

Candriam Equities L Robotics

Innovative Technology

Market Overview

In June, global equity markets reached a new all-time high, driven by the performance of the Magnificent 7. In the US, the economic activity remained soft with data falling short of expectations. The economic surprises index is at its lowest since 2022. In the meantime, the manufacturing PMI and retail sales continue to decline, signaling potential future challenges for the US economy. However, employment data remains solid and the CPI was softer than expected, boosting confidence in ongoing disinflation. Consequently, the 10-year yield declined in June, before rising again following the debate between Joe Biden and Donald Trump. In Europe, the equity market experienced a significant decline, driven by the CAC40 as President Macron surprised investors by announcing a snap legislative election.

Value stocks clearly underperformed growth stocks, mostly driven by the strongly outperformance of the information technology sector. Energy, utilities and materials underperformed. From a regional point of view, Europe underperformed the other regions, which was mainly linked to the political situation in France. The Robotics and Innovative Technology universe outperformed the global equity market, as the most important sector in the strategy (IT) outperformed.

The top contributors in the fund were Nvidia, TSMC, CrowdStrike, Servicenow and Microsoft. Aptiv, Vertiv, Qualcomm and On Semiconductor were among the worst contributors.

Portfolio Highlights

As we remain constructive on the technology space (current rate environment is more benign, A.I. continues to drive the sector, cloud consumption is recovering and hyperscalers continue their massive capex spending), we have only limited cash levels. We further increased the position in Qualcomm (well-positioned in edge computing and in the automotive industry, attractively valued). We also started to gradually increase software exposure, as entry levels are becoming attractive and corporate newsflow is improving. We added to the existing positions in MongoDB and Altair. To finance these purchases, we took partial profit in Nvidia and Micron Technology, while keeping significant positions. We also exited the position in Aptiv, as the underlying electric vehicle market trends remain negative. We continue to keep significant exposure to big data and A.I., to sensors and semiconductors, to cybersecurity, to cloud deployment and to industrial automation and robotics stocks. Nvidia, Alphabet, Microsoft, TSMC and ASML are among the most important positions in the fund.

Fund Outlook

Technological innovation is happening at a speed never observed before. The use of machine learning and artificial intelligence, generative artificial intelligence, big data technology, transition to the cloud, increased use of OLED, virtual reality, 5G technology, internet of things, advanced robotics, metaverse and next-gen automation are just a few examples of exciting trends the fund is invested in.

We remain convinced of the superior longer-term potential for the Robotics and Innovative Technology-fund (we remain very comfortable with the demographic, technological and environmental drivers). Automation and robotization are accelerating given labour shortages, decreasing active population, wage increases and re-shoring in the US and in Europe. This fund will benefit in the best possible way from this undeniable mega-trend.

As core inflation continues to slow down, we do anticipate a more accommodative monetary policy this year. Presidential elections in the US, trade war with China, the Ukrainian conflict, the Middle East conflict and oil prices are nevertheless factors to monitor closely. Given the excellent long-term perspectives, we continue to recommend using every significant correction to increase or initiate positions in this fund.

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