

Candriam Equities L Robotics & Innovative Technology

Market Overview

Investors who were hoping for the traditional summer lull in August, have been deeply disappointed. In the beginning of the month, investors focused on the increased probability of a US recession, after the publication of weak macro-economic data (ISM and unemployment). At the same time, the Bank of Japan hiked interest rates, which led to an abrupt unwinding of carry trades positions. In this environment, the global stock market corrected significantly, bond markets rallied and volatility (VIX) spiked. In the second half of the month, the focus went more towards the higher probability of faster and maybe more Fed rate cuts, while at the same time, strong company results confirmed a resilient global economy. The global stock market recovered and was even able to end on a new historic high.

From a regional point of view, there was no big difference in the performance, when expressed in USD. This masks the fact that the Japanese Topix had its biggest 1-day correction since Black Monday in 1987 (-12%) and that the Nasdaq dropped almost 6% over the course of three days.

Value stocks performed in line with growth stocks. Even if the differences were relatively limited, one could observe a slight outperformance from the defensive sectors (Utilities, Healthcare, Telecom and Consumer Staples), while IT, Materials, Industrials and Consumer Discretionary underperformed. The investment universe underperformed the global stock market as the most important sector in the strategy (IT) underperformed the global equity market.

The top contributors in the fund were CrowdStrike, Marvell, Veeva and MongoDB (all had excellent results). Micron Technology, Lam Research, Emerson Electric and Alphabet were among the worst contributors.

Portfolio Highlights

Though we remain constructive on the technology space (current rate environment is more benign, AI continues to drive the sector, cloud consumption is recovering and hyperscalers continue their massive capex spending), we started to feel less comfortable with the current valuation levels, that need to be supported by significant positive earnings surprises, which is currently less the case (solid earnings, but only marginally better than expected). In the beginning of the month, we further reduced the semiconductor exposure, by reducing positions in Qualcomm, Micron Technology, Applied Materials and Lam Research. Initially, the proceeds were not reinvested. Later in the month, we started to gradually reinvest, with a focus on software companies. As such, we increased positions in Palo Alto Networks, Cadance, Altair and Autodesk. We continue to keep significant exposure to Big Data and AI, to sensors and semiconductors, to cybersecurity, to cloud deployment and to industrial automation and robotics stocks. Alphabet, Microsoft, Nvidia, TSMC and Servicenow are among the most important positions in the fund.

Fund Outlook

Technological innovation is happening at a speed that has never been 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, next gen automation are just a few examples of exciting trends the fund is investing in.

We remain convinced of the superior longer-term potential for the strategy (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 strategy 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 in 2024. Presidential elections in the US, trade war with China, the Ukrainian and Middle East conflicts 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 strategy.

This marketing communication is provided for information purposes only, it does not constitute an offer to buy or sell financial instruments, nor does it represent an investment recommendation or confirm any kind of transaction, except where expressly agreed. Although Candriam selects carefully the data and sources within this document, errors or omissions cannot be excluded a priori. Candriam cannot be held liable for any direct or indirect losses as a result of the use of this document. The intellectual property rights of Candriam must be respected at all times, contents of this document may not be reproduced without prior written approval.

Warning: Past performance of a given financial instrument or index or an investment service or strategy, or simulations of past performance, or forecasts of future performance does not predict future returns. Gross performances may be impacted by commissions, fees and other expenses. Performances expressed in a currency other than that of the investor's country of residence are subject to exchange rate fluctuations, with a negative or positive impact on gains. If the present document refers to a specific tax treatment, such information depends on the individual situation of each investor and may change.

In respect to money market funds, please be aware that an investment in a fund is different from an investment in deposits and that the investment's principal is capable of fluctuation. The fund does not rely on external support for guaranteeing its liquidity or stabilizing its NAV per unit or share. The risk of loss of the principal is borne by the investor.

Candriam consistently recommends investors to consult via our website www.candriam.com the key information document, prospectus, and all other relevant information prior to investing in one of our funds, including the net asset value ("NAV") of the funds. Investor rights and complaints procedure, are accessible on Candriam's dedicated regulatory webpages <https://www.candriam.com/en/professional/legal-and-disclaimer-candriam/regulatory-information/>. This information is available either in English or in local languages for each country where the fund's marketing is approved. According to the applicable laws and regulations, Candriam may decide to terminate the arrangements made for the marketing of a relevant fund at any time.

Information on sustainability-related aspects: the information on sustainability-related aspects contained in this communication are available on Candriam webpage <https://www.candriam.com/en/professional/market-insights/sfdr/>. The decision to invest in the promoted product should take into account all the characteristics or objectives of the promoted product as described in its prospectus, or in the information documents which are to be disclosed to investors in accordance with the applicable law.

Notice to investors in Switzerland: The information provided herein does not constitute an offer of financial instruments in Switzerland pursuant to the Swiss Financial Services Act ("FinSA") and its implementing ordinance. This is solely an advertisement pursuant to FinSA and its implementing ordinance for financial instruments.

Swiss representative: CACEIS (Switzerland) SA, Route de Signy 35, CH-1260 Nyon. The legal documents as well as the latest annual and semi-annual financial reports, if any, of the investment funds may be obtained free of charge from the Swiss representative.

Swiss paying agent: CACEIS Bank, Paris, succursale de Nyon/Suisse, Route de Signy, 35, CH-1260 Nyon. Place of performance: Route de Signy 35, CH-1260 Nyon. Place of jurisdiction: Route de Signy 35, CH-1260 Nyon.

Specific information for investors in France: the appointed representative and paying agent in France is CACEIS Bank, Luxembourg Branch, sis 1-3, place Valhubert, 75013 Paris, France. The prospectus, the key investor information, the articles of association or as applicable the management rules as well as the annual and semi-annual reports, each in paper form, are made available free of charge at the representative and paying agent in France.

Specific information for investors in Spain: Candriam Sucursal en España has its registered office at C/ Pedro Teixeira, 8, Edif. Iberia Mart I, planta 4, 28020 Madrid and is registered with the Comisión Nacional del Mercado de Valores (CNMV) as an European Economic Area management company with a branch. CNMV: 233