

# Candriam Sustainable Global Equity Fund

## Monthly Performance Update

October 2022

Ausbil Investment Management Limited  
ABN 26 076 316 473  
AFSL 229722  
Level 27  
225 George Street  
Sydney NSW 2000  
GPO Box 2525  
Sydney NSW 2001  
Phone 61 2 9259 0200

### Market Review

After a bumpy start, stock markets ended October on a more positive footing. Developed market equities registered a healthy 7% return, although emerging market equities fell 3%, with Chinese indices coming under pressure. The European Central Bank (ECB) announced another jumbo rate hike of 75 basis points (bps) on 27 October and the Federal Reserve (Fed) is expected to follow suit at its meeting in early November. Government bond yields made new cycle peaks with 10-year yields reaching 4.2% and 2.4% in the US and Germany respectively before falling back slightly by the end of the month. A challenging economic outlook and geopolitical risks both continued to push the US dollar higher. The energy crisis remains the key risk to European growth, yet October did at least provide encouraging signs that a harsh recession may yet be avoided. In the short term, stagflationary pressures are creating a difficult environment, but high dividend paying stocks may offer an area of resilience. The MSCI World index was 7.2% higher. European equity markets dropped the most, with MSCI Europe ex UK up 7.2%, while in the US, the S&P 500 was up 8.1%.

### Key Stock Contributors and Detractors

During the month, at a stock level, the Fund derived positive performance from Amazon.com, Meta Platforms and from Eni.

**Amazon.com** is an underweight position in Consumer Discretionary. Amazon is an online retailer that offers a wide range of products. Amazon offers personalised shopping services, web-based credit card payment, and direct shipping to customers. Amazon also operates a cloud platform offering services globally. Amazon shares are tumbling after the e-commerce and cloud computing company spooked investors by forecasting its slowest ever holiday-quarter growth. It also reported third quarter results that indicated weakness in its Amazon Web Services (AWS) cloud computing business. The company became the latest big tech firm to trigger a selloff after a disappointing earnings update. During this month share price dropped by nearly 17% versus the MSCI World. Candriam's ESG rating is not in the SRI BIC Universe.

**Meta Platforms** is an underweight position in Communication Services. Meta operates as a social technology company (Facebook). The Company builds applications and technologies that help people connect, find communities, and grow businesses. Meta shares dropped nearly 30% in October after the Facebook parent gave a disappointing revenue forecast and asked investors for patience as costs soared. During this month Meta was down by 38.6% versus the MSCI World. Candriam's ESG rating is not in the SRI BIC Universe.

**Eni S.p.A** is an overweight position in Energy due to its good scores on Value and Volatility. Eni is a hydrocarbons explorer and producer in Italy, Africa, the North Sea, the Gulf of Mexico, Kazakhstan and Australia. The company both produces natural gas and imports it for sale in Italy and elsewhere in Europe. Shares in October were up 19%. In Q3, Eni delivered a beat on earnings driven by gas trading. Eni delivered its sixth consecutive net income beat. In October Eni gained 15.5% versus the MSCI World. Candriam's ESG rating is 5.

Three stocks that contributed negatively to excess return during the period included Exxon Mobil Corporation, Invitation Homes and L'Oreal.

**Exxon Mobil Corporation** is an underweight position in Energy. Exxon Mobil operates petroleum and petrol chemicals businesses. The company provides exploration and production of oil and gas, electric power generation, coal and minerals operations. Exxon Mobil also manufactures and markets fuels, lubricants and chemicals. Shares jumped 25% following Q3 revenue beat (\$112.07bn, vs. Street Est of \$102.96bn). During this month Exxon Mobil was up by 19.7% versus the MSCI World. Candriam's ESG rating is not in the SRI BIC Universe.

**Invitation Homes** is an overweight position in Real Estate, despite good scores on Sentiment and Value. Invitation Homes provides real estate services. Invitation Homes serves customers in the United States. Shares dropped after Invitation Homes cut its core FFO/share guidance for the full year and missed estimates. In October, this stock dropped by 13.4% versus the MSCI World. Candriam's ESG rating is 5.

**L'Oreal** is an underweight position in Consumer Staples, despite good scores on Quality and Sentiment. The Company offers mascara, lip gloss, foundation, eyeshadow, primer, nail polish, lipstick, face powder, blusher and concealer, as well as skin, hair and body care products. In October, luxury goods were among the biggest losers in Europe after data showed a key gauge of US consumer prices hit a 40-year high in September, adding to fears that the Federal Reserve will deliver another large rate hike. In addition, Q3 results were okay but sales showed weakness, with volumes sequentially softening, with pockets of weaker demand and changing consumer behaviour. During this month shares dropped by 9.9% versus the MSCI World. Candriam's ESG rating is 4.

### Fund Characteristics

#### Returns<sup>1</sup> as at 31 October 2022

Period	Fund Return % Net	Benchmark <sup>2</sup> %	Out/Under performance % Net
1 month	7.21	7.77	-0.56
3 months	1.08	1.65	-0.57
6 months	1.84	2.14	-0.30
1 year	-6.36	-4.25	-2.11
2 years pa	12.26	12.12	0.13
3 years pa	9.48	8.78	0.70
5 years pa	10.29	10.31	-0.02
7 years pa	8.73	9.50	-0.78
10 years pa	13.79	14.33	-0.54
15 years pa	6.81	7.47	-0.66
Since inception pa Date: December 2002	6.38	7.10	-0.72



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## Top 10 Stock Holdings

Holding	Country	Sectors	%
Apple Inc	United States	Information Technology	4.67
Microsoft Corp	United States	Information Technology	4.28
United Health Group	United States	Healthcare	1.95
Alphabet – Class A	United States	Communication Services	1.88
Alphabet – Class C	United States	Communication Services	1.77
Tesla	United States	Consumer Discretionary	1.76
Visa – Class A	United States	Information Technology	1.50
Procter & Gamble	United States	Consumer Staples	1.45
Total Energies	France	Energy	1.30
Accenture	Ireland	Information Technology	1.30

1. Fund returns are net of fees but before taxes.

2. MSCI World Index (net dividends reinvested).

## Fund Information

<b>Style</b>	Core
<b>Benchmark</b>	MSCI World (net dividends reinvested) in A\$
<b>NAV Calculation</b>	Daily
<b>Currency Risk</b>	Unhedged

Candriam Investors Group's sustainable management philosophy seeks to generate outperformance from two distinct sources. The first source is derived from identifying risks and opportunities linked to social, environmental and governance issues that are often out of the scope of traditional financial analysis but which can have a significant impact on long-term performance.

The second source results from detailed quantitative analysis of the sustainable universe coupled with a risk controlled portfolio construction process. Sector, region and style biases in the portfolio are minimised to ensure stock specific factors drive portfolio performance rather than predetermined investment themes.

Ausbil Investment  
Management Limited  
Level 27  
225 George Street  
Sydney NSW 2000  
Australia  
Toll Free 1800 287 245

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