

Markets in motion: *what lies ahead.*





Speaker

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Head of Client Portfolio Management Fixed Income



Agenda

- 1. Complacency in the face of complexity**
- 2. Rates**
- 3. Credit**
- 4. Candriam's approach**



The new world order.



GEOPOLITICAL RISK

- › Rise of Populism
- › America First policy
- › Increased conflicts (Russia in Ukraine, Taiwan, Middle East etc.)



GLOBAL TRADE WAR

- › Global trade war
- › Local and inward focus (IRA, Made in China etc)
- › Deglobalisation



CLIMATE RISK

- › Volatile commodity markets
- › Food and water scarcity
- › Climate Change



DEBT SUSTAINABILITY

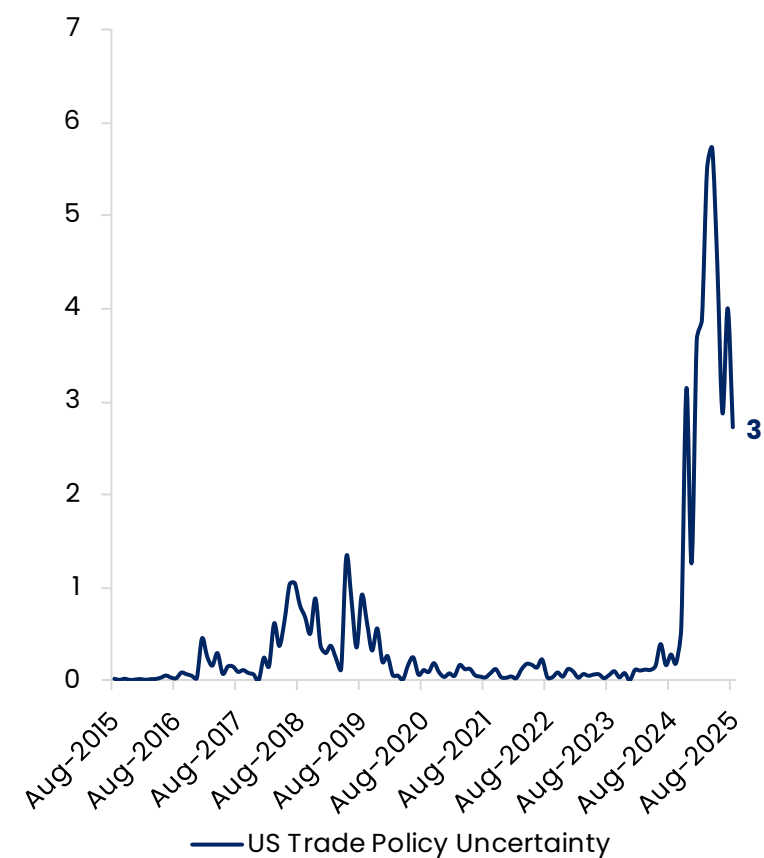
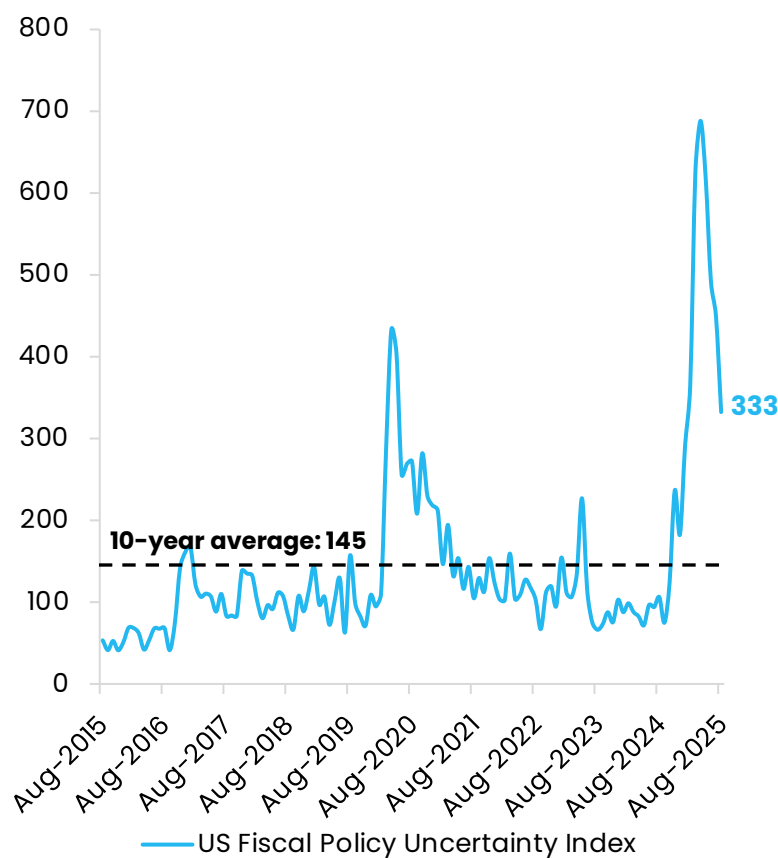
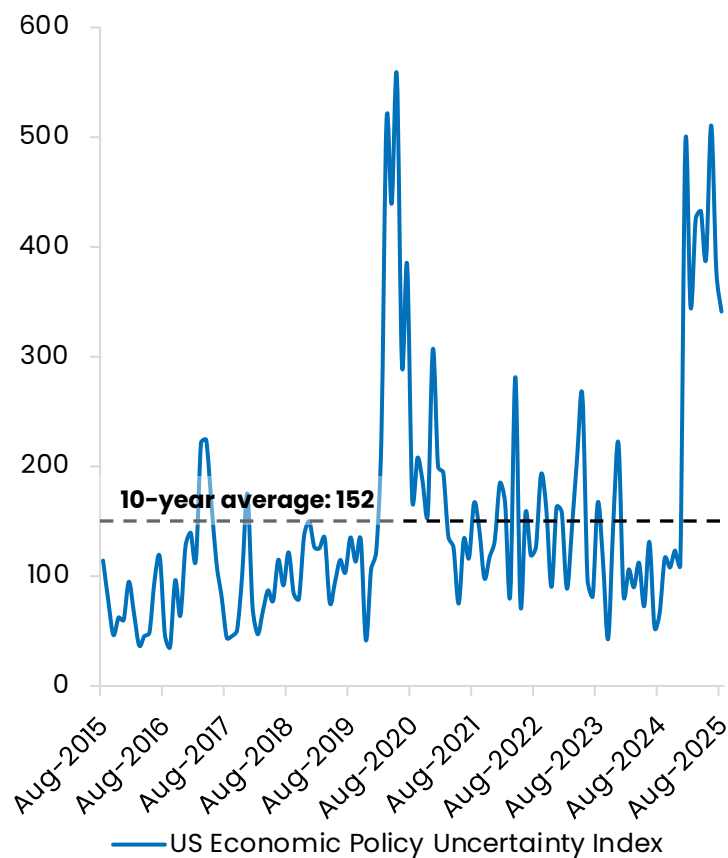
- › Unsustainable deficits
- › High level of debt and higher costs of debt
- › Dollar dominance challenged
- › Fed Independence tested

Source: Candriam – Indicative data may change over time.



Policy uncertainty is high...

Economic, Fiscal and Trade policy all affected



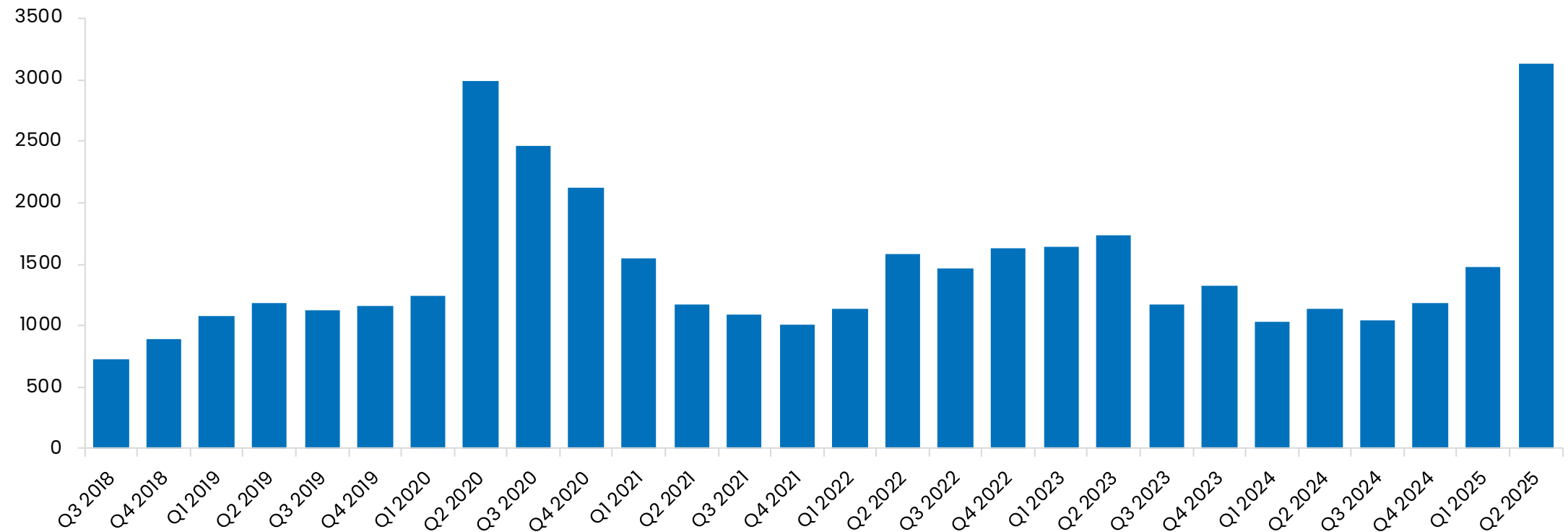
Source: Candriam, Bloomberg, Baker, Bloom & Davis, as of 31/08/2025.



...and firms are feeling it.

Corporate executives are speaking about uncertainty at levels not seen since Covid

Mentions of "Uncertain, Uncertainty, Uncertainties" in S&P 500 earnings calls

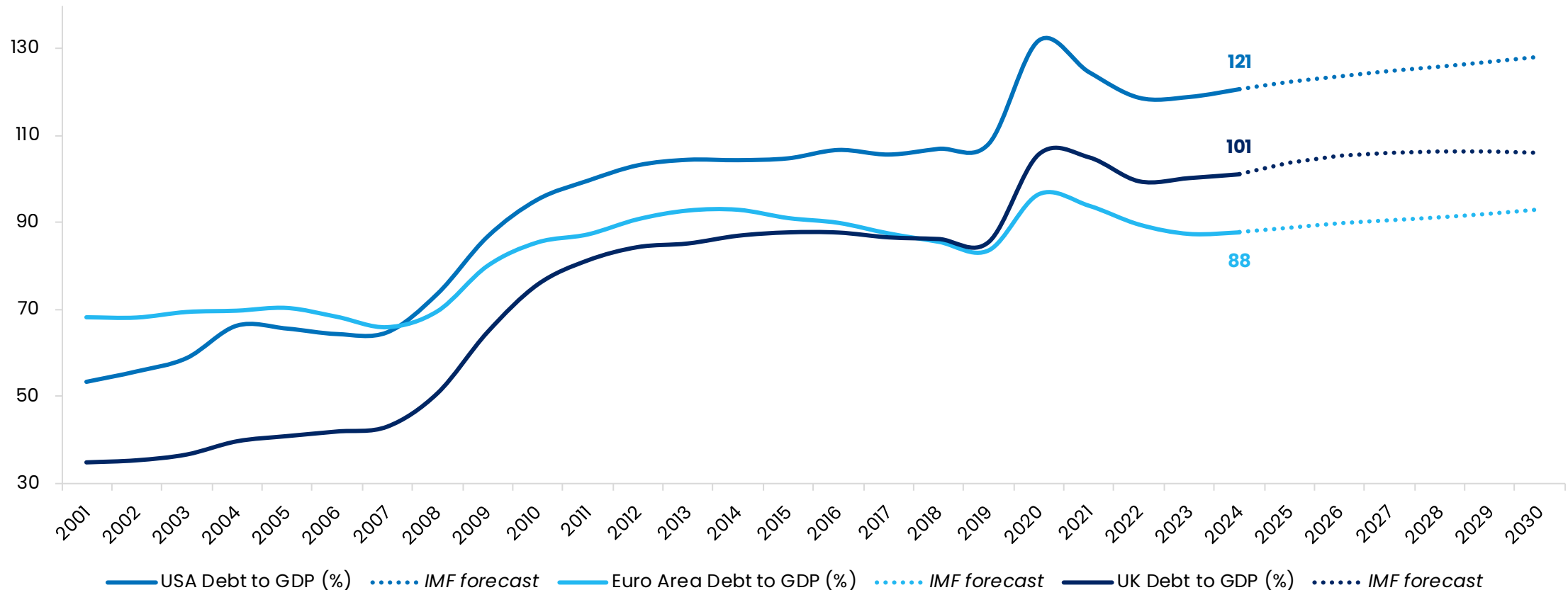


Source: Candriam, Bloomberg, as of 30/06/2025



Debt levels are elevated...

Developed economies national accounts are under pressure

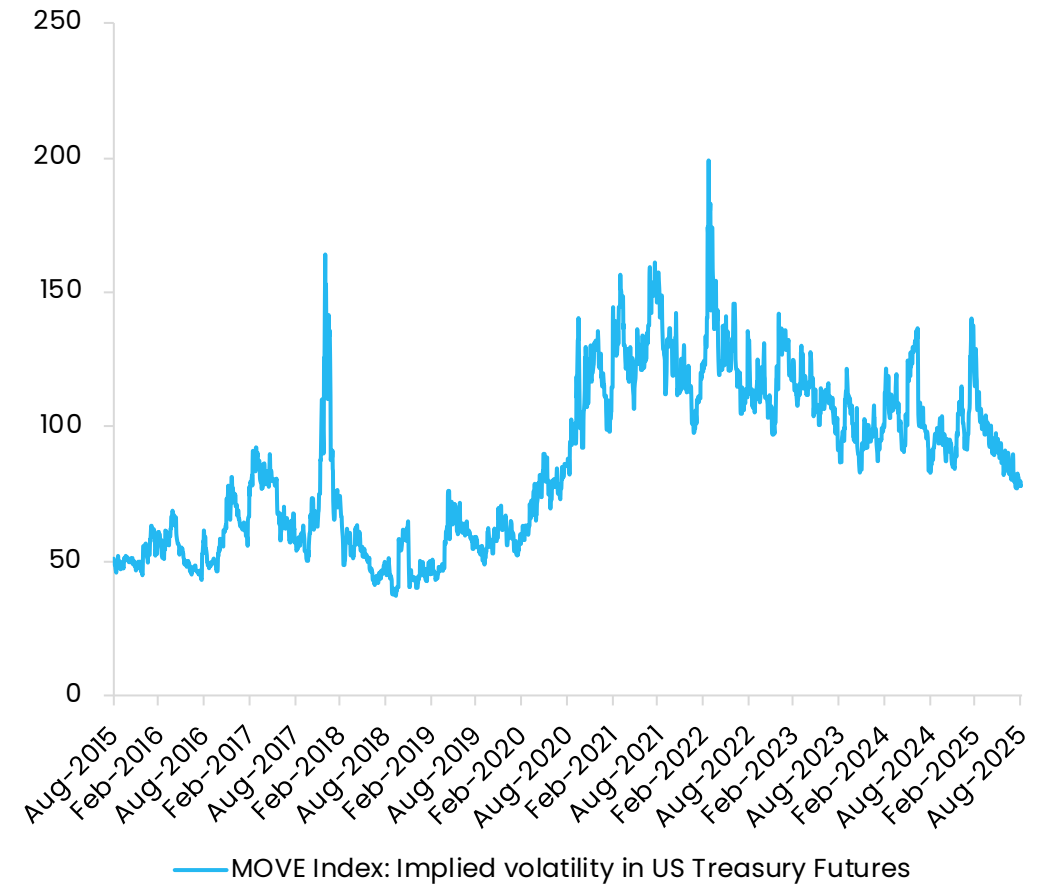
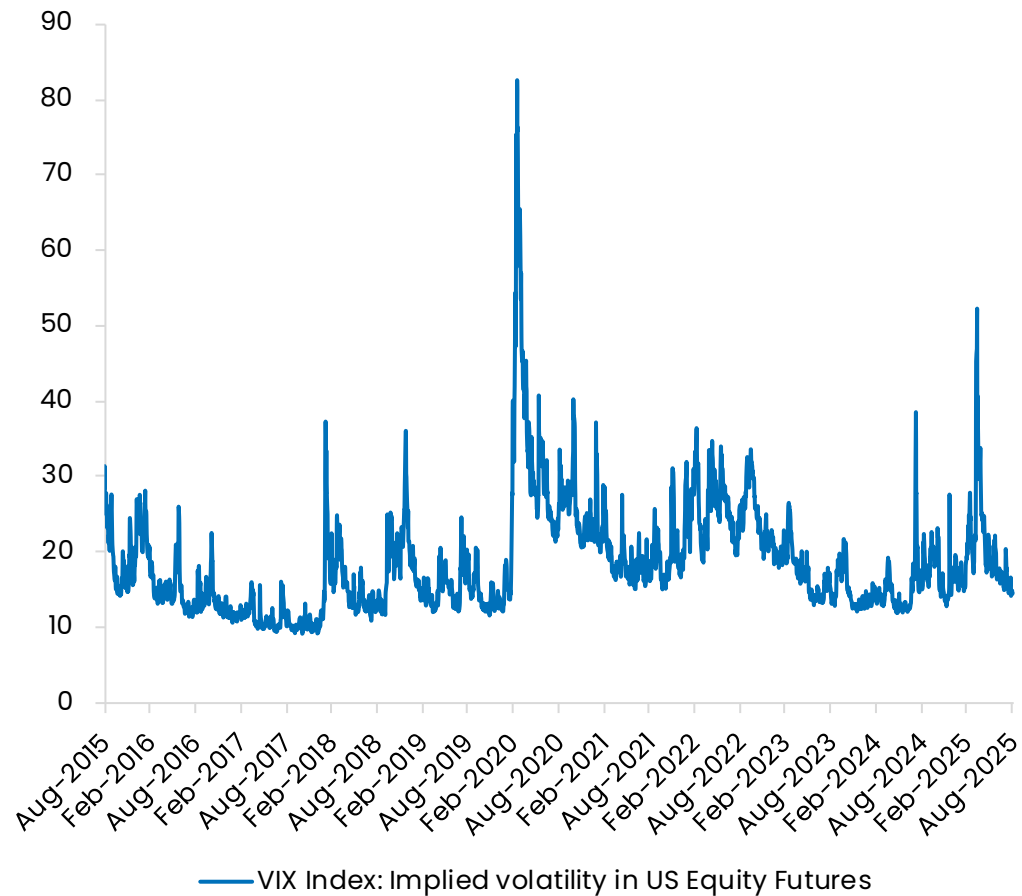


Source: Candriam, Bloomberg, IMF, as of 31/07/2025



...while volatility expectations are still low.

VIX & MOVE Indices



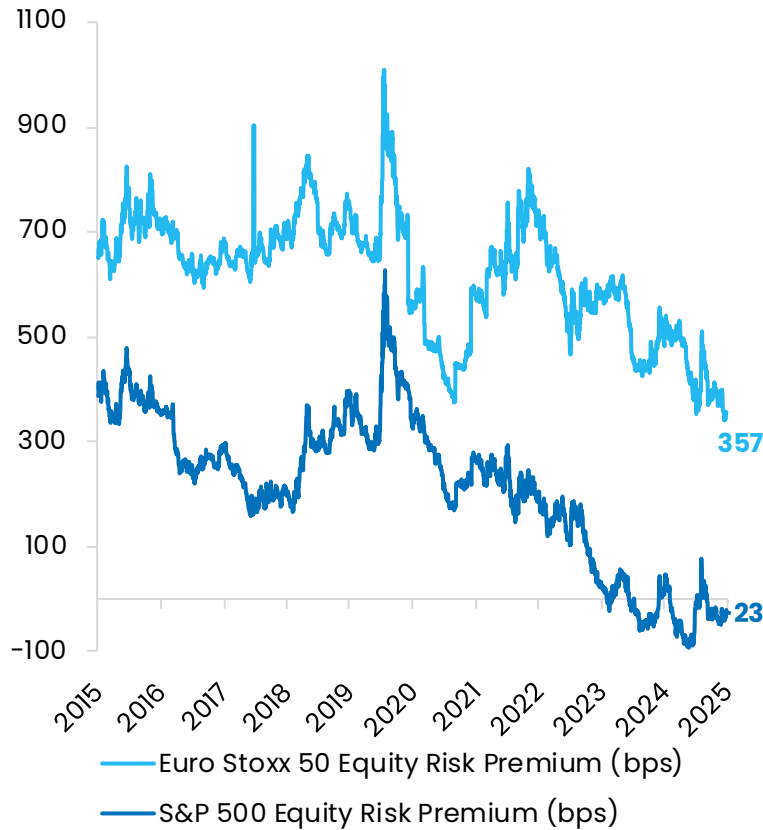
Source: Candriam, Bloomberg, ICE BofA, as of 29/08/2025



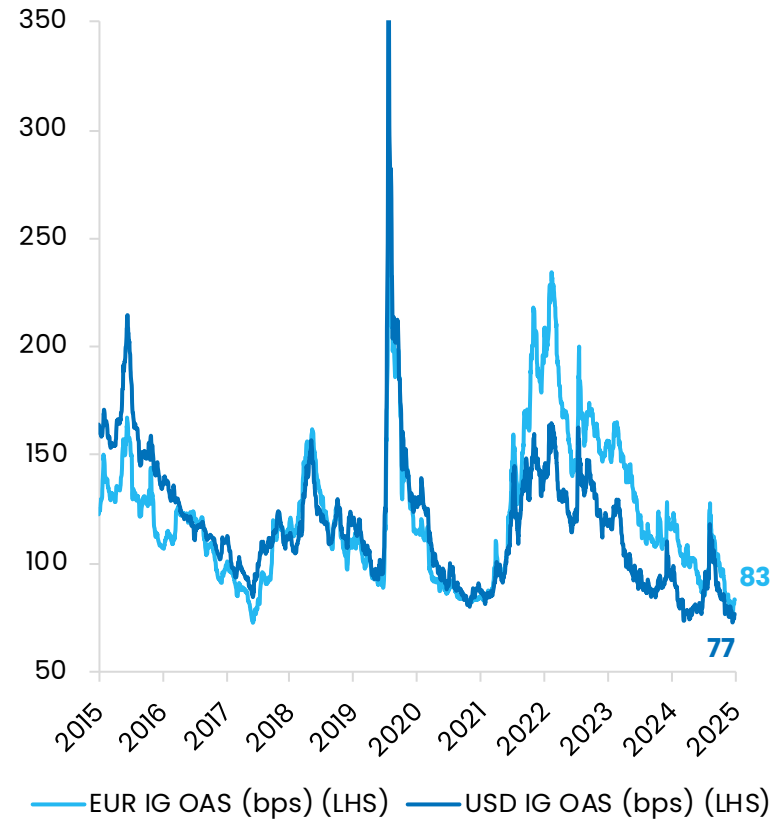
Valuations are stretched.

Across asset classes: nothing is cheap

Equities*



Credit



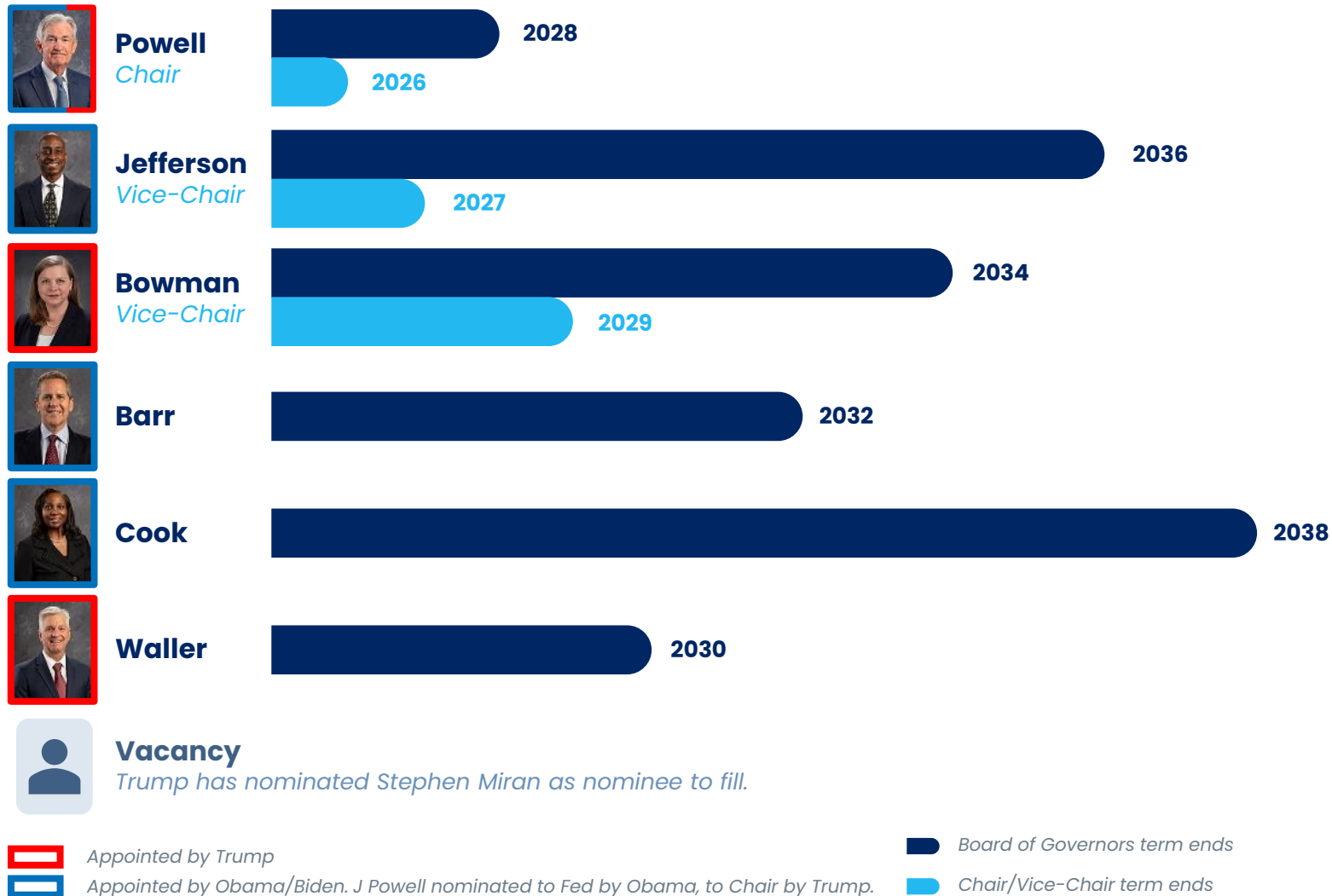
EMD



Source: Candriam, Bloomberg, JP Morgan, as of 29/08/2025. *Equity Risk Premium calculated as: Earnings Yield - 7Y Govt Bond Yield (US and Germany, respectively).



A “power grab” at the Federal Reserve?

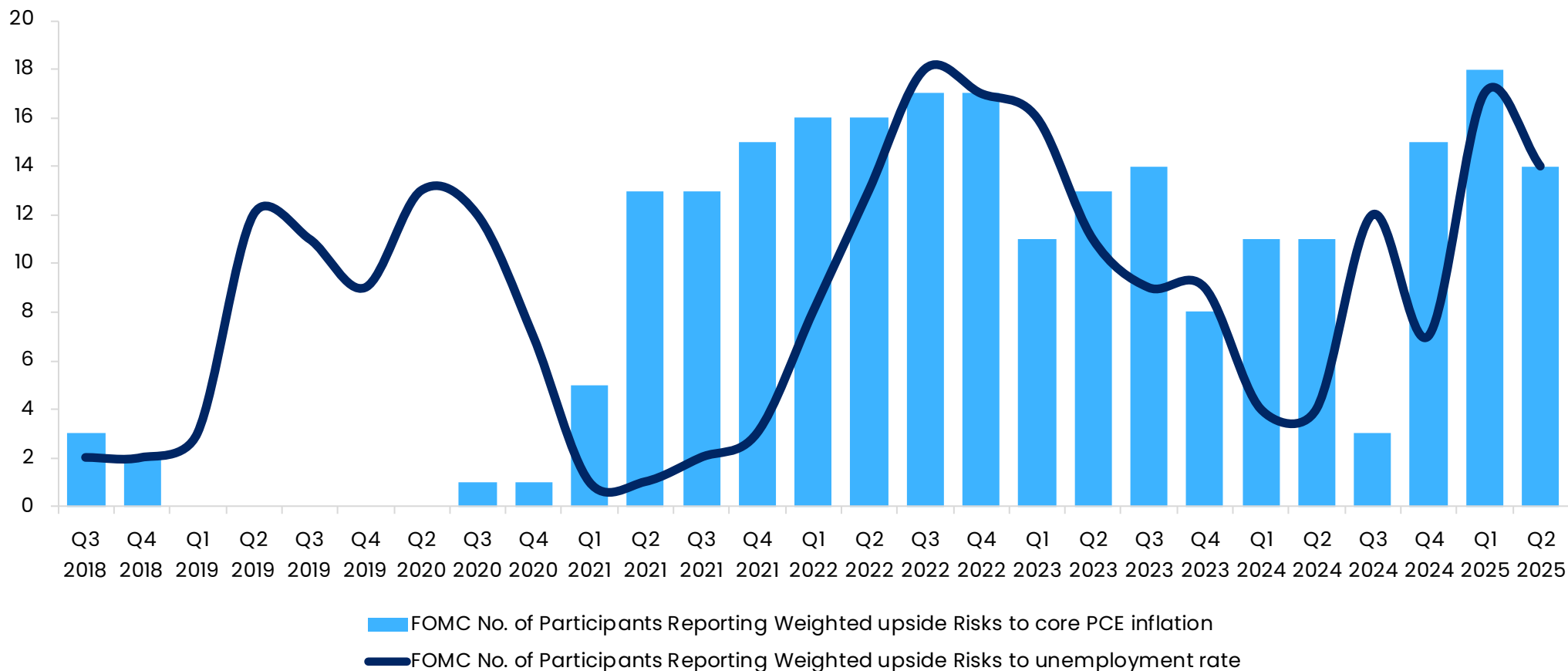


Source: Candriam, as of August 2025



US Rates: The Fed's balancing act.

Members are equally worried about inflation and the labour market

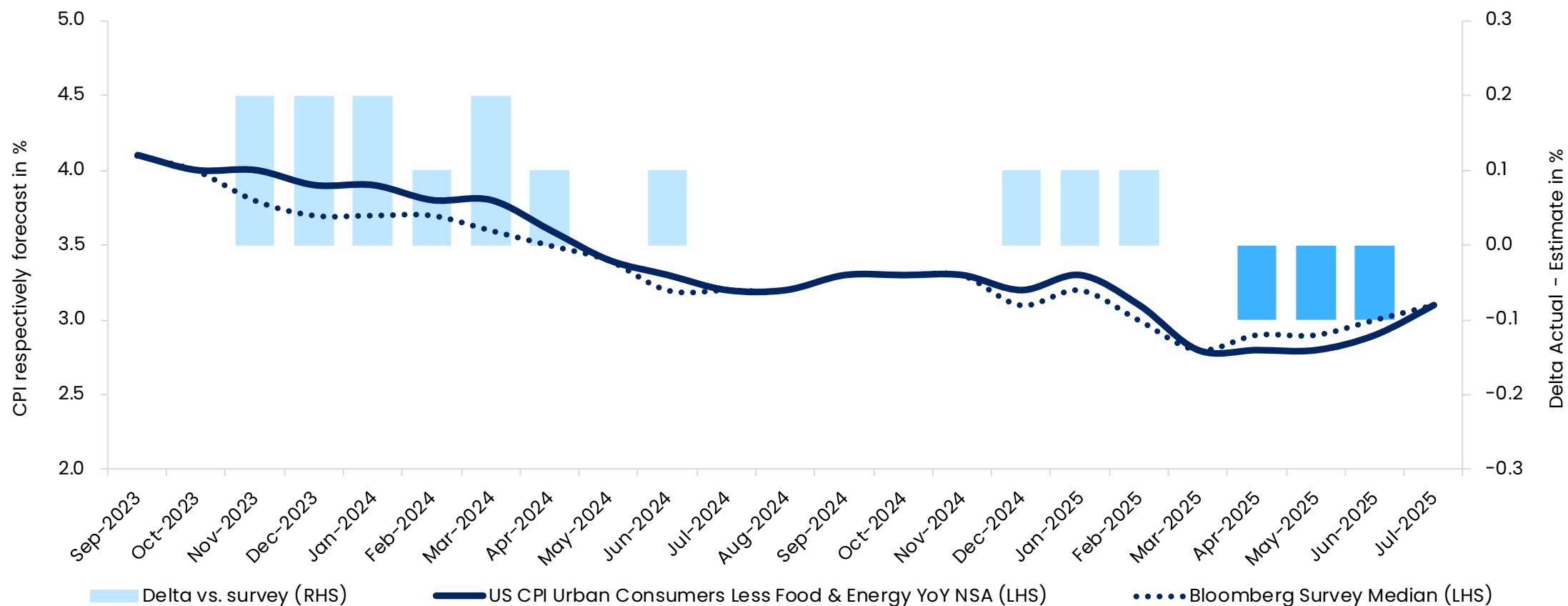


Source: Candriam, Bloomberg, as of 30/06/2025.



US Rates: CPI still above target.

After several months of prints below forecast



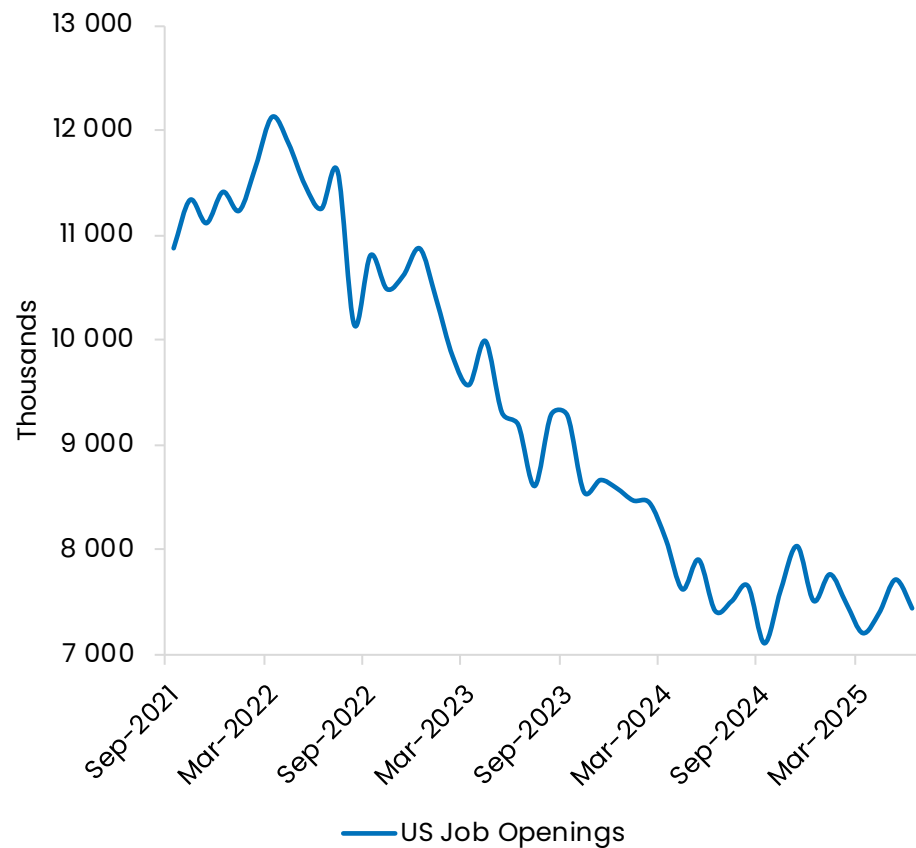
Source: Candriam, Bloomberg, as of 31/07/2025



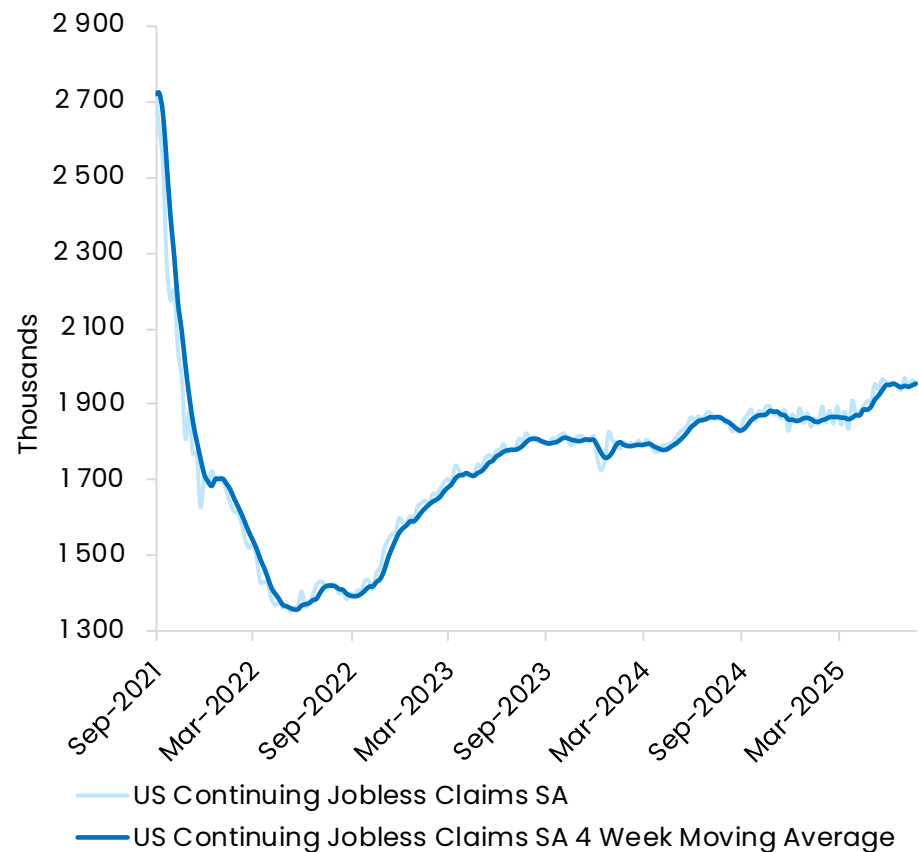
US Rates: The labour market is slowing.

Albeit still at a moderate pace

Fewer new jobs are being created



Continuing claims are rising

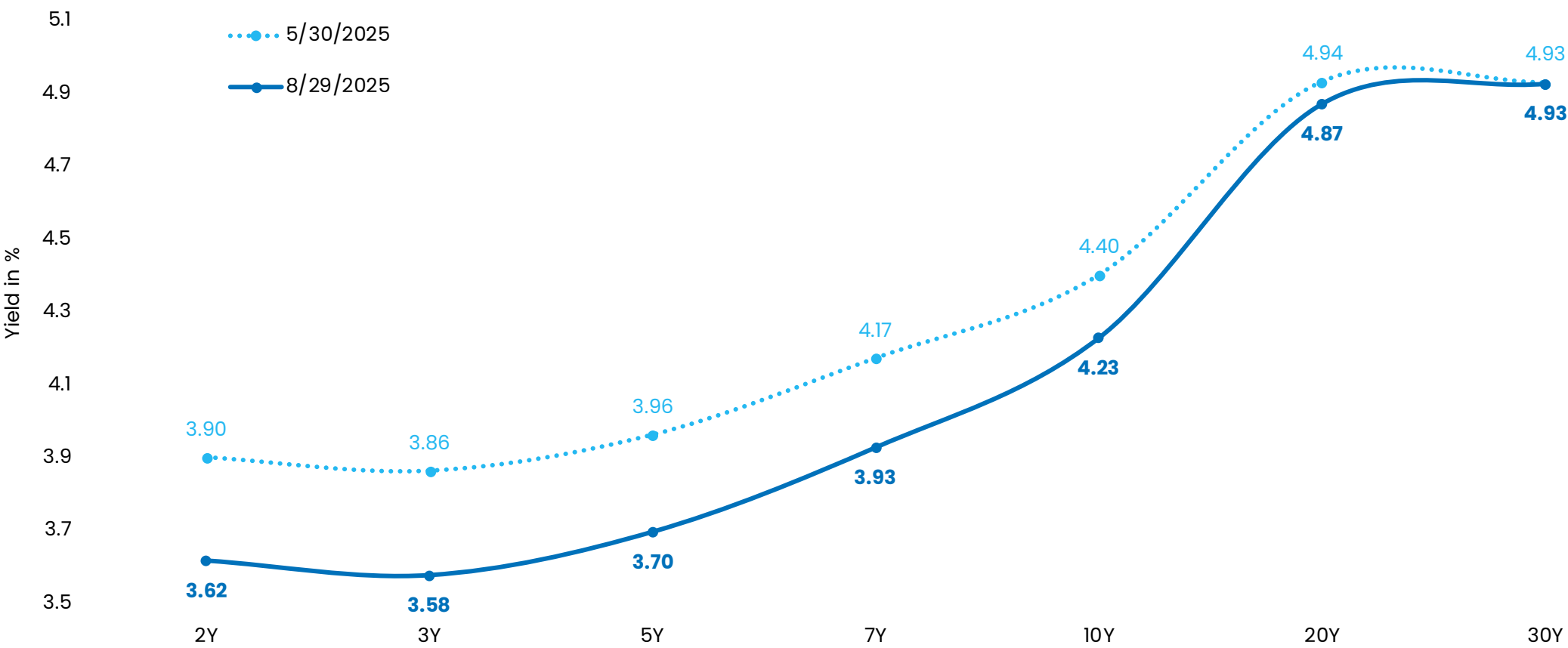


Source: Candriam, Bloomberg, LHS chart data as 15/08/2025.



The US yield curve has steepened.

We believe the steepening has potential to continue

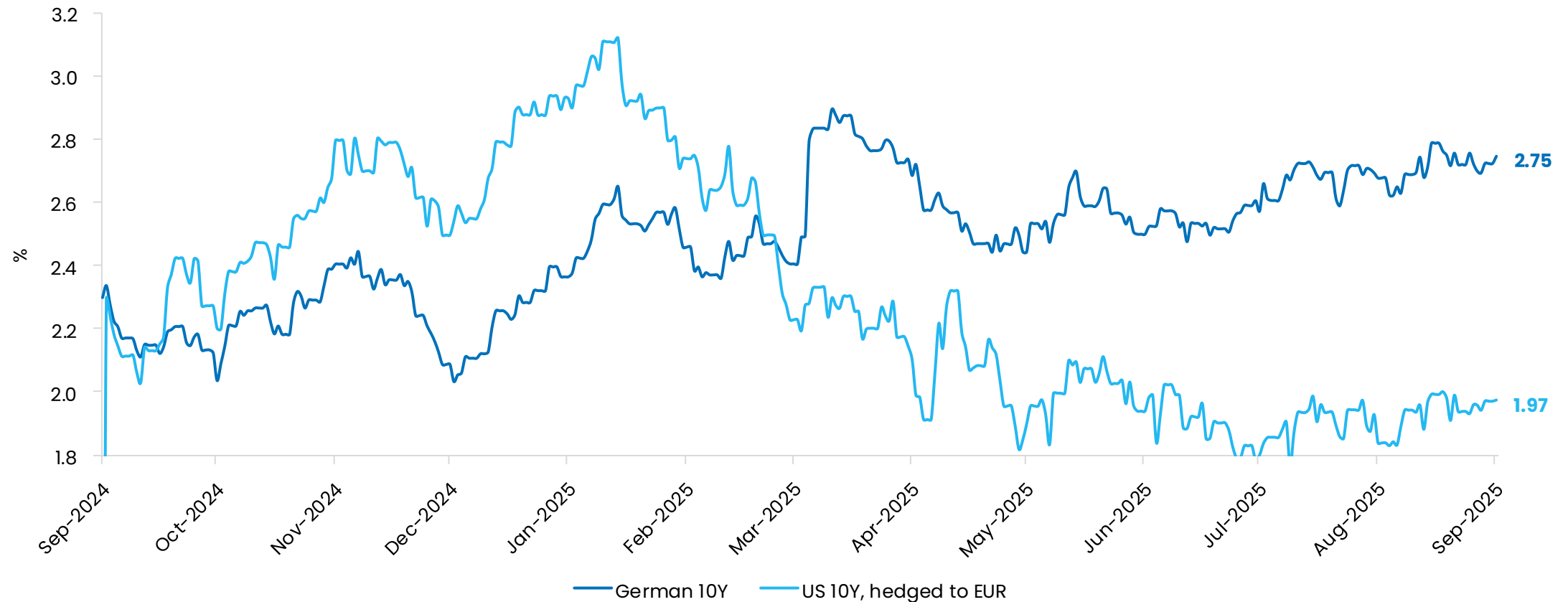


Source: Candriam, Bloomberg, as of 01/09/2025



EUR rates vs. Treasuries hedged to €.

For investors who can't or don't want to take currency risk, investing directly in Euro assets is clearly more attractive

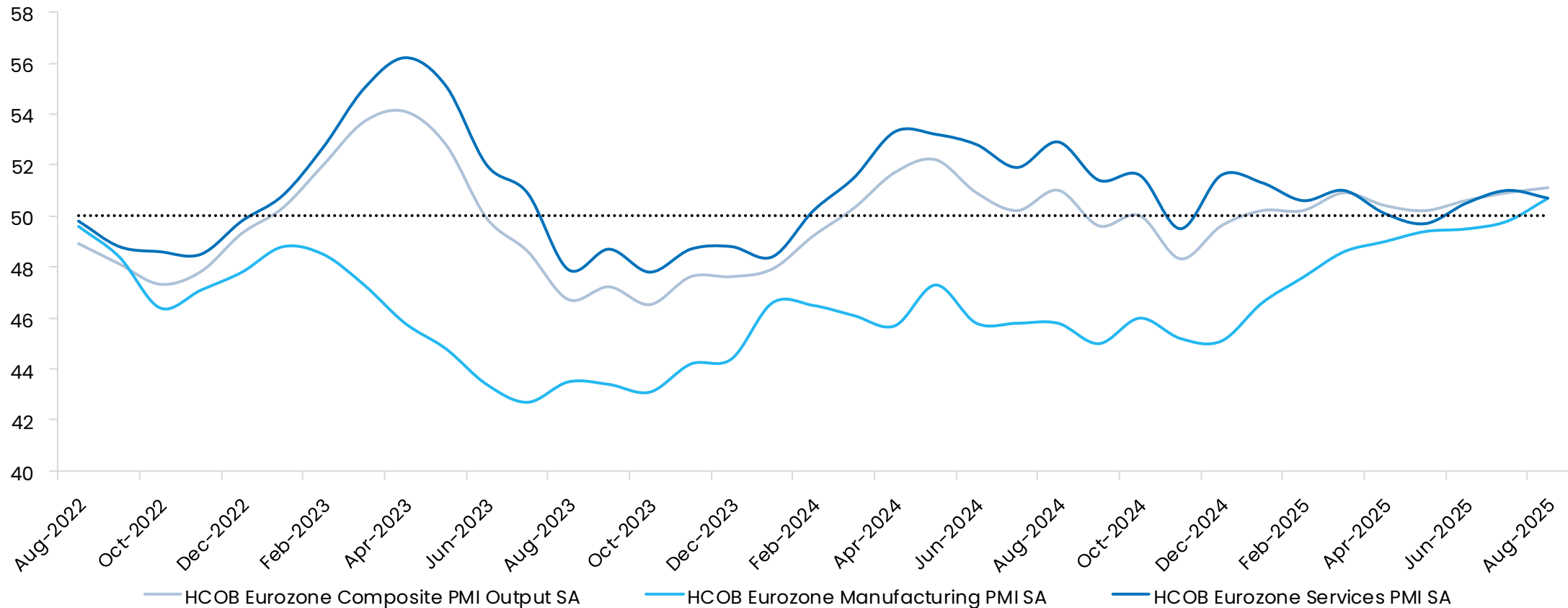


Source: Candriam, Bloomberg, as of 01/09/2025



EUR Rates: PMIs have shown some recovery.

Figures just below 50 not a sure sign of recession, however



Source: Candriam, Bloomberg, as of 31/08/2025.



The French dilemma.

Where it comes from and the possible outcomes



8th September 2025
Confidence Vote

Outcome 1

Prime Minister remain (10%)

- › Budget is perceived as legitimate
- › The government continues its trajectory

+

Spreads: tighten
Volatility: stable

Outcome 2

New government (60%)

- › New Prime Minister
- › Lower deficit tightening conditions expected

+ =

Spreads: widen then tighten
Volatility: medium

Outcome 3

Assembly dissolved (25%)

- › RN outright majority: prudence on deficit, spreads to land around 85-90bps
- › Left coalition: More spending, EU rules resistance, spreads to land around 100-120 bps

- =

Spreads: widen
Volatility: medium

Outcome 4

President Macron resign (5%)

- › RN outright majority: prudence on deficit
- › Left coalition: More spending, EU rules resistance

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Spreads: widen
Volatility: high

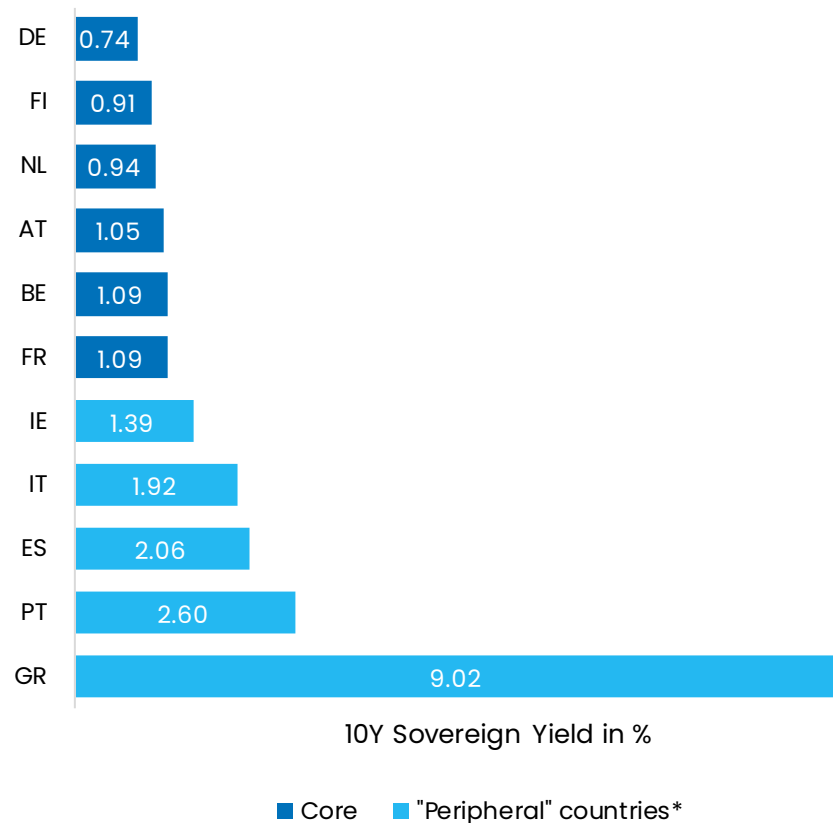
Source: Candriam – Indicative data may change over time.



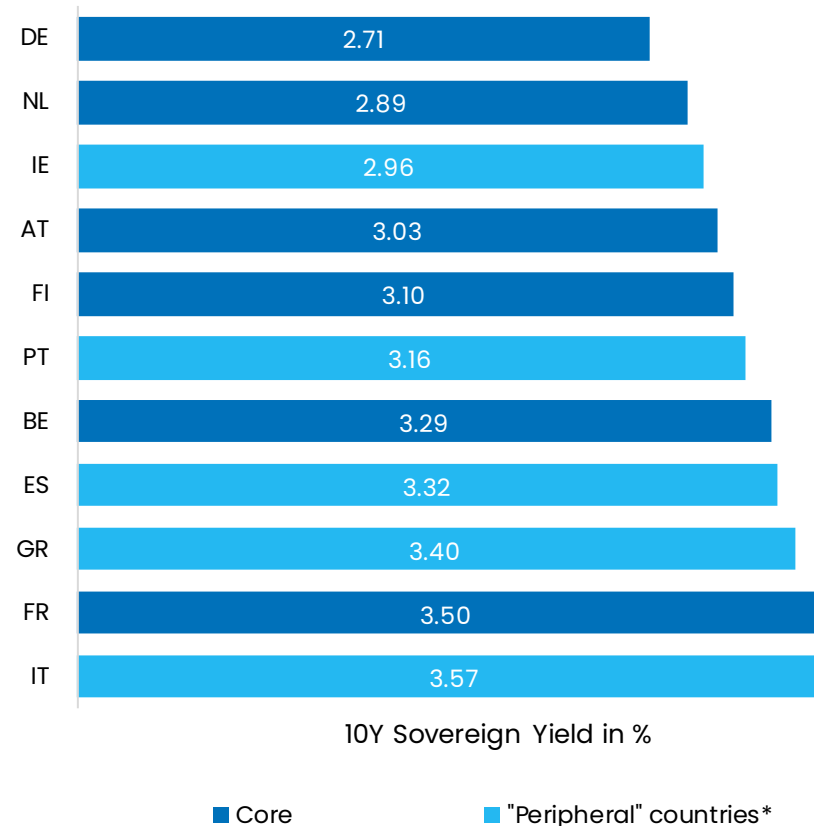
EUR Rates: Towards greater homogeneity.

10Y yields: Old categories are becoming less relevant

A few years after the Eurozone crisis (28/08/2015)



... vs ten year later (29/08/2025)



Source: Candriam, Bloomberg, as of 29/08/2025. *Peripheral countries defined as those that benefitted from an ESM bailout + Italy.



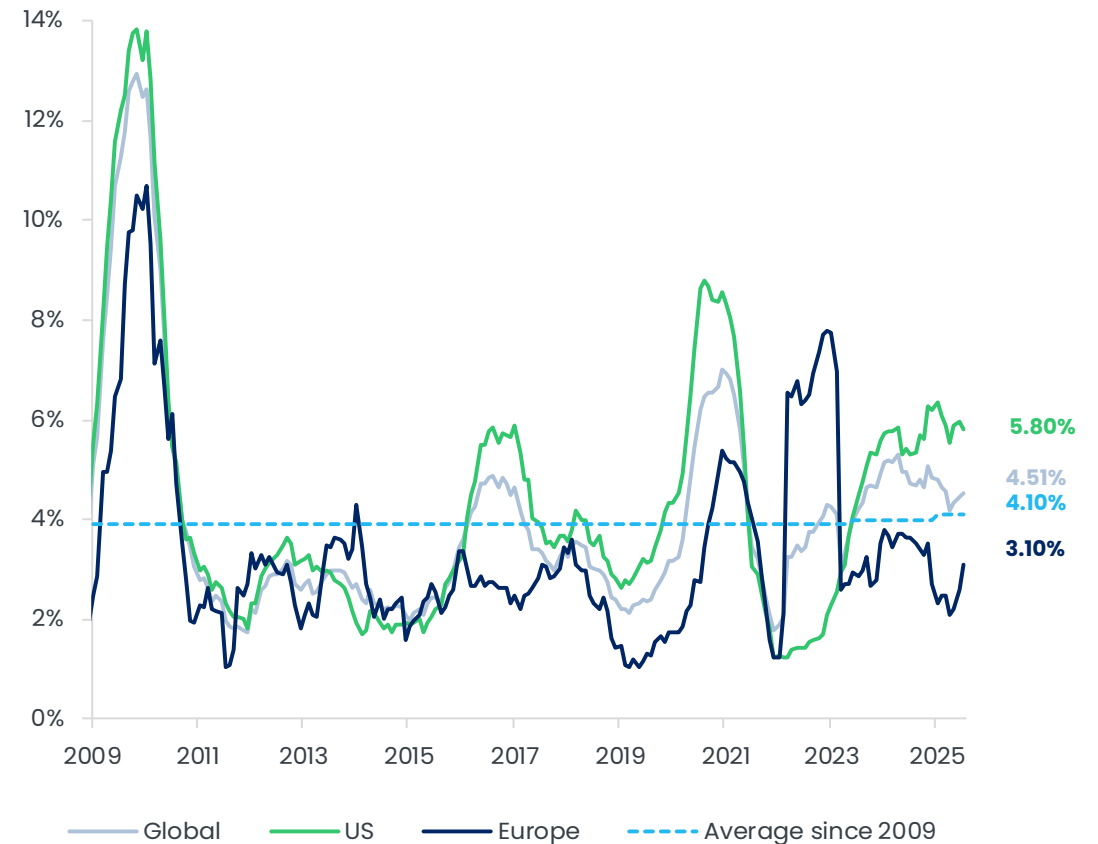
Credit: Fundamentals remain resilient.

Dispersion between US and Europe

Rating drift (12-months rolling)



Default rates (12-months rolling)

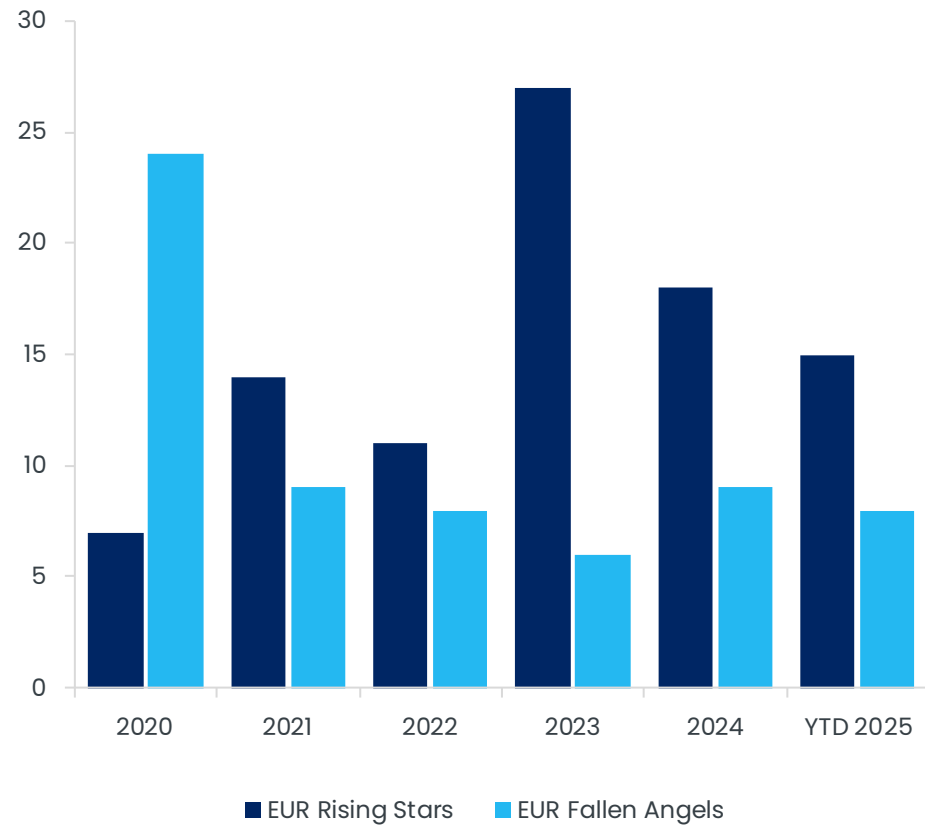


Sources: Candriam, Moody's® as of 31/07/2025.

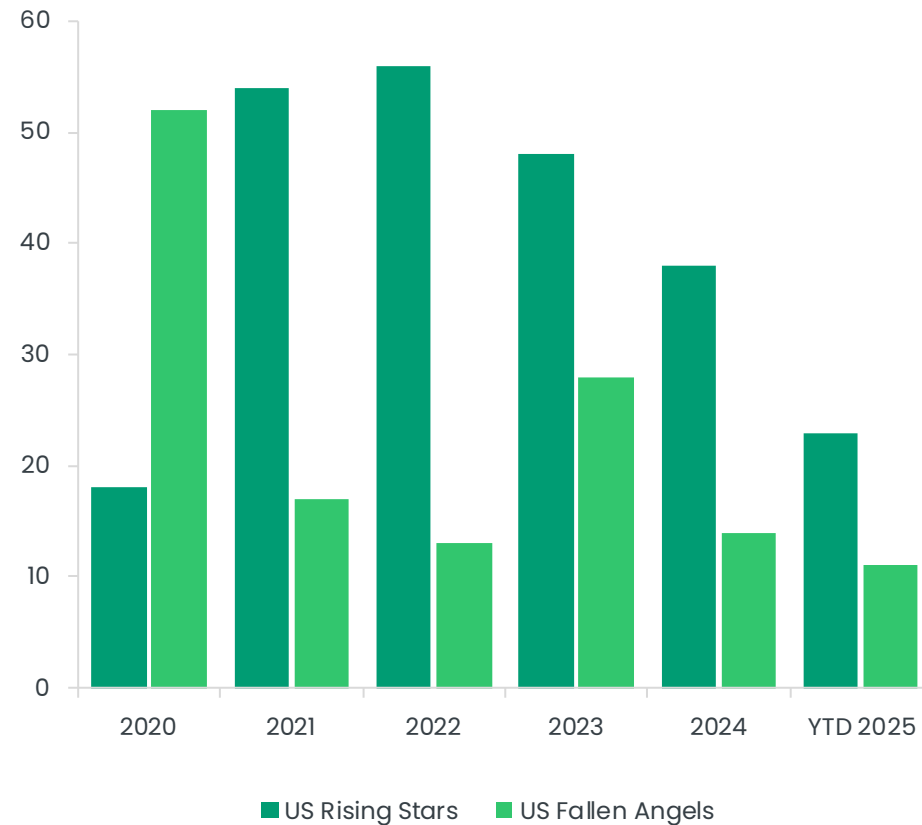


Credit: Rising stars outpace fallen angels.

Rising stars / Fallen angels €*



Rising stars / Fallen angels \$*

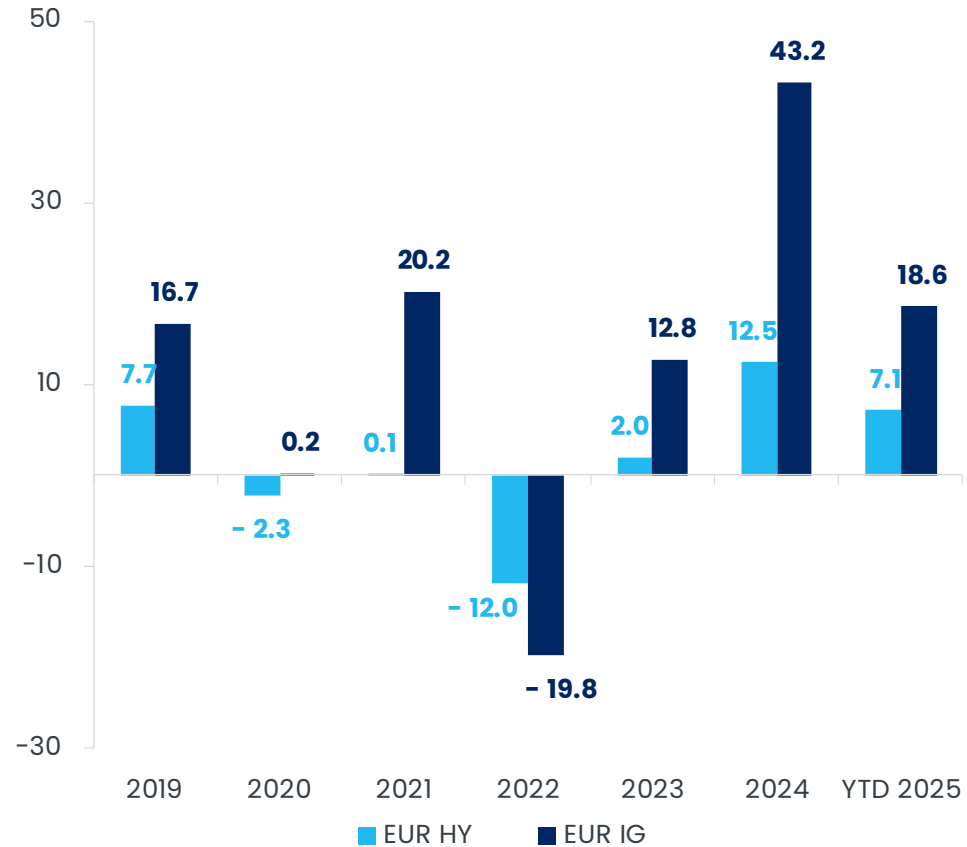


Sources: Candriam, Bloomberg® as of 31/08/2025.
*Number of actions.

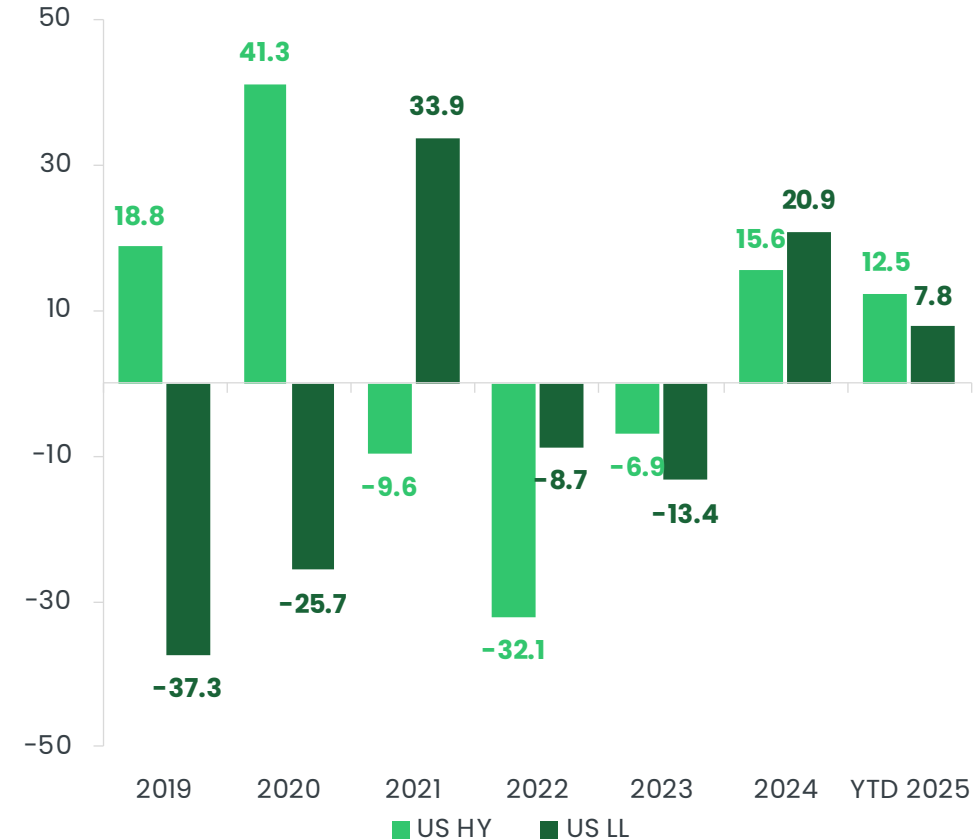


Credit: High demand drives flows.

Annual flows (in € bn)



Annual flows (in \$ bn)

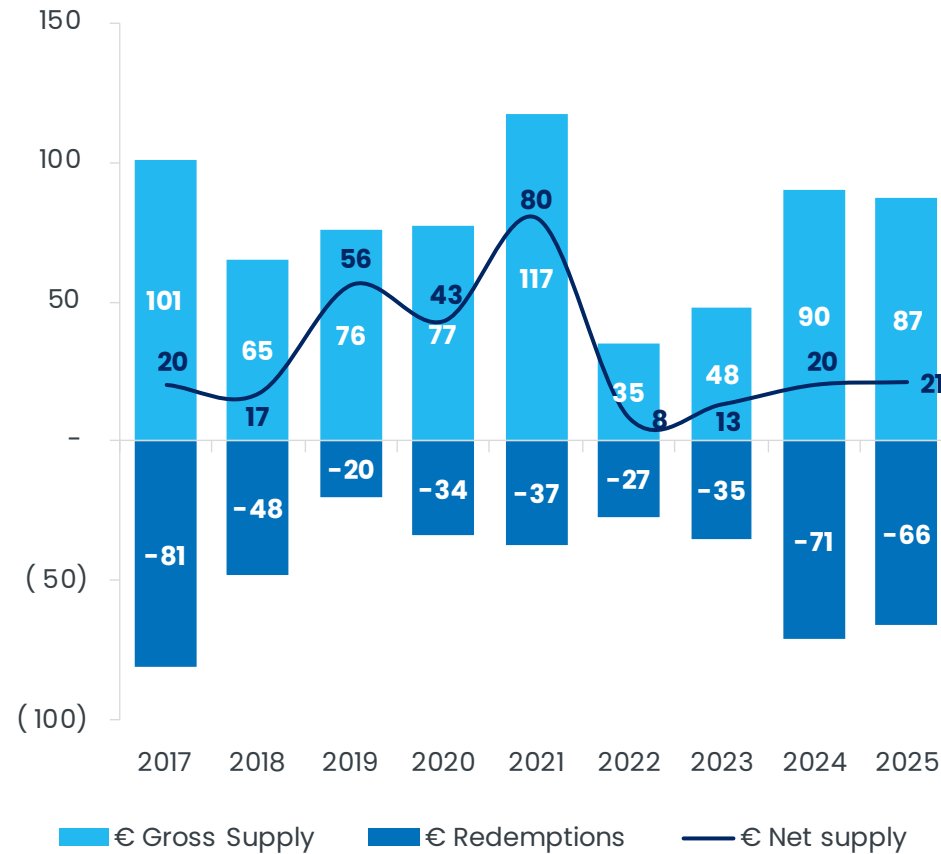


Sources: Candriam, JP Morgan as of 27/08/2025.

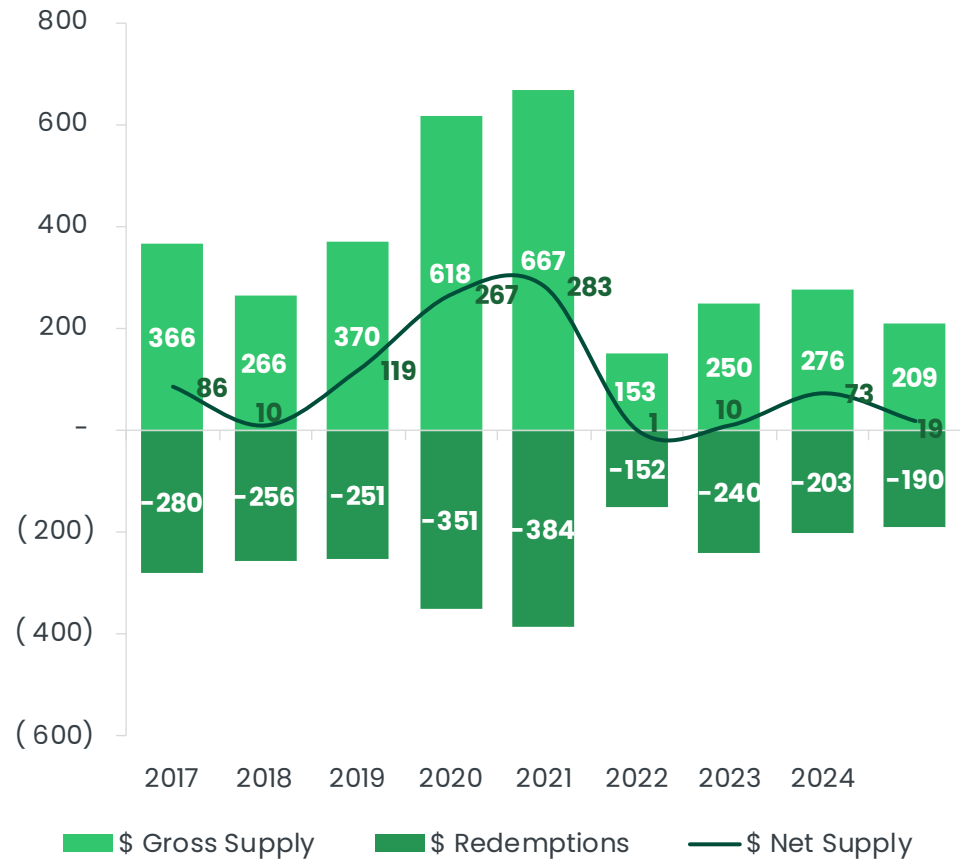


High Yield: Net supply remain low.

Net offer – High Yield (in € bn)



Net offer – High Yield (in \$ bn)

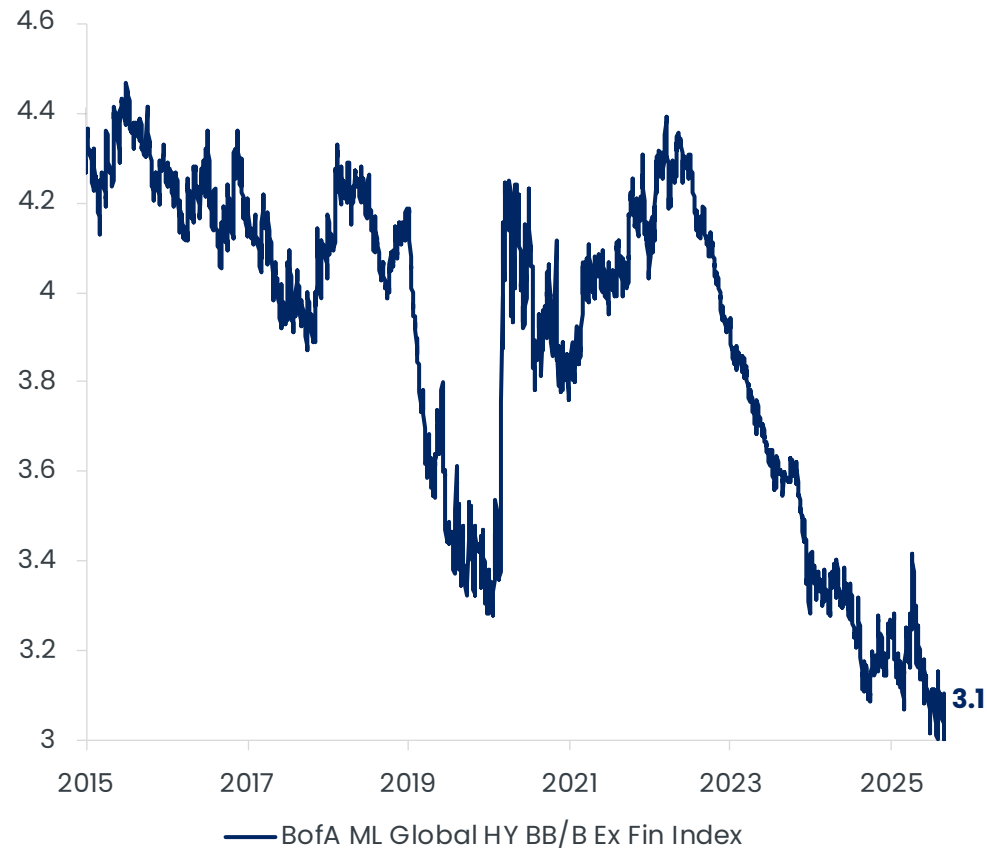


Sources: Candriam, JP Morgan as of 27/08/2025.

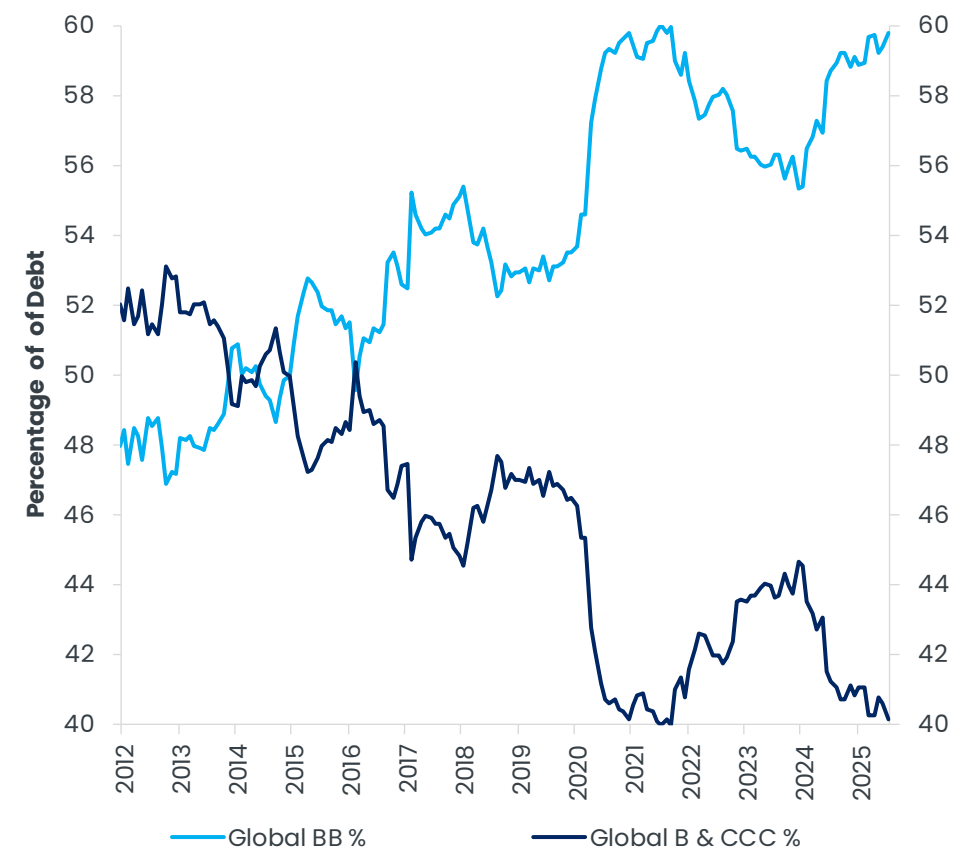


High yield: A tested quality/risk profile.

Global High Yield Index Duration



Global High Yield Index Rating Distribution

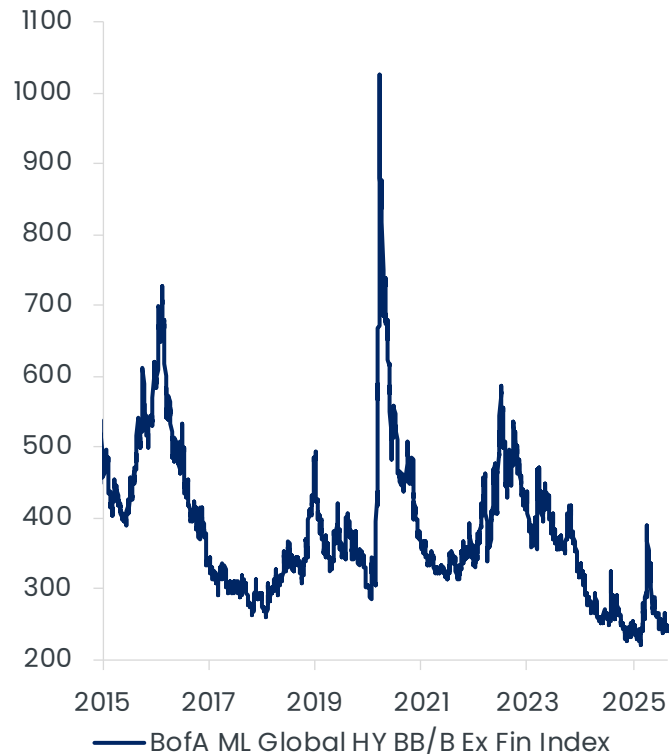


Sources: Candriam, Bloomberg© as of 31/08/2025.

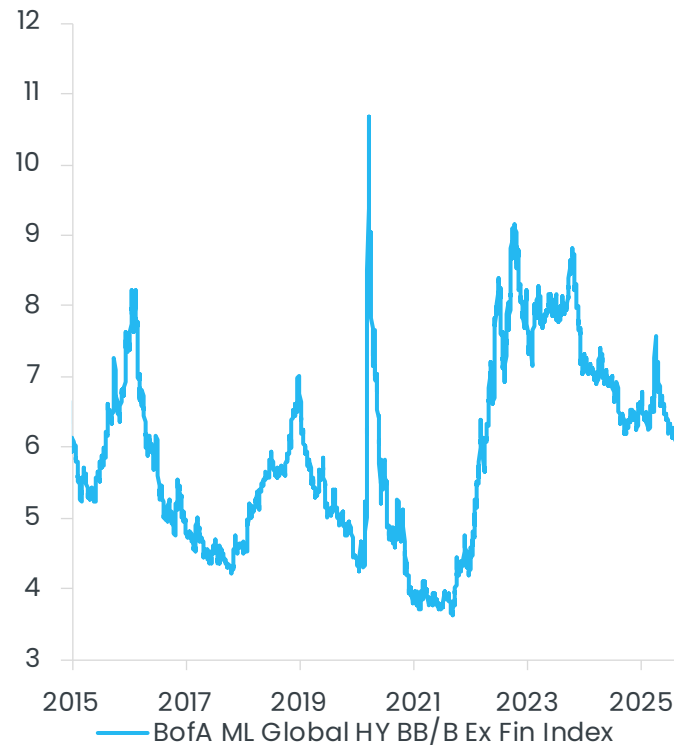


High yield: Spreads are still at tight.

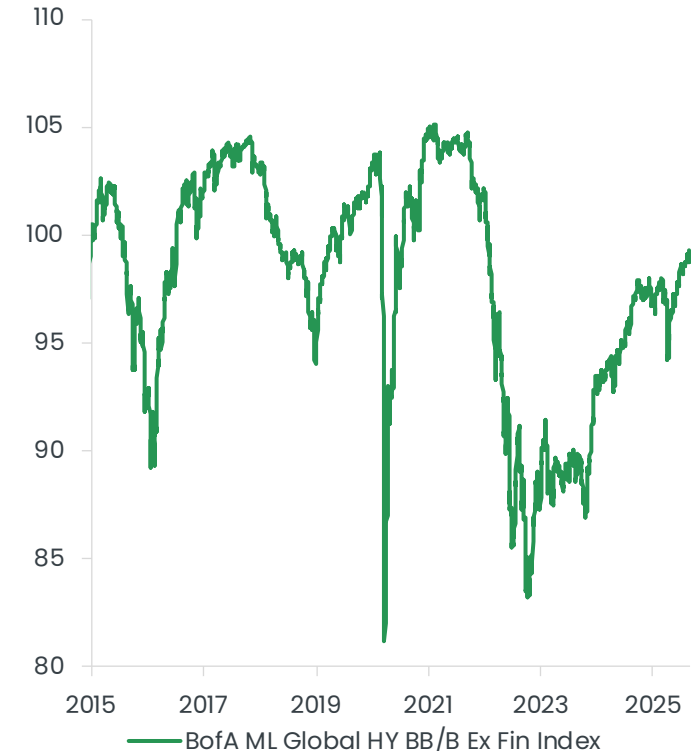
Credit spreads are 247 bps (OAS)



Yield back to 6.1%



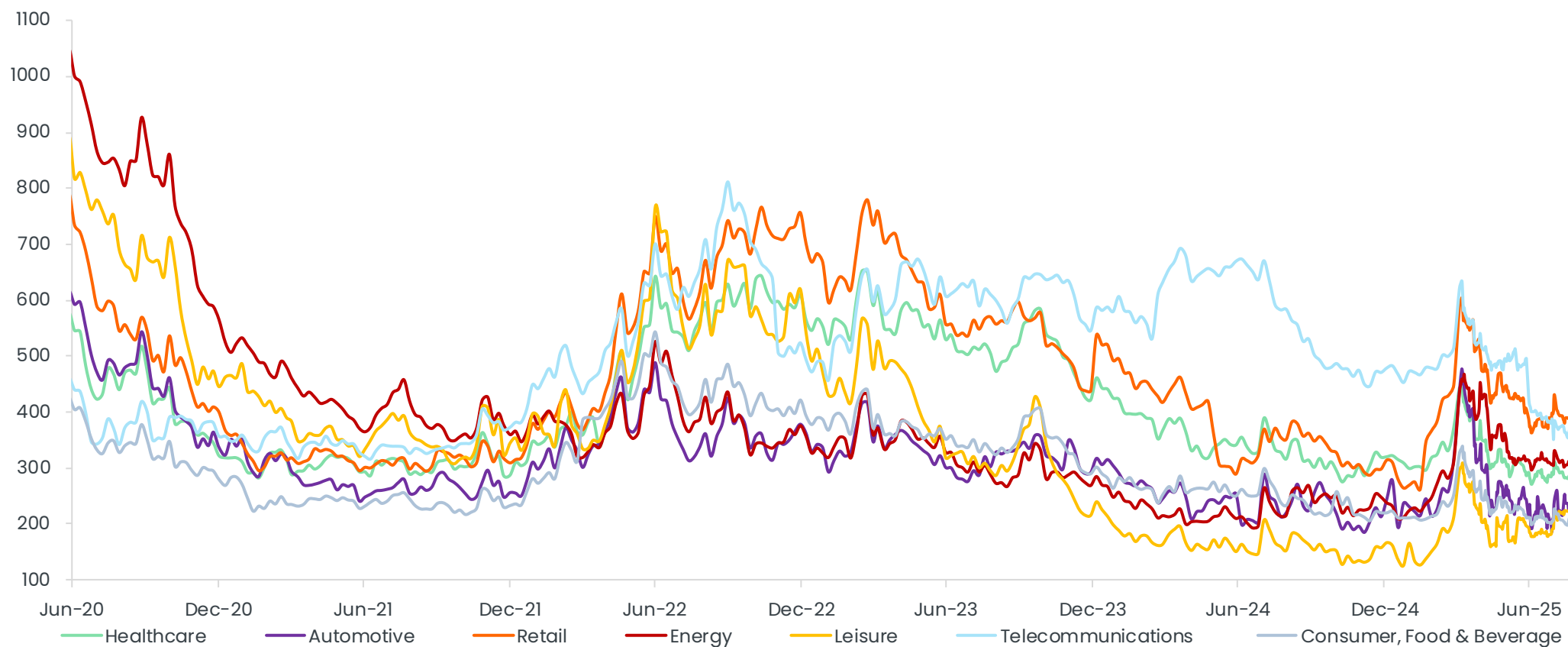
Less convexity with average price at 99



Sources: Candriam, Bloomberg© as of 31/08/2025.



High yield: Dispersion amongst sectors.

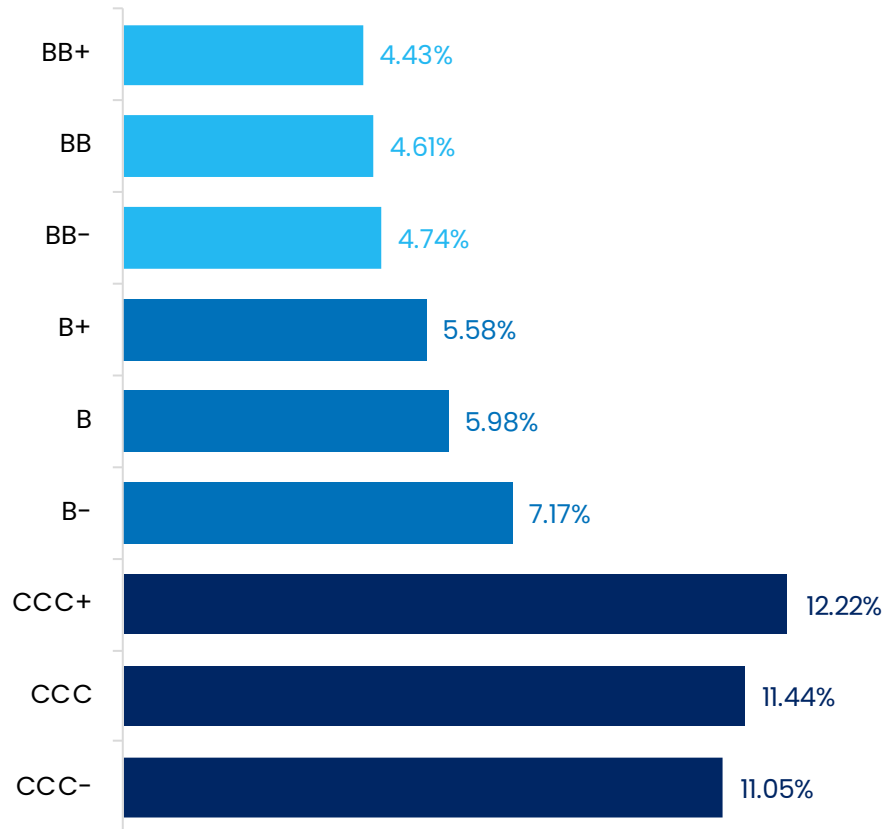


Sources: Candriam, Bloomberg© as of 31/08/2025.

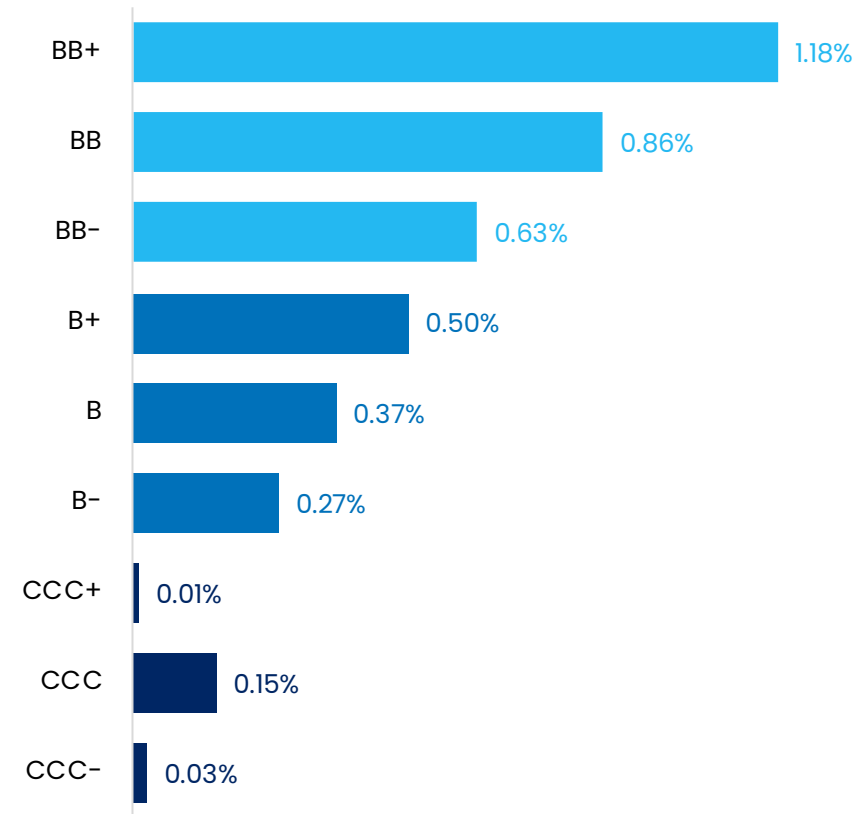


The High Yield segment is not uniform.

EUR HY: Yield by rating bucket



EUR HY: Contribution to YTD Total Return

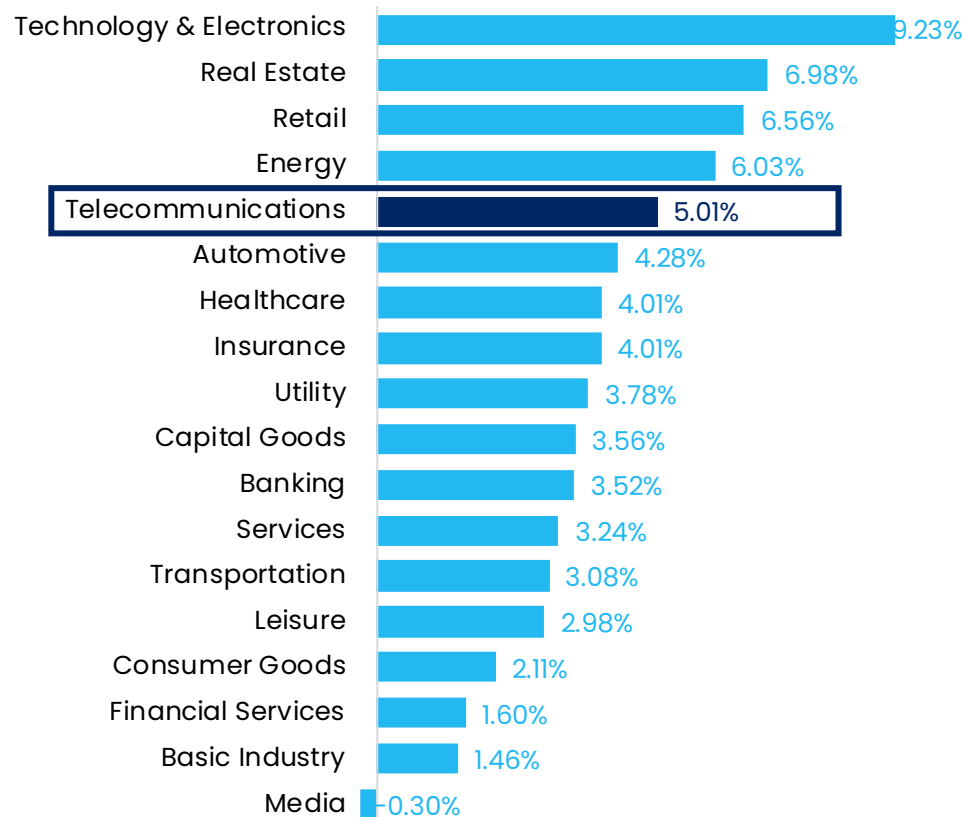


Sources: Candriam, Bloomberg, Bofa ML EUR HY Index (HE00) as of 28/08/2025.

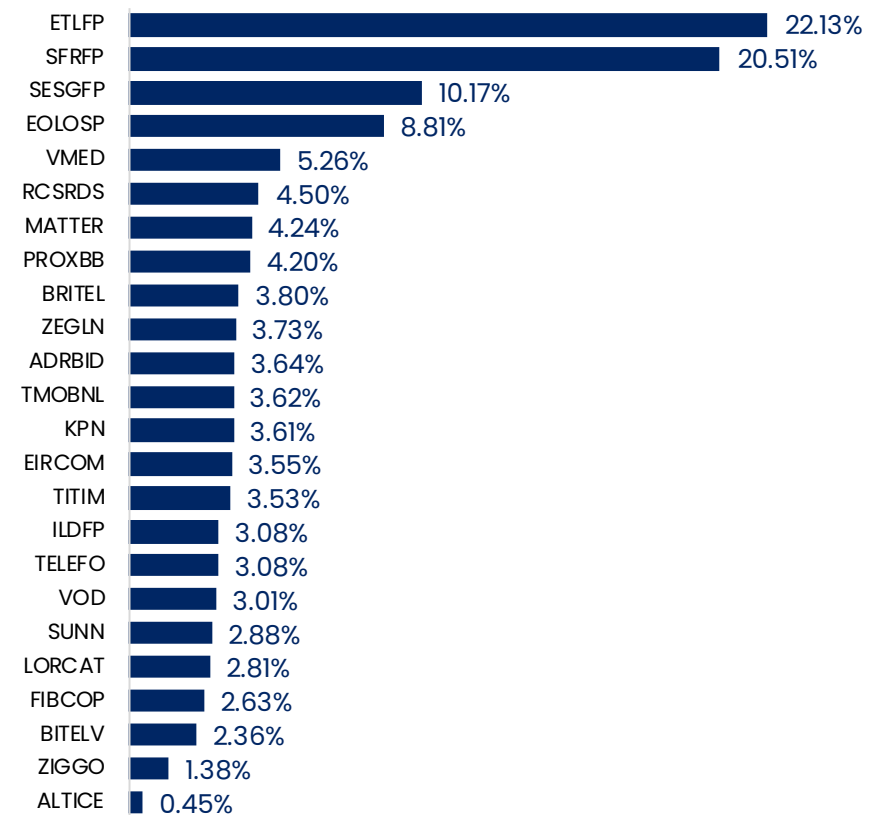


High yield: Some dispersion is already present.

EUR HY: YTD Total Return by Sector



EUR HY: YTD Total Return by Telco Issuer



Sources: Candriam, Bloomberg, Bofa ML EUR HY Index (HE00) as of 28/08/2025.



A unique approach.

Based on structural convictions on bond markets



Source: Candriam – Indicative data may change over time.



Our focus on sustainability.

Different level across the Fixed Income range

ESG INTEGRATION

Integration of ESG factors in our sovereign and credit analysis
ESG Committees between ESG analysts and fund managers
Identifying risks and capturing true credit worthiness

SUSTAINABLE BEST-IN-UNIVERSE

Best-in-universe based on ESG Scores
Includes corporate issuer with a rating between ESG 1 to ESG 5
Excludes the 25% lowest rated sovereign issuer

Aims to obtain a pure high quality investment universe



IMPACT INVESTING

Companies and governments are selected for their ambition to transform the world, after COVID-19

Bond proceeds dedicated to specific SDG in order to support a low carbon economy

Aims to create a positive and measurable impact through sustainable investments

Source: Candriam – Indicative data may change over time.



Investment Process.

A bottom-up approach refined with a macro filter

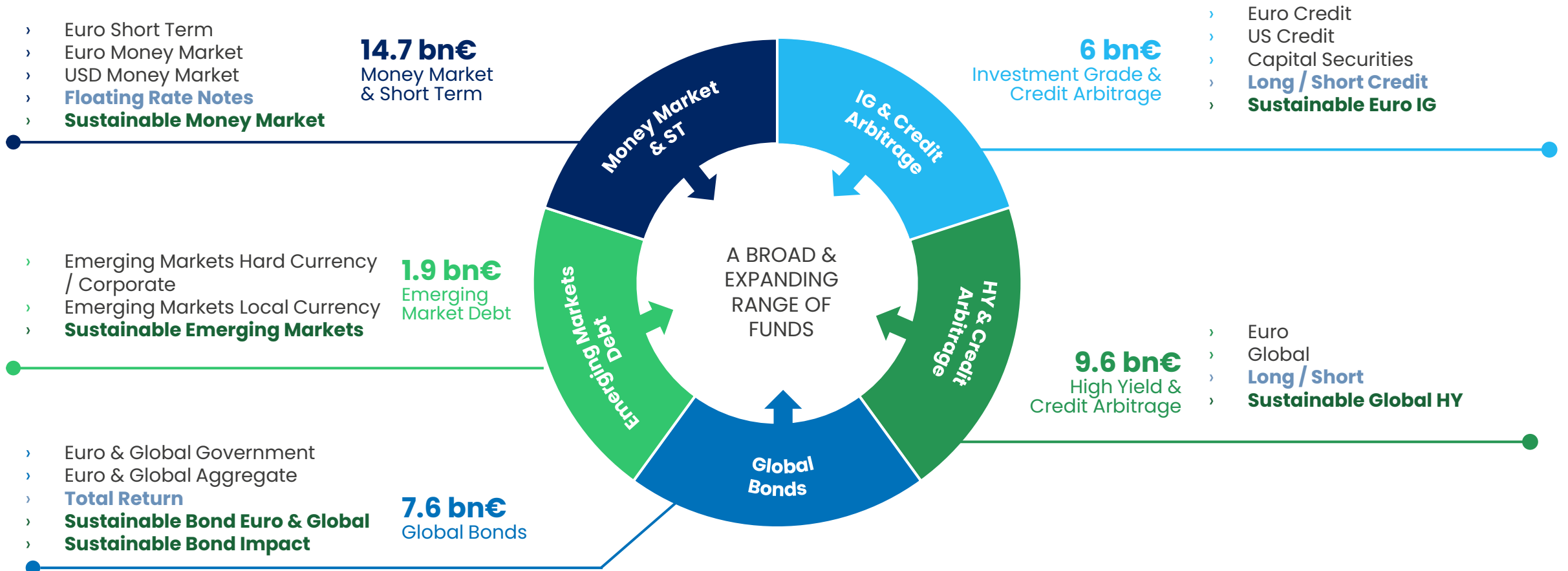


Source: Candriam – Indicative data may change over time.



Our strategies.

A diverse range of strategies catering to diverse risk profiles



Source: Candriam as of 31/07/2025.



Long-only key strategies.

Fund*	Asset class	Track Record	Morningstar Overall Rating	AuM (in € mn)
Candriam Bonds Euro High Yield	High Yield	+10 years	★★★★★	3,000
Candriam Bonds Global High Yield	High Yield	+10 years	★★★★★★	1,716
Candriam Bonds Euro Government	Euro Sovs	+10 years	★★★★★	1,380
Candriam Bonds Emerging Debt Local Currencies	EMD	+10 years	★★★★★	292
Candriam Bonds Emerging Markets	EMD	+10 years	★★★★★	325
Candriam Bonds Euro Corporate	Investment Grade	+10 years	★★★★★	997

*I-share class



Conviction based



ESG integrated



Actively Managed



Research driven

To fully understand the fund's risk profile, we advise investors to carefully review the official prospectus and the description of the underlying risks: risk of capital loss, interest rate risk, credit risk, sustainability risk, ESG investment risk, liquidity risk, risk associated with derivative financial instruments, counterparty risk, equity risk, foreign exchange risk, volatility risk, emerging countries risk, risk of changes to the benchmark index by the index provider, risk related to external factors, hedging risk of the share class.

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Absolute return key strategies.

Fund*	Asset class	Track Record	AuM (in € mn)
Candriam Bonds Floating Rate Notes	Money Market	+5 years	2,814
Candriam Long Short Credit**	Investment Grade	+10 years	657
Candriam Bonds Total Return	Global Agg.	+10 years	244
Candriam Bonds Credit Opportunities	High Yield	+10 years	650
Candriam Bonds Credit Alpha	EMD	+3 years	654

*I-share class
** V-share class



Flexibility



ESG integrated



Actively Managed



Focus on volatility

To fully understand the fund's risk profile, we advise investors to carefully review the official prospectus and the description of the underlying risks: risk of capital loss, interest rate risk, credit risk, sustainability risk, ESG investment risk, liquidity risk, risk associated with derivative financial instruments, counterparty risk, equity risk, foreign exchange risk, volatility risk, emerging countries risk, risk of changes to the benchmark index by the index provider, risk related to external factors, hedging risk of the share class.

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Sustainable key strategies (article 9).

Fund*	Asset class	Track Record	AuM (in € mn)
Candriam Sustainable Money Market Euro	Money Market	+10 years	1,491
Candriam Sustainable Bond Euro Short Term	Euro Agg.	+7 years	1,590
Candriam Sustainable Bond Euro	Euro Agg.	+8 years	1,169
Candriam Sustainable Bond Global	Global Agg.	+7 Years	165
Candriam Sustainable Bond Euro Corporate	Investment Grade	+8 years	3,165
Candriam Sustainable Bond Global High Yield	High Yield	+6 years	1,187
Candriam Sustainable Bond Emerging Markets	EMD	+5 years	717
Candriam Sustainable Bond Impact *I-share class	Global Agg.	+2 years	156



Best in Universe

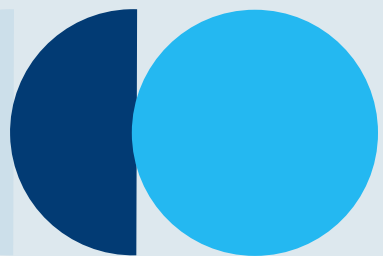


Exclusions

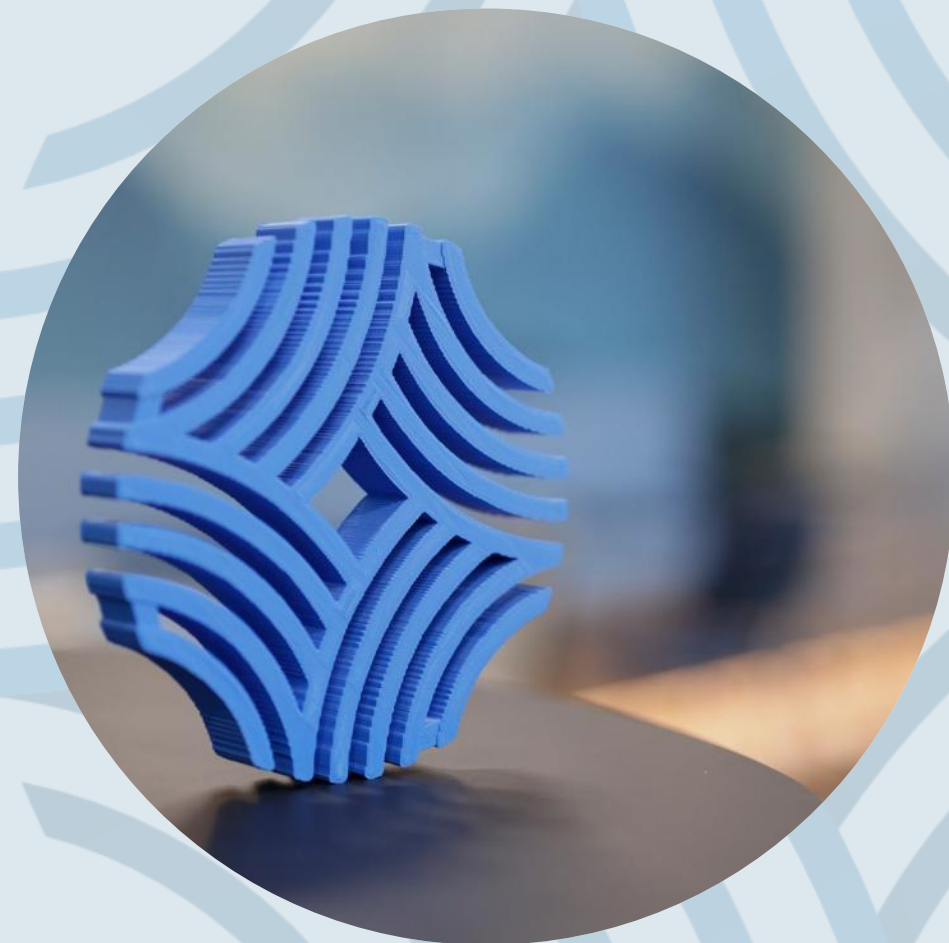
To fully understand the fund's risk profile, we advise investors to carefully review the official prospectus and the description of the underlying risks: risk of capital loss, interest rate risk, credit risk, sustainability risk, ESG investment risk, liquidity risk, risk associated with derivative financial instruments, counterparty risk, equity risk, foreign exchange risk, volatility risk, emerging countries risk, risk of changes to the benchmark index by the index provider, risk related to external factors, hedging risk of the share class.

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