

Candriam Sustainable Equity US

Market overview

At the start of August, the credit rating agency Fitch downgraded the US government's credit rating from AAA to AA+, citing unsustainable debt and deficit trajectories and increased political dysfunction. While this decision led to heated debates in political and economic circles, it had little impact on 10-year US Treasury yields, which hardly increased after Fitch's announcement. Unemployment ticked down to 3.5%, while average hourly earnings were slightly stronger than expected at 4.4% year on year (y/y). Market pricing suggests the Fed could deliver one final hike before year-end, followed by four or five rate cuts in 2024. US indices closed the month lower (S&P500 -1.33%, Nasdaq -1.26%, Dow Jones -2.21% and Russell -4.58%).

Fund performance

In August, the fund returned -1.29%*, outperforming its benchmark by 36bp. The S&P 500 NR ended the period down by 1.65%** . Year-to-date, the fund underperforms its benchmark by 308bp, despite a positive absolute performance of 15.25%*.

Sector level

At sector level, our stock picking added to the excess portfolio return (49bp) while allocation had a modest impact on performance (-7bp). Our stock selection in Information Technology (35bp) and Communication Services (21bp) generated relative gains.

Stock specific

The overweight of **ELI LILLY & CO** (Health Care) was the main contributor to the excess return with a positive contribution of 15bp. The overweight of **DISCOVER FINANCIAL SERVICES** (Financials) was the main detractor from relative performance (-9bp). In terms of absolute performance, our position in **ARISTA NETWORKS INC** (Information Technology) was the standout gainer, rising by 25.9%. Our position in **INSULET CORP** (Health Care) was down 30.7%.

Portfolio activity

In August, we introduced the two firms located in the United States, **SERVICENOW INC** (Information Technology) and **DISCOVER FINANCIAL SERVICES** to our portfolio (+0.9% and +0.6% respectively). We sold the two American enterprises, **NEW RELIC INC** (Information Technology) and **BIOMARIN PHARMACEUTICAL INC** (Health Care) (-0.3% and -0.2% respectively). We also reduced the portfolio weights of the two American enterprises, **SYNOPSIS INC** (Information Technology) and **GRAPHIC PACKAGING HOLDING CO** (Materials), from 0.6% to 0.2% and from 0.5% to 0.1% 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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