CANDRIAM
A NEW YORK LIFE INVESTMENTS COMPANY

SUSTAINABILITY - QUALITY - ENGAGEMENT

60 seconds with the fund manager

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Marketing communication

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Laurent Milliat, Senior Fund Manager, explains how a sustainable strategy invested in European equities meets investor needs whilst also seeking to offer both financial and non-financial value.

Why sustainable European equity?

Historically, during times of crisis, investors have tended to fall back on safe-haven assets with less concern about their ESG impact(1). Sustainable investment was seen as a fad. But that was then!

Since Covid-19, investors have realised that by adopting a sustainable approach, most companies may emerge even stronger from similar situations in the future.

We all know that the planet is facing numerous environmental and social challenges such as climate change and threats to biodiversity. Although such challenges obviously pose a risk, they also create investment opportunities for companies who will be able to provide solutions for a sustainable economic transition.

How do you select your companies?

Our strategy selects companies using an investment process that combines an ESG analysis, financial analysis, and dynamic style management.

The ESG report(2) is the culmination of a two-pronged approach, combining positive selection of the highest-quality issuers, whatever their sector, based on ESG criteria, with the exclusion of issuers classified as harmful or thought to be tarnished by controversy.

We also look at company exposure to key sustainability issues and how they manage their stakeholders (investors, clients, employees etc.).

60 SECONDS WITH THE FUND MANAGER

(1) Environmental, Social & Governance.
(2) This company ESG analysis is applied to at least 90% of the strategy's investments, excluding deposits, cash and index derivatives.

Our analysis endeavours to pinpoint companies with potential for sustainable growth in a constantly-evolving global economy.

The aim of the financial analysis, within this universe of sustainable companies, is to select ones with a solid management team, clear competitive advantage in an expanding market, superior profitability and robust financials. These strict financial criteria, supported by disciplined valuation methods, are designed so we can construct a balanced portfolio of high-quality equities performance potential.

Risk and style management(3) (growth vs. value) is a key part of the investment process in order to reduce portfolio exposure to unwanted risks and offer performance potential appropriate for the macro-economic environment.

How is Candriam's approach different?

At Candriam we have over twenty-five years of experience in ESG management and analysis of companies, having launched our first fund in 1996. ESG is truly a part of our DNA. As investors we are driven by our convictions and core values, with extensive knowledge of our investment targets.

We establish a regular dialogue(4) with these companies to help them develop and improve their extra-financial performance.

In addition, we take our shareholder commitments very seriously, always voting at the AGMs of the companies in which we invest.

Why invest in this strategy?

Because our ESG analysis is designed not only to avoid reputational risk but also to identify opportunities, which are a potential source of long-term outperformance.

We are driven by the conviction that investing in such a strategy encompassing environmental, social and governance factors will have a positive impact on society and for our clients.

(3) Growth stocks, usually defined by higher profit growth, generally sell at higher valuations. Value stocks are generally defined as having a lower price relative to profits or assets. For the MSCI© Europe Value index, they are defined using a factorial model of book value relative to price, long-term P/E* and dividend yields.
* P/E: Price-to-Earnings ratio, calculated as stock price divided by earnings per share.
(4) For more details on our communication and voting policy, please see the reference documents available on our website.

Finally, this approach requires us to keep a close eye on valuations to ensure the potential returns remain attractive in the long term.

The main risks of the strategy are:

- **Risk of capital loss**
- **ESG investment risk**
- **Equity risk**
- **Liquidity risk**
- **Derivative risk**
- **External factors risk**

ESG Investment Risk: The non-financial objectives presented in this document are based upon the realization of assumptions made by Candriam. These assumptions are made according to Candriam's ESG rating models, the implementation of which necessitates access to various quantitative as well as qualitative data, depending on the sector and the exact activities of a given company. The availability, the quality and the reliability of these data can vary, and therefore can affect Candriam's ESG ratings. For more information on ESG investment risk, please refer to the Transparency Codes, or the prospectus if a fund.