

# Candriam Sustainable Global Equity Fund

Quarterly performance update

September 2024

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## Market Review

The third quarter of 2024 ended with healthy returns across most major asset classes, despite several bouts of market volatility. A combination of weaker US economic data, an interest rate hike from the Bank of Japan and thin summer liquidity saw stocks hit particularly hard in early August. However, the long-anticipated start of the Fed's rate cutting cycle in September along with a less hawkish tone from Japanese policymakers and new stimulus in China helped to soothe investor concerns and support a strong rally in stocks into quarter end. Developed market equities returned +6.5%, with small caps (+9.5%) and global REITs (+16.2%) outperforming. Meanwhile, growth stocks lost some gains but are still up over 20% year-to-date.

## Key Stock Contributors and Detractors

During the quarter, at a stock level, the Fund derived positive performance from Amazon.com, Canadian Imperial Bank of Commerce and Cintas Corporation.

**Amazon.com** is an underweight position in Consumer Discretionary. Amazon is an online retailer that offers a wide range of products, including books, music, computers, electronics, and numerous other 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. In Q3, shares fell by 3.5% after the e-commerce company's projection for third-quarter operating income missed Wall Street expectations, and its revenue outlook trailed the average analyst estimate. Amazon.com was down almost 10.1% versus the MSCI World this quarter. Candriam's ESG rating is not in the SRI BIC Universe.

**Canadian Imperial Bank of Commerce** is an overweight position in Financials due to its good score on Volatility. The company provides banking and financial services to consumers, individuals, and corporate clients in Canada and around the world. This quarter, the stock soared to its highest level since March 2022 after the bank's third-quarter adjusted earnings per share beat the average analyst estimate. The beat was driven by revenue growth and lower provisions for credit losses. Canadian Imperial Bank of Commerce was up by 24% versus the MSCI World. Candriam's ESG rating is 3.

**Cintas Corporation** is an overweight position in Industrials due to its good scores on Sentiment and Quality. Cintas Corporation designs, manufactures and implements corporate identity uniform programs. The company provides uniforms and work apparel, as well as entrance mats, restroom supplies, promotional products, document management, fire protection, and first aid and safety services. This quarter, shares gained over 17% after adjusted fourth-quarter earnings beat expectations. The market cited upside to margins as a positive. Cintas Corporation was up by 11% versus the MSCI World. Candriam's ESG rating is 3.

Three stocks that contributed negatively to excess return during the period included Lam Research Corporation, Lamb Weston and Microsoft.

**Lam Research Corporation** is an overweight position in Information Technology due to its good score on Sentiment. Lam Research Corporation manufactures, markets, and services semiconductor processing equipment used in the making of integrated circuits. The company sells its products worldwide. This quarter, the share price performance disappointed and was down 23%. In July, Semiconductor stocks dropped after Bloomberg reported that the Biden administration had told allies that it is considering using the most severe trade restrictions available if companies continue giving China access to advanced chip technology. In August, Lam Research dipped as Q1 adjusted EPS

growth underwhelmed. Lam Research Corporation was down almost 29.6% versus the MSCI World. Candriam's ESG rating is 4.

**Lamb Weston** is an overweight position in Consumer Staples due to good scores on Growth and Sentiment. Lamb Weston operates as a holding company. Through its subsidiaries, Lamb Weston produces and supplies frozen potato products. Lamb Weston offers fries, oven roasted potatoes, puffs, chips, slices and other prepared potato products. Shares dropped by 26% this quarter after the frozen potato supplier reported adjusted EPS and EBITDA for the fourth quarter that missed the average analyst estimate. The profit guidance for fiscal 2025 was also below consensus. This quarter Lamb Weston was down almost 29% versus the MSCI World. Candriam's ESG rating is 5.

**Microsoft Corporation** is an overweight position in Information Technology due to a good score on Quality. Microsoft offers applications, extra cloud storage, and advanced security solutions worldwide. Microsoft shares fell by 5% this quarter after the software maker reported fourth-quarter cloud revenue that slightly missed expectations, testing the patience of investors anxious to see investments in AI paying off. During the quarter, Microsoft Corporation was down almost 10% versus the MSCI World. Candriam's ESG rating is 4.

## Fund Characteristics

Returns<sup>1</sup> as at 30 September 2024

Period	Fund Return % Net	Benchmark <sup>2</sup> %	Out/Under performance % Net
1 month	-0.69	-0.41	-0.28
3 months	2.81	2.39	0.41
6 months	3.32	2.69	0.64
1 year	23.44	23.20	0.24
2 years pa	21.04	22.34	-1.30
3 years pa	9.17	10.56	-1.39
5 years pa	12.48	12.41	0.08
7 years pa	12.62	13.08	-0.47
10 years pa	11.62	12.66	-1.04
15 years pa	11.45	12.12	-0.68
20 years pa	7.96	8.82	-0.86
Since inception pa Date: December 2002	7.33	8.08	-0.74

## Top 10 Stock Holdings

Holding	Country	Sectors	%
Apple	United States	Information Technology	6.19
Microsoft	United States	Information Technology	5.52
Nvidia	United States	Information Technology	5.28
Alphabet - Class A	United States	Communication Services	2.01
Alphabet - Class C	United States	Communication Services	1.77
Visa	United States	Information Technology	1.60
Mastercard	United States	Information Technology	1.57
Eli Lilly	United States	Health Care	1.54
Novo Nordisk	Denmark	Health Care	1.36
Linde	Ireland	Materials	1.34

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

2. MSCI World Index (Net Dividends Reinvested) \$A - unhedged

## Fund Information

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



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