

# Candriam Sustainable Global Equity Fund

Quarterly performance update

December 2021

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## Market Review

In the fourth quarter, developed market equities continued to rally, providing investors with the third calendar year in a row of strong positive returns. Strong earnings growth drove equities higher. The emergence of the highly infectious Omicron variant led to a spike in equity market volatility at the end of November, but markets quickly recovered as data from South Africa and the UK indicated a lower risk of severe disease. Current corporate strength and the prospect of further potential earnings growth in 2022 outweighed the risk factors over the quarter, despite the fact that hospitalisations rose towards the end of the year in several countries. However, fear of a weaker future growth backdrop, partly due to projected central bank policy normalisation, led to a flattening of the US yield curve.

Small caps also underperformed large caps over the quarter as uncertainties about future growth weighed on their performance.

## Key Stock Contributors and Detractors

During the quarter, at a stock level, the Fund derived positive performance from Qualcomm, Seagate Technology and Meta Platforms.

**Qualcomm** is an overweight position in Information Technology due to its good scores on Growth and Value. The Company develops and delivers digital wireless communications products and services based on CDMA digital technology. The share price had a significant run in 4Q, up by 34.5% versus the MSCI World in the period. Share performance was sustained by rosy forecasts. The company indicated potential to top \$46bn by fiscal year 2024, against analyst projections of an average of \$43.8bn. Candriam's ESG rating is In Line.

**Seagate Technology** is an overweight position in Information Technology due to its good scores on Value and Sentiment. Seagate Technology offers computer hardware products. Seagate closed 2021 with a strong 4th quarter, increasing by 29.9% in relative terms, with strong 3Q results. Revenue came in at \$3.12 billion, +35% y/y, and above the consensus estimate of \$3.11 billion (range \$3.07 billion to \$3.17 billion), driving a positive market reaction. Candriam's ESG rating is IN SRI Express.

**Meta Platforms** is an underweight position in Communication Services. Facebook (FB), Inc. operates a social networking website, developing technologies that facilitate the sharing of information, photographs, web links and videos. In 4Q21, FB shares were down by 8.8% versus the MSCI World, negatively impacted by 3Q reporting. The stock dropped after the social-media giant's third-quarter revenue and fourth-quarter forecast fell short of Wall Street's expectations due to headwinds from Apple's curbs on consumer data collection. Candriam's ESG rating is not in the SRI BIC Universe.

Three stocks that contributed negatively to excess return during the period included Paypal, DocuSign and our non-holding position in Pfizer.

**Paypal Holdings** is an overweight position in Information Technology, despite a good score on Value and Volatility. The Company offers online payment solutions and operates as a technology platform company that enables digital and mobile payments on behalf of consumers and merchants. In 4Q, Paypal shares went down by 35.4% versus the MSCI World due to several factors in the period. The stock declined sharply in October, following speculation over interest in an acquisition of Pinterest. In addition, investors became cautious on payments-related stocks as the return of COVID-related restrictions and lockdowns increased likelihood of cuts in international travel and spending. Candriam's ESG rating is Leading.

**DocuSign** is an overweight position in Information Technology, despite a good score on Growth and Sentiment. The Company provides electronic signature solutions and offers its services to mortgage, non-profit, government, real estate, insurance, technology, and healthcare industries. DocuSign serves customers worldwide. DocuSign significantly underperformed in 4Q, with shares declining 48.7% in relative terms over the period. DocuSign sank 38% (biggest intraday decline) in December after reporting fiscal third-quarter billings and its revenue forecast that missed analysts' estimates. Candriam's ESG rating is Advanced.

**Pfizer** is an underweight position in Health Care. The Company focuses on pharmaceuticals and consumer products. The Company has three divisions in India - pharmaceuticals, animal health and research & development. Two of Pfizer India's known brands are Corex-a cough formulation, and Becosules-a multivitamin. In the last quarter, Pfizer outperformed, growing by 30.7% versus the MSCI World on the back of renewed COVID fears and demand for booster shots. Candriam's ESG rating is not included in the SRI BIC Universe.

## Fund Characteristics

### Returns<sup>1</sup> as at 31 December 2021

Period	Fund Return % Net	Benchmark <sup>2</sup> %	Out/Under performance % Net
1 month	2.27	1.69	0.57
3 months	8.09	7.07	1.03
6 months	13.48	11.27	2.21
FYTD	13.48	11.27	2.21
CYTD	32.83	29.29	3.54
1 year	32.83	29.29	3.54
2 years pa	19.57	16.84	2.73
3 years pa	22.04	20.40	1.64
5 years pa	14.62	14.94	-0.32
7 years pa	12.99	13.43	-0.44
10 years pa	16.23	16.64	-0.41
15 years pa	7.37	8.01	-0.64
Since inception pa Date: December 2002	7.38	7.97	-0.58

## Top 10 Stock Holdings

Holding	Country	Sectors	%
Microsoft	United States	Information Technology	4.65
Apple	United States	Information Technology	3.94
Alphabet - Class A	United States	Communication Services	2.15
Alphabet - Class C	United States	Communication Services	1.96
Tesla	United States	Consumer Discretionary	1.73
Accenture PLC	Ireland	Information Technology	1.70
NVIDIA	United States	Information Technology	1.59
Procter & Gamble	United States	Consumer Staples	1.56
McDonalds	United States	Consumer Discretionary	1.42
Costco	United States	Consumer Staples	1.23

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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