

Candriam Equities L Global

Demography

Market Overview

In January, global markets continued the rally which started at the end of October. 2023 topics (AI and GLP1) are still driving the sentiment and the stocks related to these themes posted impressive returns during the month. Rates were fluctuating and waiting for a direction that should be given by the Fed in early February. The market is pricing both a re-acceleration in the economy as well as 6 rate cuts by the end of 2024.

Sector wise IT, Communications services, Financials were the outperformers, whilst Materials, Real Estate and Utilities lagged. Hence, long duration outperformed defensives.

The strategy outperformed the benchmark due to stock picking. Top performers were ASML, Merck and Marvell. Underperformers were AIA, Aptiv and UnitedHealth.

Portfolio Highlights

We continue to maintain a balanced approach in portfolio construction and keep a defensive tilt. We reduced our OW in the Consumer Staples sector due to some risk on the volumes and reinvested the proceed into higher quality companies such as LVMH. We also reinforced our positions in AIA and Sika as the current prices are attractive. We keep a cash level of 6% to have some fire power during the earnings season.

Fund Outlook

Due to the prevailing macro environment the defensive Consumer Staples sector remains our key overweight. Currently, the largest underweights are cyclical sectors such as Real Estate, Energy (mostly excluded) and Materials. 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 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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