

Candriam Equities L Robotics

Innovative Technology

Market Overview

Global stock markets started the year in a hesitant way, but mostly ended the first month of the year in green territory. The strong macroeconomic numbers, especially in the US (jobs report, Q4 GDP) showed once again the resiliency of the US economy. Unsurprisingly, the Fed killed almost entirely the hope for a first rate cut in March. The ECB also kept interest rates unchanged and reiterated that they remain in 'data-dependent' mode. In this environment, growth stocks outperformed value stocks.

The conflicts in the Middle East or in Ukraine are far from solved, but did not really impact cautiously optimistic market sentiment.

Growth stocks outperformed value stocks, while IT and Healthcare were outperforming the global market. Materials, Consumer Discretionary and Utilities were amidst the underperforming sectors. From a regional point of view, the Japanese stock market was the top performer, while the Emerging Markets (driven by China) underperformed the global market (in local currency). The Robotic and Innovative Technology universe outperformed the global stock market as the most important sector in the strategy (IT) was clearly outperforming the global equity market.

The Q4 result season has started, and though it is still very early in the season, the first indications are supportive for equity markets in general.

Portfolio Highlights

The top contributors in the fund were Advanced Micro Devices, Nvidia, Palo Alto Networks and ASML. Rockwell Automation, ST Micro, On Semi and Aptiv were among the worst contributors, mostly because of underwhelming results. We continue to maintain a balanced approach in the portfolio construction, meaning that we stick to a disciplined approach in stock selection. Synopsis announced the acquisition of Ansys in the beginning of January. We decided to liquidate the position immediately and to gradually reinvest in Altair, the last listed independent simulation software company. Given the huge run in many of the names the fund is invested in, we took some profit on names such as CrowdStrike, Intuitive Surgical, Palo Alto Networks and Servicenow, but we are still keeping significant positions in these companies, as they are long term, high conviction ideas. We further increased the position in Micron Technology, given our positive stance on memory exposed names. We also raised exposure to Microsoft and TSMC, which remain well supported by strong earnings. 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, Palo Alto Networks, Nvidia and Advanced Micro Devices 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 Robotics and Innovative Technology 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 inflation finally seems to come off significantly, we do anticipate a much more accommodative monetary policy in 2024. Presidential elections in the US, trade war with China, the Ukrainian conflict, the Middle East conflict, oil prices and Q1 company results are nevertheless factors to monitor closely. But again, given the excellent long-term perspectives and given the more benign interest rate environment, we continue to recommend using every significant correction to increase or initiate positions in this strategy.

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