

Candriam Sustainable Equity World

Market overview

Strong growth data, since the beginning of the year, coupled with pushback from some central bankers on the market's dovish outlook for rate cuts, proved a less positive environment for fixed income. Segments of risk assets, meanwhile, were buoyed as economic data further fuelled hopes for a 'soft landing'. This optimism was slightly tempered at the end of the month when the Federal Reserve (the Fed) struck a less dovish tone at its January meeting. Following the excitement seen at the end of last year, January offered mixed results for investors. Developed market equities were up 1.2%, while emerging market equities were down 4.6%. While equity markets were initially boosted by the strength of recent activity data, performance was pared back by the hawkish tone at the Fed's January meeting.

Fund performance

In January, the fund returned 3.38%*, outperforming its benchmark by 46bp. The MSCI World NR gained 2.91%**.

Region level

From a regional perspective, our stock selection made a positive contribution (61bp) while allocation had a negligible impact on performance (-7bp). Our stock selection in Europe (48bp) and North America (16bp) produced relative gains.

Sector level

From a sector perspective, both stock selection (37bp) and allocation (18bp) were positive contributors to the excess portfolio return. Our stock picking in Industrials (17bp) and Materials (15bp) produced relative gains. On the contrary, our stock picking in Communication Services (-21bp) detracted from relative performance.

Stock specific

With a positive impact of 9bp, the overweight of **SAP**, located in Germany from the Information Technology sector, was the top contributor to relative performance. **LANTHEUS HOLDINGS INC**, a Health Care firm from the United States, was the main detractor from the excess return, detracting by -7bp. Our positions in **NVIDIA CORP** (Information Technology, United States) and **ASML** (Information Technology, Netherlands) posted the strongest absolute performances, gaining 26.3% and 17.1% respectively. Our positions in **TESLA INC** (Consumer Discretionary, United States) and **AROUNDTOWN SA**, based in Germany from the Real Estate sector, were down 23.4% and 15.6% respectively.

Portfolio activity

In January, we introduced the three American corporations, **LAM RESEARCH CORP** (Information Technology), **SYSCO CORP** (Consumer Staples) and **PFIZER INC** (Health Care) to our portfolio (+0.6%, +0.6% and +0.5% respectively). We also increased the positions of **TORONTO-DOMINION BANK** (Financials, Canada), **ZOETIS INC** (Health Care, United States) as well as **ASML**, from 0.4% to 1.1%, 0.5% to 1.0% and from 0.4% to 0.9% respectively. We sold the three enterprises located in the United States, **VEEVA SYSTEMS INC-CLASS A** (Health Care), **UNITED RENTALS INC** (Industrials) and **SPLUNK INC** (Information Technology) (-0.5%, -0.5% and -0.4% respectively). We also reduced the portfolio weights of **SWISS RE AG**, located in Switzerland from the Financials sector, as well as **NEUROCRINE BIOSCIENCES INC**, based in the United States from the Health Care area, from 0.8% to 0.4% and from 0.5% to 0.2% respectively.

* net of fees in EUR terms

** net return in EUR terms

Fund outlook

We see a clear trend towards a more sustainable world. Authorities around the world are taking the lead by changing regulations. Companies are taking active decisions by adjusting their business models to achieve a better ESG footprint. Consumers are taking ESG criteria into account when buying products and services, and investors are doing the same when evaluating alternatives to invest their wealth. In light of this trend, it is essential to take into account ESG criteria when making investment decisions. The objective of this strategy is to invest in companies that score well on both ESG and financial criteria. We believe that this type of company is well positioned to outperform the market in the long run.

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