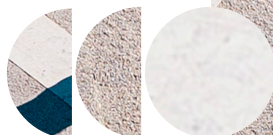




Not your average thematic strategy

60 seconds with the
portfolio manager



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This marketing communication is intended for
non-professional investors.



Johan Van Der Biest

Head of Thematic Global Equity

Thematic strategies are rapidly growing in popularity, but sometimes they can expose investors to some highly unwelcome swings in return. Johan Van Der Biest, Allan Foll and Jonas Brisard explain how Candriam's demography strategy capitalises on some of the major trends shaping the world while at the time limiting volatility.



Allan Foll

Head of Thematic Global Equity
– Society

What are the main demographic changes the world is experiencing?

The world's population continues to grow by around 70 million every year. It exceeded 8 billion in 2022 and is expected to reach 9 billion by 2037, according to the United Nations. This growth, combined with changing consumption patterns, is fuelling demand for natural resources, and should generate a 35% increase in demand for food, 40% for water and 50% for energy by 2030, according to the World Bank.

What's more, the global middle class is growing, particularly in Asia, and 1 billion Asians are expected to be part of it by 2030, making Asia the world's biggest consumer.

Urbanization is also progressing: more than two-thirds of the world's population is expected to live in urban areas by 2050, according to the United Nations.

Finally, the aging of the population is creating challenges for the labour market and social and healthcare systems.

These developments have all kinds of impacts on the planet, and also generate numerous investment opportunities.



Jonas Brisard

Portfolio Manager

How does Candriam's demography strategy exploit these themes?

We've designed this strategy to be broad in scope so it can exploit a lot of aspects that demographic changes are resulting in. So, for instance, with a growing population, the world will need more resources, and investing in energy might be a logical way of exploiting this. At the same time there's a need to minimise climate change and destruction of the planet, so we look for firms that can lessen people's impact on the environment. Water treatment companies, for example. We capitalise on ageing populations mainly through healthcare stocks, but also through the kind of leisure activities that older people enjoy. Cruise liners would be one such possibility, although we haven't invested in any as yet. And we play the emerging consumer through global brands that are seen as highly attractive in emerging markets, such as quality food companies and luxury goods firms.

60 SECONDS
WITH THE FUND MANAGER

What does the strategy look like?

It's a global equity strategy that primarily invests in large, well-known firms and has a slight bias towards quality – we won't invest in a firm with a bad balance sheet. We've identified a number of themes linked to demographic changes: natural resources, urbanisation, sustainable development and environment, healthcare, healthier lifestyles, pensions and savings, consumption in emerging markets and changing consumer habits (including digital). At least 30% of any holding's sales must be linked to these themes. It's a highconviction strategy holding maximum 70 stocks⁽¹⁾, but we try to minimise its volatility as much as possible through exposure to a broad number of themes and by avoiding small caps wherever possible. While we look to exploit themes in emerging markets, we generally favour developed market stocks that are doing so as a way of achieving this goal, and the limited exposure to emerging market currencies this results in again reduces the volatility.

In addition, ESG⁽²⁾ criteria are incorporated into our investment process. We assess the exposure of companies' activities to key sustainability themes and stakeholder management.

First of all, we exclude companies that do not comply with the 10 Principles of the United Nations Global Compact, as well as those engaged in controversial activities, such as weapons, tobacco, thermal coal and other activities we do not consider sustainable.

Is the strategy bottom-up⁽³⁾ or top-down⁽⁴⁾?

We're very much bottom-up, but if that results in a country or sector allocation that isn't very well diversified we'll look to see if it's in synch with the macroeconomic backdrop and might make some tweaks accordingly. For example, if our bottom-up analysis results in a 60% allocation to defensive consumer staples names at a time that the global economy is accelerating, we'd underperform the MSCI World[®] massively. So we'd tone down that bias but not completely reverse it, as bottom-up is always most important.



We never prefer one theme to another. For example, we won't say this year we prefer ageing populations, while next year we're likely to prefer urbanisation. The themes we invest in are all long term and it's impossible to time them accurately.

What are Candriam's credentials in managing this kind of strategy?

Candriam has been involved in thematic investing for over 20 years and has built up over USD 11.1 billion of assets (at end 2023) in thematic strategies over this time. We know the pit falls such strategies can involve, and that's why we make sure the fund will never be too exposed to one country or sector. We've seen how some thematic funds can have a very narrow focus, leading to highly volatile returns, and that's why we've set this one up to have a much broader scope and to be able to adapt to the macroeconomic backdrop.

What sets your strategy apart from others on the market?

One of the things we've done is make it as broadbased as possible to avoid excessive concentration. So while many other demography strategies concentrate on ageing, we're also heavily exposed to other themes such as consumption in emerging markets. That means our strategy shouldn't have boom years and bust years like many other thematic strategies.

⁽¹⁾ Indicative data that may change over time

⁽²⁾ We only take into account sectors not excluded by the "Candriam Exclusion Policy". This document can be viewed on <https://www.candriam.com/en/private/insights/publications/#transparency>

⁽³⁾ The bottom-up approach selects shares based on a company's performance.

⁽⁴⁾ Top-down allocation is determined by our overall forecasts on trends in the global economy, then gradually broken down into regions, countries and sectors.

The main risks of the strategy are:

- **Risk of capital loss:**

There is no guarantee for investors relating to the capital invested in the strategy in question, and investors may not receive back the full amount invested.

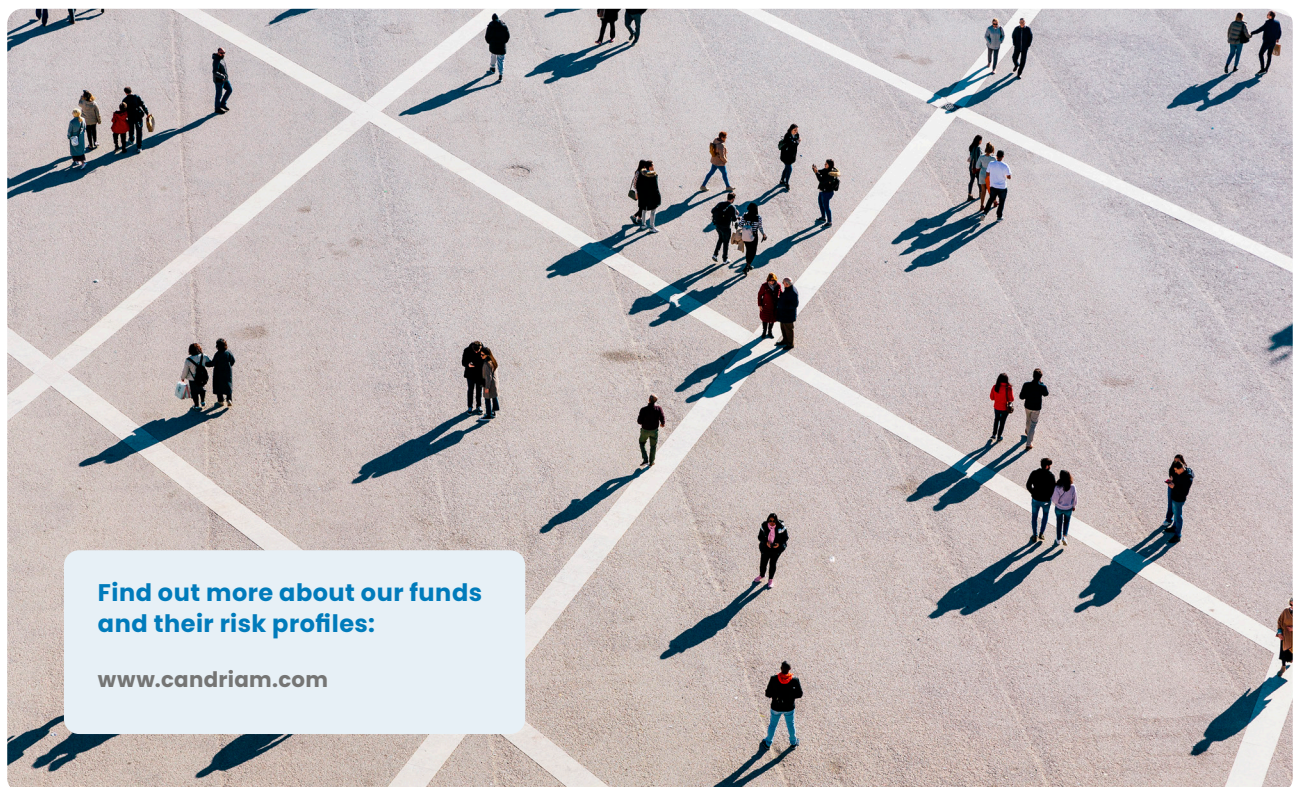
- **Equity risk:**

Some strategies may be exposed to equity market risk through direct investment (through transferable securities and/or derivative products). These investments, which generate long or short exposure, may entail a risk of substantial losses. A variation in the equity market in the reverse direction to the positions can lead to the risk of losses and may cause the performance to fall.

- **Foreign exchange risk:**

Foreign exchange risk derives from the strategy's direct investments and its investments in forward financial instruments, resulting in exposure to a currency other than its valuation currency. Changes in the exchange rate of this currency in relation to that of the strategy may negatively affect the value of assets in the portfolio.

The risks listed are not exhaustive, and further details on risks are available in regulatory documents.



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Information on sustainability-related aspects: the information on sustainability-related aspects contained in this communication are available on Candriam webpage <https://www.candriam.com/en/professional/sfdr/>.