

Candriam Equities L Global

Demography

Market Overview

In September, the global stock market ended the month with a modest gain, despite facing a sharp correction in the first week. This initial downturn was largely driven by weaker-than-expected economic data, including the ISM manufacturing index and job openings reports. However, by the end of the month, the market had fully recovered for two key reasons: first, the Federal Reserve implemented a reassuring 50bps rate cut, with Jay Powell acknowledging that they should have cut in July. Second, the Chinese government unveiled a substantial easing package to boost its economy. As a result, Chinese stock indexes surged over 20% in just a few days, and companies tied to China, such as those in luxury goods, semiconductors, industrials, and mining, outperformed the broader market. Overall, investors are still evaluating the trajectory of future rate cuts and the potential impact of sustained high interest rates on the economy.

Sector-wise, Consumer Discretionary, driven by Tesla, outperformed, while the Utilities sector reached new highs following Microsoft's agreement to purchase energy from Constellation Energy in a 20-year deal. In contrast, investors sold off energy stocks as oil prices hit new lows, despite rising geopolitical risks in the Middle East. Defensive sectors like Consumer Staples and Health Care also lagged.

The demography strategy underperformed slightly the benchmark. Top performers were Otis, Iberdrola and Vertiv while the top detractors were ASML, Nestle & SMC.

Portfolio Highlights & Strategy Review

We continue to maintain a barbell approach in our portfolio construction considering the weakening global economy and the geopolitical situation. We did not change meaningfully our sector allocation as the fund benefitted from the performance of the Chinese indexes.

We slightly took profit on our European banks as the economy is deteriorating and the ECB may have to act faster than expected and we reinvested the proceeds in the US.

Fund Outlook

Due to the prevailing macro environment, we keep a quality tilt with an OW in IT and HC. Currently, the largest underweights are cyclical sectors such as Real Estate, Energy (excluded) and Materials. We do remain convinced technological innovation has strong secular trends (IoT, cloud transition, machine learning, artificial intelligence, automation). Health care remains a clear play on ageing population, where advances in medicine and medical technologies are fostering longevity and better quality of life. Consumer Staples allow us to gain exposure to the rise of the emerging market consumer. The Demography Strategy is constantly monitored, and it is carefully balanced towards global companies with a strong competitive advantage, solid balance sheets and with a clear exposure to the demographic megatrends. Given the excellent long-term perspectives, we continue to recommend using every dip to increase or initiate positions in this diversified strategy.



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