions of credit quality. A high allocation to components that provide exposure to fixed-income assets may also cause the US Patriot Technologies Index to underperform a portfolio more heavily weighted with higher volatility assets under certain circumstances. For example, in an equity bull market that is accompanied by rising interest rates, a portfolio heavily weighted with components that provide exposure to fixed-income assets might decline in value as a result of the rising interest rates, while a portfolio heavily weighted with components that provide exposure to equities would appreciate in value.

## **Other Key Risks:**

- The US Patriot Technologies Index involves daily rebalancing that is applied to the components. Changes in the value of the components may offset each other.
- The US Patriot Technologies Index is subject to risks associated with non-U.S. markets.
- Certain components are based on futures contracts and are and may be subject to currency exchange risk. The US Patriot Technologies Index contains a currency conversion mechanism that seeks to reduce losses due to currency exchange risk. It can also reduce or eliminate gains from currency exchange risk.



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