

Candriam Equities L Global

Demography

Market Overview

In August, the global market was mixed with a slight pull back in the first half due to rising rates, but the market recovered most of the losses in the second half of the month. 2y Rates remained near 5%, leaving the 10-2y curve still heavily inverted – a key recessionary signal. The market had a mixed leadership. On the one hand it was led by Energy as the oil price bounced, as well as Health Care which benefitted from an exceptional release from Novo Nordisk on Wegovy (Diabetes drug). While Materials on weak China data and Utilities following Orsted write-off lagged the market. The Demography strategy finished flat the month vs the benchmark. Alphabet, TJX, Amgen, Emerson, and Brown & Brown were the top performers. On the downside, the main detractors were KBC, DSM, Bank of America, Daikin, and Morgan Stanley.

Portfolio Highlights

In August, cash was partly reinvested into defensives such as utilities, which underperformed massively the market, and on some IT names after the pull back in the middle of August.

Fund Outlook

Due to the prevailing macro environment, defensives such as Staples and Health Care remain our key overweights. The largest single sector overweight is Financials, given the valuation opportunity we see in combination with still elevated yields. Currently, the largest underweights are cyclical sectors such as Consumer Discretionary, Energy (mostly excluded) and Real Estate. We are also underweight IT. We do remain convinced technological innovation has strong secular trends (IoT, cloud transition, machine learning, artificial intelligence, automation), but the current macro climate calls for a lower allocation to cyclical subsectors, Hardware and especially Semiconductors. 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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