

Candriam Sustainable Equity US

Market overview

In the US, the S&P 500 Index was propelled to record highs in early January as optimism around a 'soft landing' scenario continued the rally in the 'Magnificent Seven' stocks. A number of data releases pointed to the ongoing resilience of the US economy. First, we saw a robust jobs report, with 216k jobs added to the economy in December, alongside firmer wage growth and unemployment remaining steady at 3.7%. Later in the month a blowout GDP print of 3.3% annualised for the fourth quarter was significantly above consensus expectations. Following a strong start, the S&P Index closed the month on a weaker note, as the hawkish tone at the Fed's January 31 meeting was not taken well by risk markets. The Fed pushed back on dovish market pricing for rate cuts, and explicitly noted that a March cut seems unlikely. US indices closed the month higher (S&P500 +2.25%, Nasdaq +3.62%, Dow Jones +1.24%) except for Russell -3.21%.

Fund performance

In January, the fund returned 1.65%*, in line with its benchmark. The S&P 500 NR ended the month up by 1.65%**.

Sector level

At sector level, our stock picking made a positive contribution (12bp) while allocation had a negligible impact on performance (-5bp). Our stock picking in Financials (20bp) and Industrials (18bp) generated relative gains. Nonetheless, our stock selection in Information Technology (-23bp) penalised the relative performance.

Stock specific

The overweight of **STRYKER CORP** (Health Care) was the top contributor to the excess return, contributing by 8bp. With a negative contribution of 9bp, the overweight of **HUMANA INC** (Health Care) was the main detractor from the excess portfolio return. Our positions in **NVIDIA CORP** (Information Technology) and **ADVANCED MICRO DEVICES** (Information Technology) posted the strongest absolute performances, gaining 24.2% and 13.7% respectively. Our positions in **TESLA INC** (Consumer Discretionary) and **ROCKWELL AUTOMATION INC** (Industrials) declined the most, losing 24.6% and 18.4% respectively.

Portfolio activity

In January, we introduced the corporations based in the United States, **LAM RESEARCH CORP** and **SNOWFLAKE INC-CLASS A**, both from the Information technology area as well as **LANTHEUS HOLDINGS INC** (Health Care) to our portfolio (+0.8%, +0.4% and +0.3% respectively). We also increased the positions of the three corporations from the United States, **TESLA INC**, **ELEVANCE HEALTH INC** (Health Care) and **ADVANCED MICRO DEVICES**, from 1.4% to 1.7%, 0.2% to 0.9% and from 0.2% to 0.9% respectively. We sold the three firms based in the United States, **NEXTERA ENERGY INC** (Utilities), **CVS HEALTH CORP** (Health Care) and **FAIR ISAAC CORP** (Information Technology) (-0.6%, -0.6% and -0.4% respectively). We also reduced the portfolio weights of the two American enterprises, **INTUITIVE SURGICAL INC** (Health Care) and **LIBERTY MEDIA CORP-LIB-NEW-C** (Communication Services), from 0.8% to 0.5% and from 0.6% to 0.3% 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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