

# Candriam Sustainable Global Equity Fund

Quarterly performance update

March 2024

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## Market Review

Resilient economic data lifted investor confidence in the first quarter of 2024, particularly in the US where Q4 2023 growth surpassed expectations and the composite Purchasing Managers' Index (PMI) indicated ongoing expansion. Positive macroeconomic indicators globally reinforced hopes for a soft economic landing. However, fixed income investors faced challenges as inflationary pressures persisted and the Federal Reserve adjusted its stance, leading to negative bond returns. Market expectations for interest rate cuts also shifted, with projections reduced from six to seven cuts in 2023 to no more than three starting in the summer of 2024.

## Key Stock Contributors and Detractors

During the 1st quarter, at a stock level, the Fund derived positive performance from Mitsui Fudosan, Deckers Outdoor and NVIDIA.

**Mitsui Fudosan**, is an overweight position in Real Estate, due to its good score on Sentiment and Value. Mitsui Fudosan provides overall real estate services such as leasing, subdivision, construction, sales, and maintenance of office buildings and residential houses. This quarter, shares gained over 40%. Real estate companies led gains on Japan's Topix index after government data showed land prices climbed, and after comments from the Bank of Japan's hawkish board member added to speculation borrowing costs will remain low. Shares continued to outperform after the announcement that they will conduct a 3-for-1 stock split effective on April 1st. During this Q1, Mitsui Fudosan was up by 25% versus the MSCI World. Candriam's ESG rating is 4.

**Deckers Outdoor** is an overweight position in Consumer Discretionary, due to its good score on Sentiment and Volatility. Deckers Outdoor designs and markets footwear and accessories. Deckers Outdoor serves customers in the United States. In Q1 2024, shares jumped by 40.8% after the maker of Hoka running shoes and UGG boots boosted its full-year profit and sales forecast. Additionally, the company announced that chief executive officer Dave Powers would be retiring in August, with chief commercial officer Stefano Caroti named as his successor. During this Q1, Deckers Outdoor was up by 31.8% versus the MSCI World. Candriam's ESG rating is 4.

**NVIDIA** is an overweight position in Information Technology due to its good score on Sentiment and Growth. NVIDIA designs, develops, and markets three dimensional (3D) graphics processors and related software. The Company offers products that provides interactive 3D graphics to the mainstream personal computer market. This quarter, NVIDIA gained over 82% after the chipmaker gave the latest in a series of robust forecasts, a sign it continues to benefit from massive demand for its AI-related products. Analysts highlight "remarkable" AI demand holding up. During this Q1, NVIDIA was up by 73.5% versus the MSCI World. Candriam's ESG rating is 5.

Three stocks that contributed negatively to excess return during the period included Lululemon Athletica, Adobe and Whitbread.

**Lululemon Athletica** is an overweight position in Consumer Discretionary due to its good score on Sentiment and Value. Lululemon Athletica designs and retails athletic clothing products. In Q1, LULU shares dropped by nearly 25% after the activewear maker's guidance for first-quarter net revenue missed estimates. The company warned of a slowdown in visits to stores in the US, which led to the lower-than-anticipated sales outlook. Additionally, Lululemon reported fourth-quarter adjusted earnings per share that failed to meet expectations. During Q1, Lululemon Athletica was down almost 33% versus the MSCI World. Candriam's ESG rating is 4.

**Adobe** is an overweight position in Information Technology, due to a good score on Earnings Revision and Quality. Adobe develops, markets, and supports computer software products and technologies. Adobe shares came down over 15% this quarter after the software company's second-quarter forecast was weaker than expected on key metrics, including revenue and adjusted earnings per share. Analysts said the outlook underlined the uncertainty surrounding artificial intelligence. During Q1, Adobe was down 24% versus the MSCI World. Candriam's ESG rating is 4.

**Whitbread** is an overweight position in Consumer Discretionary due to a good score on Volatility. Whitbread is a hotel and restaurant group. The Company operates businesses in budget hotels, restaurants, and coffee shops. This quarter, shares dropped by nearly 10%, mainly suffering after a global broker published a report pointing data showing a deceleration in European lodgings, with UK budget chains most severely affected. During Q1, Whitbread was down almost 11.3% versus the MSCI World. Candriam's ESG rating is 5.

## Fund Characteristics

### Returns<sup>1</sup> as at 31 March 2024

Period	Fund Return % Net	Bench- mark <sup>2</sup> %	Out/Under performance % Net
1 month	2.39	2.99	-0.60
3 months	13.11	13.85	-0.74
6 months	19.47	19.97	-0.51
1 year	25.35	28.40	-3.05
2 years pa	14.31	15.70	-1.39
3 years pa	13.02	14.34	-1.33
5 years pa	13.76	13.99	-0.23
7 years pa	12.57	13.60	-1.03
10 years pa	12.13	13.30	-1.17
15 years pa	12.16	12.75	-0.59
20 years pa	8.01	8.95	-0.94
Since inception pa Date: December 2002	7.35	8.14	-0.79

## Top 10 Stock Holdings

Holding	Country	Sectors	%
Microsoft	United States	Information Technology	5.76
Apple	United States	Information Technology	5.17
Nvidia	United States	Information Technology	3.83
Alphabet - Class A	United States	Communication Services	1.86
Visa	United States	Information Technology	1.82
Alphabet - Class C	United States	Communication Services	1.72
Mastercard	United States	Information Technology	1.67
Eli Lilly & Co	United States	Health Care	1.42
Linde	United States	Materials	1.38
Novo Nordisk	Denmark	Health Care	1.33

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

2. MSCI World Index (net dividends reinvested).



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## Fund Information

<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.



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