

# Candriam Sustainable Equity US

## Market Overview

Globally, the S&P 500 continued to outperform, thanks to a broadening of earnings growth outside of the technology sector. Despite the volatility, August was a good month for diversified investors as equity and fixed income markets provided positive returns. Because of the yield buffer, fixed income provide protection during the sell-off at the beginning of the month, while equities later recovered on US rate cut expectations. Fears about a US recession appear exaggerated given the resilience of the labour market and consumption. However, GDP growth is slowing and inflation, which dropped below 3% for the first time since March 2021, is retreating. In this context, we believe the Fed is on track to deliver several rate cuts this year, starting in September. However, any further weakening of the labour market might warrant a more aggressive policy response. US indices closed the month higher (SPX +3.84%, INDU +3.28%, CCMP +3.11% and RTY +1.58%).

## Fund performance

In August, the fund returned 2.26%\*, underperforming its benchmark by 12bp. The S&P 500 NR ended the period up by 2.38%\*\*. Year-to-date, the fund underperforms its benchmark by 273bp, despite a positive absolute performance of 16.46%\*.

## Sector level

From a sector point of view, our stock selection held back performance (-26bp) while allocation added to relative performance (22bp). Our stock selection in Communication Services (-46bp) and Information Technology (-26bp) penalised the relative performance. On the contrary, our stock picking in Consumer Discretionary (31bp) produced relative gains. Conversely, the underweight in the Energy sector (16bp) added the most to relative performance.

## Stock specific

With a positive contribution of 10bp, the overweight of **PROGRESSIVE CORP** (Financials) was the main contributor to the excess return. With a negative impact of 10bp, the overweight of **INTEL CORP** (Information Technology) was the main detractor from the excess portfolio return. Our positions in **MERCADOLIBRE INC** (Consumer Discretionary) and **CROWDSTRIKE HOLDINGS INC - A** (Information Technology) posted the strongest absolute performances, gaining 23.5% and 19.5% respectively. Our positions in **INTEL CORP** and **HERC HOLDINGS INC** (Industrials) declined the most, losing 28.0% and 16.4% respectively.

## Portfolio activity

In August, we introduced the American companies, **TRUIST FINANCIAL CORP** and **DISCOVER FINANCIAL SERVICES**, both from the Financials area as well as **XYLEM INC** (Industrials) to our portfolio (+0.7%, +0.6% and +0.6% respectively). We also increased the positions of the American enterprises, **ADVANCED MICRO DEVICES** and **APPLE INC**, both belonging to the Information technology area as well as **SYNCHRONY FINANCIAL** (Financials), from 0.2% to 0.8%, 7.9% to 8.4% and from 0.1% to 0.6% respectively. We sold the American enterprises, **INGERSOLL-RAND INC** and **AUTOMATIC DATA PROCESSING**, both belonging to the Industrials area as well as **MOLINA HEALTHCARE INC** (Health Care) (-0.7%, -0.4% and -0.4% respectively). We also reduced the portfolio weights of the three companies based in the United States, **INTUIT INC** (Information Technology), **AMERICAN INTERNATIONAL GROUP** (Financials) and **HOST HOTELS & RESORTS INC** (Real Estate), from 1.0% to 0.4%, 0.9% to 0.4% and from 0.6% to 0.2% respectively.



\* net of fees in USD terms

\*\* net return in USD terms

## Fund outlook

We see a clear trend towards a more sustainable world. Authorities around the world are taking the lead by changing regulations. Companies are taking active decisions by adjusting their business models to achieve a better ESG footprint. Consumers are taking ESG criteria into account when buying products and services, and investors are doing the same when evaluating alternatives to invest their wealth. In light of this trend, it is essential to take into account ESG criteria when making investment decisions. The objective of this strategy is to invest in companies that score well on both ESG and financial criteria. We believe that this type of company is well positioned to outperform the market in the long run.

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