

# Candriam Sustainable Global Equity Fund

Quarterly performance update

June 2022

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## Market Review

It has been another difficult quarter for markets after what had already been a tough start to the year. This is now the worst first half of the year for developed market equities in over 50 years. Government bonds have been hit as markets moved to price in significant further increases in interest rates on top of what has already been announced. Markets now expect interest rates to rise to 3.4%, 3% and 1.6% in the US, UK and Europe, respectively, by next year. The good news is that valuations are now well below their average since 1990 in every major region other than the US. The Russell 1000 Growth Index is down 28% year to date, and the Russell 1000 value index is 14% lower. Despite recession fears building, consensus analyst forecasts still, perhaps surprisingly, expect positive growth in company profits for both this year and next.

## Key Stock Contributors and Detractors

During the second quarter, at a stock level, the Fund derived positive performance from Novo Nordisk, Vertex Pharmaceuticals Inc and from our underweight position in Amazon.com Inc.

**Novo Nordisk A/S Class B** is an overweight position in Health Care due to its good score on Quality and Growth. The Company develops, produces, and markets pharmaceutical products. It focuses on diabetes care and offers insulin delivery systems and other diabetes products. Novo Nordisk was up 15.50% in Q2 versus the MSCI World in the period. Novo shares gained 7% in a day after the Danish pharmaceutical giant reported its latest earnings. The company also hiked its outlook and now sees operating profit growing at 9-13%, compared to 4-8% previously. Candriam's ESG rating is 2.

**Vertex Pharmaceuticals** is an overweight position in Health Care due to its good score on Value and Sentiment. The Company discovers, develops, and commercialises pharmaceutical products. The Company develops drugs for the treatment of cystic fibrosis, cancer, inflammatory bowel, autoimmune disease, and neurological disorders. Vertex's stock increased by more than 24% in the second quarter in relative terms, beneficiary of an increase in the shares of biotech firms as investors rotated back into growth stocks and amid a report that Merck & Co is eyeing a possible purchase of Seagen. Candriam's ESG rating is 4.

**Amazon.com Inc.** is an underweight position in Consumer Discretionary. Amazon offers personalised shopping services, web-based credit card payment, and direct shipping to customers. Amazon also operates a cloud platform offering services globally. During 2Q22, Meta underperformed and was down by 18.8% versus the MSCI World in the period, and Amazon lost 35% in its share price. Shares first slumped after the e-commerce company gave an outlook that was seen as disappointing and reported a rise in operating costs after its hiring and warehouse-construction push. Candriam's ESG rating is not in the SRI BIC Universe.

Three stocks that contributed negatively to excess return during the period included Nvidia Corporation, Segro plc and Walt Disney Company.

**Nvidia Corporation** is an overweight position in Information Technology with a good score on Quality and Growth. The Company designs, develops, and markets three-dimensional (3D) graphics processors and related software. It offers products that provide interactive 3D graphics to the mainstream personal computer market. Nvidia significantly underperformed in the second quarter, down by 28% versus the MSCI World in the period. NVIDIA delivered F1Q23 (Q1) revenue/EPS above consensus on demand strength in data centres and gaming. However, the team guided a Q/Q decline (~2% Q/Q) in Q2, impacted by \$500m of revenue headwinds from China lockdowns and the Russia/Ukraine conflict. Candriam's ESG rating is 4.

**Segro plc** is an overweight position in Real Estate, with a good score on Quality and Sentiment. The Company provides flexible business space across Europe with offices, light industrial, logistics, warehouses and data centre properties. Segro declined by 16.3% in the quarter in relative terms. Segro's shares sank as much as 28%, Real estate shares suffered from a big drop amid Amazon's admission that its rapid expansion had left it with excess warehouse capacity. On top of this, recession risk as well as ECB sustained rate hikes are adding pressure on warehouses companies. Candriam's ESG rating is 3.

**Walt Disney Company** is an overweight position in Communication Services with a good score on Volatility. The Company is an entertainment company with operations in media networks, park experiences and consumer products, studio entertainment, and direct-to-consumer networks and channels. The stock was down 15.8% in the quarter versus the MSCI World in the period. Disney suffered from Netflix's weak subscriber numbers and weak outlook in the streaming-video business. Candriam's ESG rating is 4.

## Fund Characteristics

### Returns<sup>1</sup> as at 30 June 2022

Period	Fund Return % Net	Benchmark <sup>2</sup> %	Out/Under performance % Net
1 month	-4.21	-4.72	0.50
3 months	-8.13	-8.47	0.34
6 months	-18.09	-15.95	-2.13
FYTD	-7.04	-6.48	-0.56
CYTD	-18.09	-15.95	-2.13
1 year	-7.04	-6.48	-0.56
2 years pa	9.31	9.20	0.10
3 years pa	8.74	7.72	1.01
5 years pa	9.61	10.05	-0.44
7 years pa	8.49	9.26	-0.77
10 years pa	13.43	13.97	-0.54
15 years pa	5.86	6.66	-0.80
Since inception pa Date: December 2002	6.10	6.80	-0.70

## Top 10 Stock Holdings

Holding	Country	Sectors	%
Microsoft	United States	Information Technology	4.62
Apple	United States	Information Technology	4.32
Alphabet Inc-CI C	United States	Communication Services	2.11
Alphabet Inc-CI A	United States	Communication Services	1.95
Procter & Gamble	United States	Consumer Staples	1.58
Tesla	United States	Consumer Discretionary	1.48
L'Oreal	France	Consumer Staples	1.34
Lvmh Moet Hennessy Vuitton	France	Consumer Discretionary	1.32
Accenture PLC	Ireland	Information Technology	1.26
Novo Nordisk A/S-B	Denmark	Health Care	1.16

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



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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.

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