

In search of absolute return across asset classes

Nadège Dufossé, CFA, Head of Asset Allocation – Deputy Global Head of Multi Asset

Steeve Brument, Head of Multi Asset Quantitative Strategies – Deputy Global Head of Multi Asset

Candriam's flexible approach seeking opportunities across asset classes

Nadège Dufossé, CFA, Head of Asset Allocation – Deputy Global Head of Multi Asset

Commercial document intended exclusively for Professional Investors

14 October 2020

3 Stages To Aim To Generate Returns In An Unprecedented Environment

1

**Search for
yield**



**Multi-asset
investment**

2

**Navigate
Risks**



Flexibility

3

**Increasing
correlation**



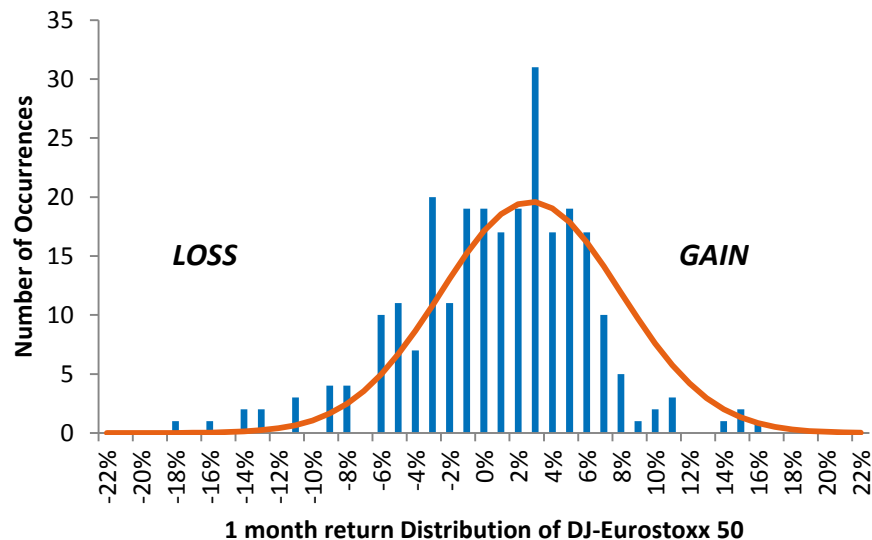
**De-correlated
strategies**



Define the Optimal Allocation

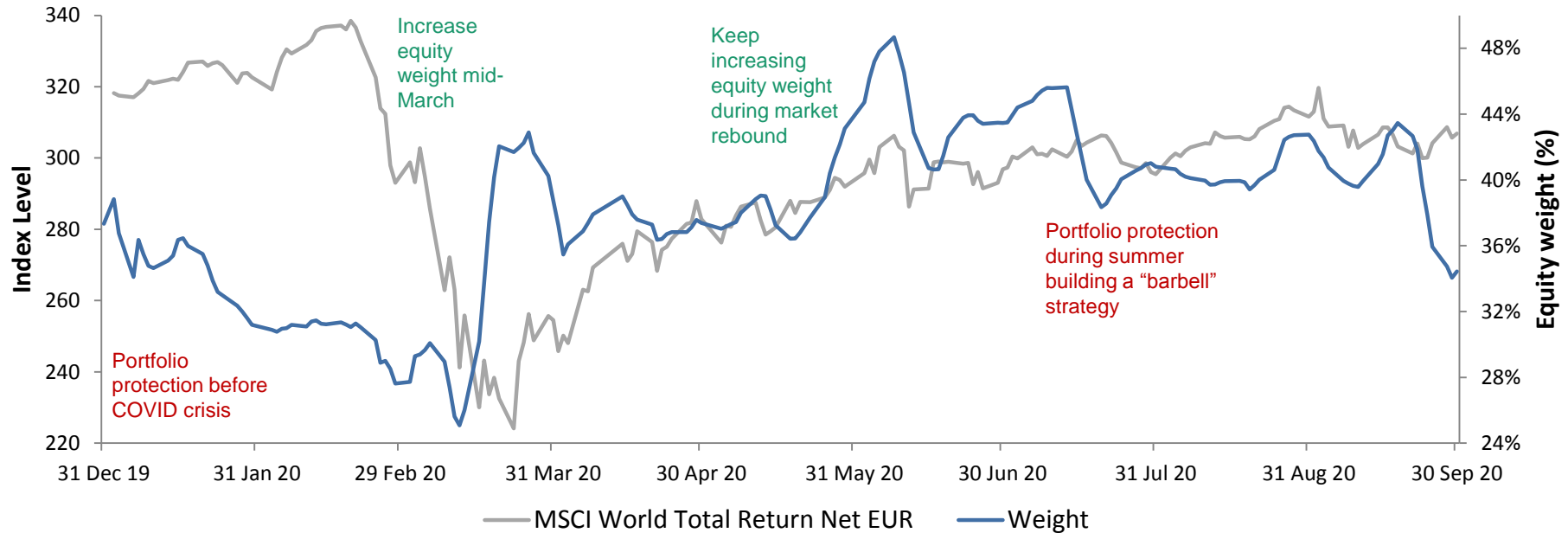
- Our in-house optimization model is designed to limit the impact of extreme events and is based on extreme loss evaluation (CVaR).
- Our optimal allocation framework will depend on:
 - ▶ The risk budget we want to allocate to the directional exposure
 - ▶ The expected returns we calculate for the main asset classes

Comparison of European Equities return Distribution to Normal Distribution



Navigate Risks

Be flexible to benefit from market opportunities and control volatility



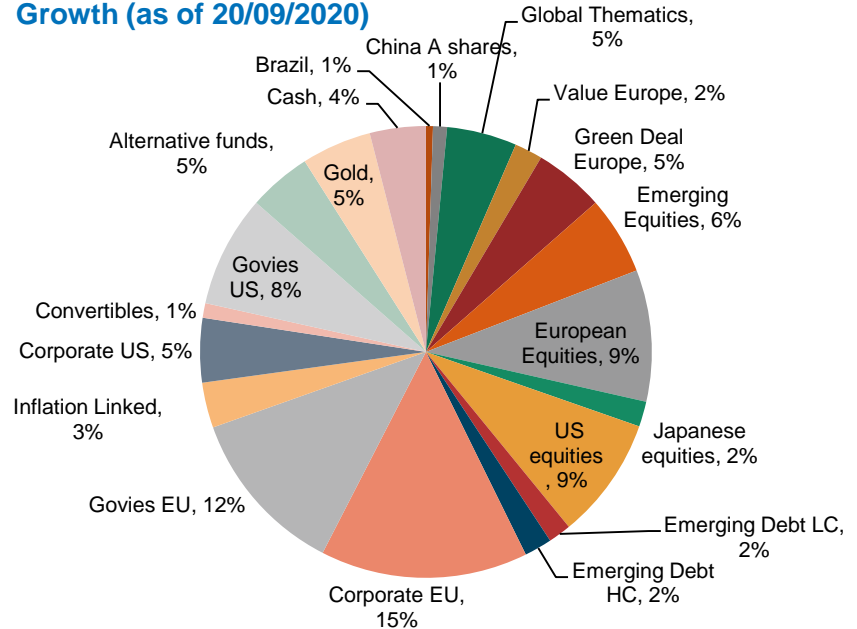
Source: Bloomberg® data, Candriam Multi-Asset
Past performance is no guarantee of future results and is not constant over time.

Focus on our Convictions

Implement convictions in direct lines

- Our convictions relies on:
 - ▶ Our in-house expertise for the selection of stocks and bonds
 - ▶ Our asset allocation expertise and multi-asset portfolio construction
- We have, for example, implemented a basket of stocks to benefit from the European Green deal:
 - ▶ Building and renovating (climate proofing, energy efficiency)
 - ▶ Circular Economy (recycling and waste management)
 - ▶ Clean Energy (electrification, energy efficiency, electric vehicles renewable energy generation, wind energy equipment)
 - ▶ Sustainable Mobility (gas transportation, biofuel, hydrogen, rail)

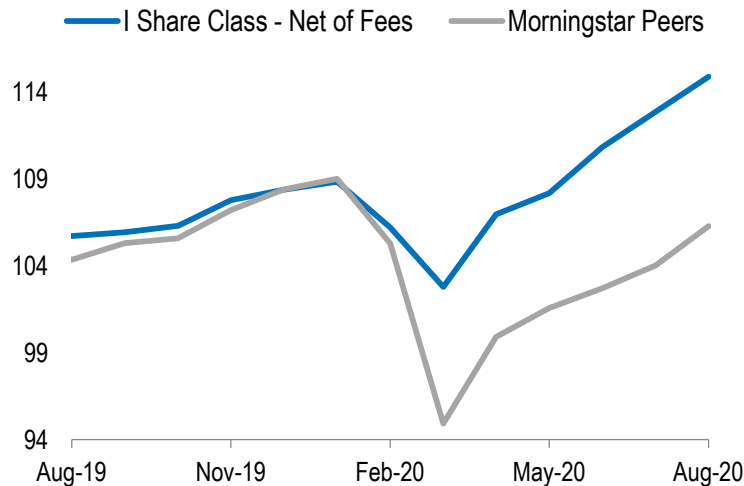
Allocation Candriam L Multi Asset Income & Growth (as of 20/09/2020)



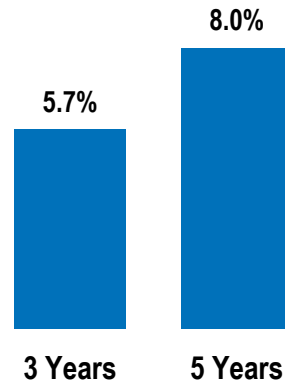
Source: Candriam – data as of 20th September 2020

Candriam L Multi Asset Income & Growth – a focus on 2020

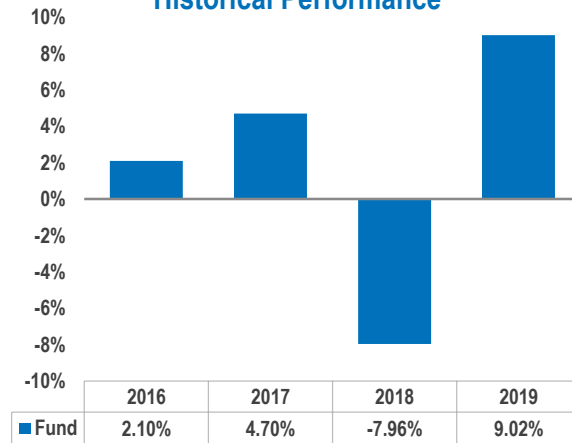
The flexible strategy in 2020 and drawdown mitigation



Excess Return vs. Peers as of 31/08/2020



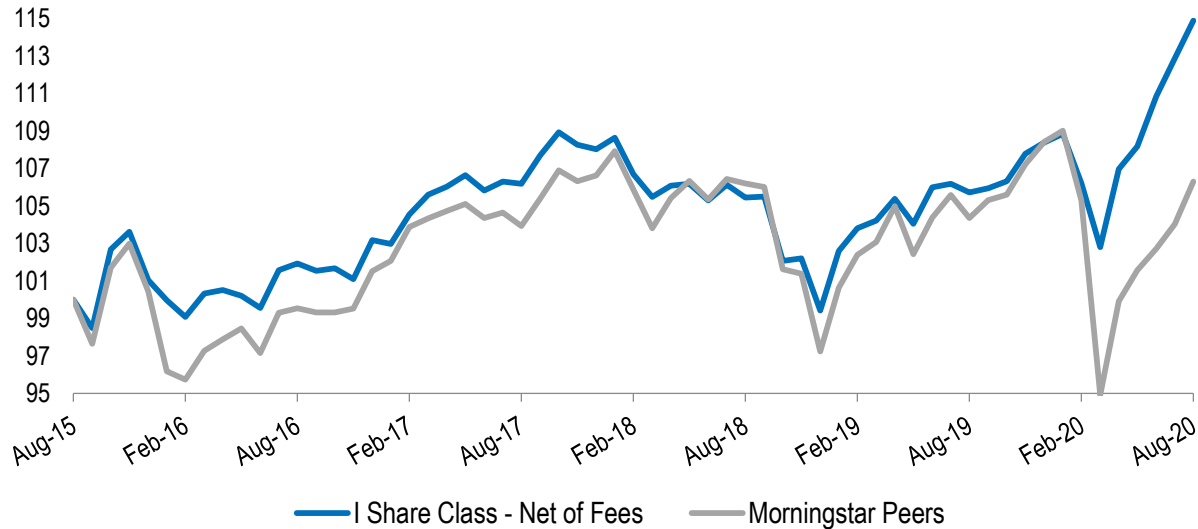
Historical Performance



Monthly Data as of 31 August 2020 Fund performance calculated net of fees / Past performance is no guarantee of future results and is not constant over time. – Share class I - The fund is actively managed and the investment process does not imply referring to a benchmark index. © 2020 Morningstar, Inc. All rights reserved. Some of the information contained in this document is the property of Morningstar and/or its information providers. It is given without any guarantee as to its accuracy, exhaustiveness or topicality. Its reproduction or redistribution is strictly forbidden. The quality of the award won by the UCI or the management company depends on the quality of the issuing institution and that the award does not guarantee the future results of the UCI or management company – Global & EAA Fund EUR Flexible Allocation - Global

Candriam L Multi Asset Income & Growth – overview of last 5 years performance

The flexible strategy since 2015 and drawdown mitigation



Monthly Data as of 31 August 2020. Fund performance calculated net of fees / Past performance is no guarantee of future results and is not constant over time. – Share class I - The fund is actively managed and the investment process does not imply referring to a benchmark index. © 2020 Morningstar, Inc. All rights reserved. Some of the information contained in this document is the property of Morningstar and/or its information providers. It is given without any guarantee as to its accuracy, exhaustiveness or topicality. Its reproduction or redistribution is strictly forbidden. The quality of the award won by the UCI or the management company depends on the quality of the issuing institution and that the award does not guarantee the future results of the UCI or management company – Global & EAA Fund EUR Flexible Allocation - Global

Candriam L Multi Asset Income & Growth – Q1 over 3 years

Morningstar[®] extract

Name	Rating Date	MS Rating Overall	YTD		1 Year		3 Years	
		Stars	Quart.	Perc.	Quart.	Perc.	Stars	Quart.
Candriam L Multi-Asset Income_R2_Dis	30/09/2020	★★★★☆	Q1	Top 5%	Q1	Top 4%	★★★★☆	
Candriam L Multi-Asset Income & Growth_R2_Dis	30/09/2020	★★★★☆	Q1	Top 7%	Q1	Top 8%	★★★★☆	Q1

Monthly Data as of 30 September 2020. Fund performance calculated net of fees / Past performance is no guarantee of future results and is not constant over time. –

Share class I - The fund is actively managed and the investment process does not imply referring to a benchmark index.

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Candriam L Multi Asset Income



The fund presents a risk of capital loss, the net asset value of the fund may decrease in particular because of its exposure to the risk associated with to derivative financial

Main risks the fund is exposed to:

- ✓ The risk level shown reflects the fund's historical volatility, completed where applicable by that of its reference framework. The volatility indicates the extent to which the value of the fund may fluctuate upwards or downwards.
- ✓ The historical data may not be a reliable indication for the future.
- ✓ The indicated category may vary over time.
- ✓ The lowest category does not mean "risk-free".
- ✓ There is no guarantee or mechanism to protect the capital.

The investor needs to be aware of the following significant risks which are not necessarily adequately taken into account by the indicator:

- ✓ **Credit risk:** the fund is exposed to the risk of default of an issuer in terms of honouring the payment of coupons and/or the repayment of the amount borrowed. This risk is higher as the fund may invest in high-yield debt issues whose issuers are considered risky.
- ✓ **Counterparty risk:** The fund may use OTC derivative products and these may represent a counterparty risk, i.e. the inability of the counterparty to honour its commitments to the fund. This counterparty risk could be fully or partially hedged by the receipt of guarantees.
- ✓ **Risk related to financial derivative instruments:** their use implies risk associated with the underlying assets and can accentuate downward movements via the resulting leverage effect. Hedging strategies using derivatives may not be perfect. Some derivatives may be difficult to value under exceptional markets circumstances.
- ✓ **Emerging countries risk:** emerging countries may experience political, legal or fiscal uncertainties or other events that could impact negatively on the assets of the fund. The assets traded in these countries may be subject to market movements that are potentially more rapid than in the major international markets and listing differentials that may be considerably bigger under certain market conditions. These assets may prove to be less liquid and may not be able to be sold quickly and at reasonable prices. Exchange rate fluctuations involving the currencies of emerging countries may be sudden and substantial.
- ✓ **Liquidity risk:** the fund may invest in securities and/or market segments which may prove to be less liquid, particularly under certain market conditions, and it may therefore be the case that the securities cannot be sold quickly and at reasonable prices.

Candriam L Multi Asset Income & Growth



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Candriam L Multi Asset Income

CANDRIAM L MULTI-ASSET INCOME																			October-20		
Legal Form	UCITS - SICAV									Recommended investment horizon									3 years		
Domicile	Luxembourg									Frequency of valuation									Daily		
Launch date	December 19, 2013									Subscription									D before 12:00 PM (CET)		
Management Company	Candriam Luxembourg									Redemption									D before 12:00 PM (CET)		
Auditors	PricewaterhouseCoopers									Settlement									D+3		
Depositary bank	CACEIS Bank, Luxembourg Branch									Fund currency									EUR		
Transfer agent	CACEIS Bank, Luxembourg Branch									Fund AUM									460 million		
Fund administration	CACEIS Bank, Luxembourg Branch																				
Registered for sale in	All or some of the fund share classes are authorized in the following countries (orange coloured points)																				
	AT	BE	CH	CL	DE	DK	ES	FI	FR	GB	IE	IT	LU	NL	NO	PT	SE	SK	SG	KR	
	●	●			●				●			●	●								

To fully understand the fund's risk profile, we advise investors to carefully review the official prospectus and the description of the underlying risks.

Candriam L Multi Asset Income & Growth

CANDRIAM L MULTI-ASSET INCOME & GROWTH																			October-20		
Legal Form	UCITS - SICAV									Recommended investment horizon							3 years				
Domicile	Luxembourg									Frequency of valuation							Daily				
Launch date	June 15, 2015									Subscription							D before 12:00 PM (CET)				
Management Company	Candriam Luxembourg									Redemption							D before 12:00 PM (CET)				
Auditors	PricewaterhouseCoopers									Settlement							D+3				
Depository bank	CACEIS Bank, Luxembourg Branch									Fund currency							EUR				
Transfer agent	CACEIS Bank, Luxembourg Branch									Fund AUM							135 million				
Fund administration	CACEIS Bank, Luxembourg Branch																				
Registered for sale in	All or some of the fund share classes are authorized in the following countries (orange coloured points)																				
	AT	BE	CH	CL	DE	DK	ES	FI	FR	GB	IE	IT	LU	NL	NO	PT	SE	SK	SG	KR	
	●	●			●				●			●	●								

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Cross-Asset views: key messages and portfolio implications

I **Short term growth risk and peak of political uncertainties**

- ✓ Fast rising number of cases in Europe.
- ✓ New restrictions impact the pace of recovery.
- ✓ Last month before US elections.
- ✓ Decisive months for Europe and the UK to find a way towards a Brexit deal.

Uncertainties will peak in the coming weeks. Markets will continue to struggle to find a clear direction

Start positioning portfolios for a relief rally that should happen when a vaccine is approved

Our core portfolio remains geared towards the most resilient themes and countries post sanitary crisis

III **Stay positioned for longer term implications of the sanitary crisis**

- ✓ The COVID crisis will have long lasting effects on companies and countries.
- ✓ Keep exposure to “post COVID World” thematics: More Tech, More ESG, higher Government spending, lower for longer rates

II **Start taking exposure to vaccine beneficiaries**

- ✓ Markets will rapidly price in the positive effect of an exit of the sanitary crisis when a vaccine is approved.
- ✓ This Could trigger a rotation in favour of «value» stocks and assets heavily impacted by sanitary crisis.

IV **Portfolio implications**

- ✓ Keep protection on equities via options. Gold and Yen as portfolio hedges
- ✓ Keep a core exposure to the most resilient themes and countries (China, Tech, Healthcare, Sustainability, Green deal beneficiaries)
- ✓ Take some exposure to a vaccine's relief rally (Value stocks, “reopening” basket, emerging equities and debt in LC)

4 reasons to choose our strategy

Flexibility

1

Directional 'bucket', managed using a fundamental approach, is able to quickly adapt to unanticipated market events.

Hybrid strategy

2

Absolute return, long-only investment strategy with complementary performance drivers. Facilitates risk mitigation during periods of market stress.

Conviction driven

3

Seeking the best opportunities and implementing our strongest investment ideas

Results

4

Track record of risk-adjusted returns for today's low-rate environment
**** Four Morningstar Stars®, for 3 years, as of date

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4 reasons to choose our strategy

Experience

1

A team of seasoned professionals in asset allocation with a proven track-record in multi-asset portfolios

Broad Skills

2

... Covering a large skillset in fundamental, macro analysis and quantitative research

Hybrid Expertise

3

A hybrid expertise in long-only traditional investments and alternative investments

Leverage Resources

4

The team has a direct access to Candriam experts in economy, asset classes and research

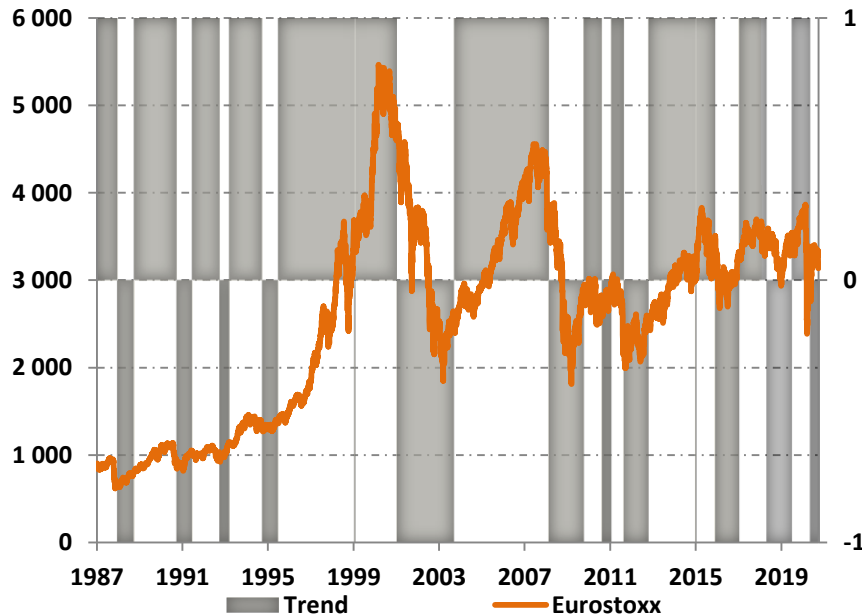
What do absolute return strategies offer in today's markets?

Market review: a difficult time for a long-term investor

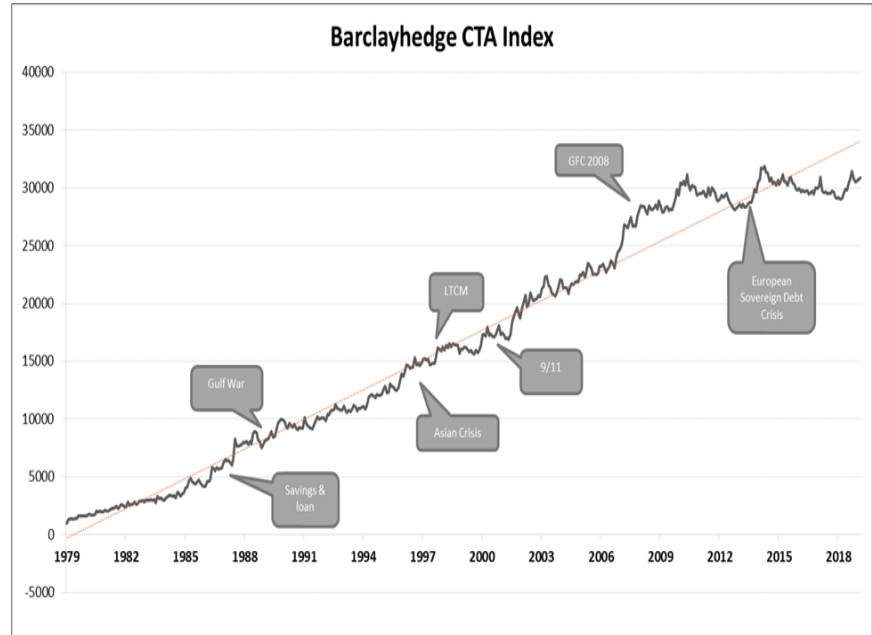
Steeve Brument, Head of Multi Asset Quantitative Strategies – Deputy Global Head of Multi Asset

Main philosophy: Follow the Trend

Capturing major trends

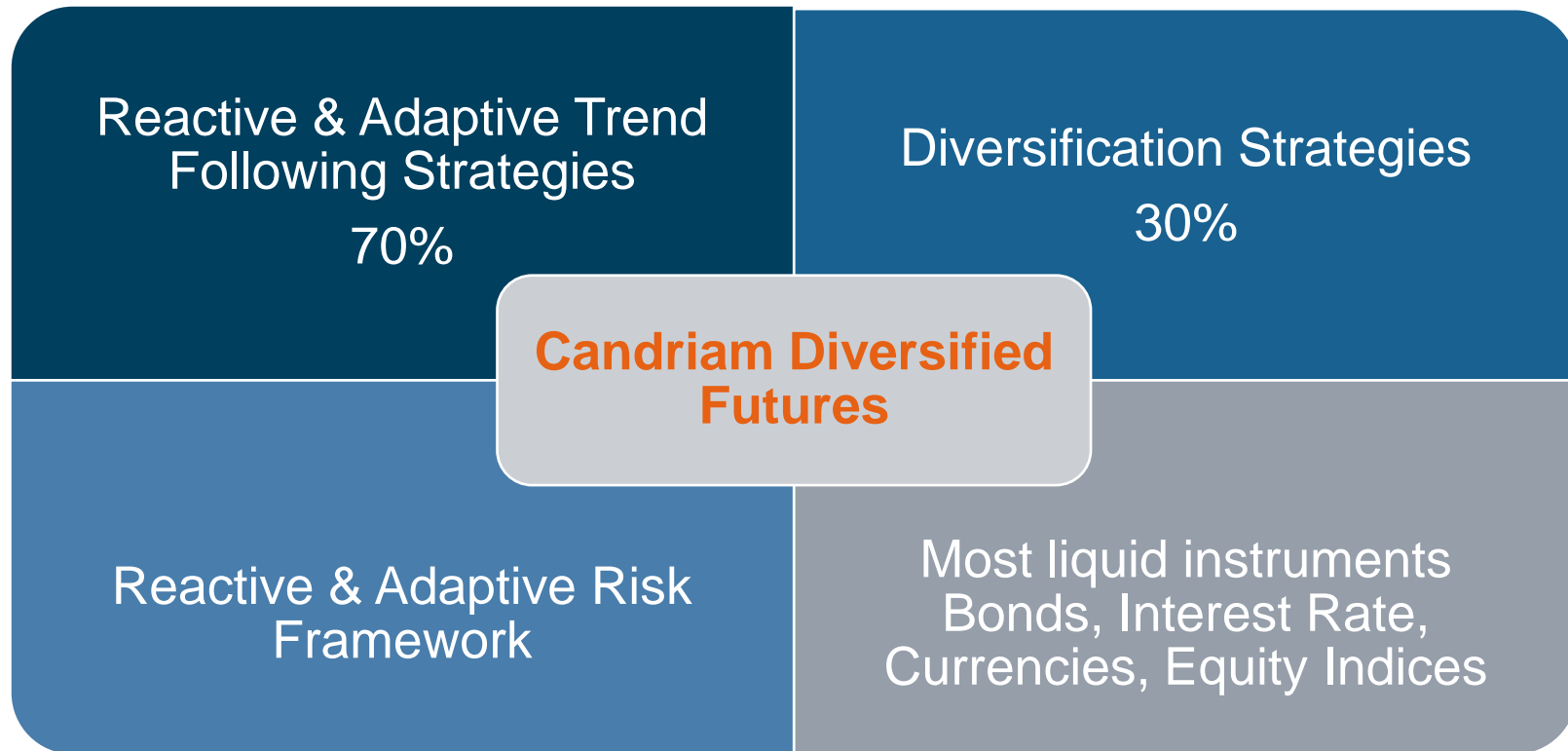


Navigating through crisis



Sources: Bloomberg®, Candriam - Past performance is no guarantee of future results and is not constant over time

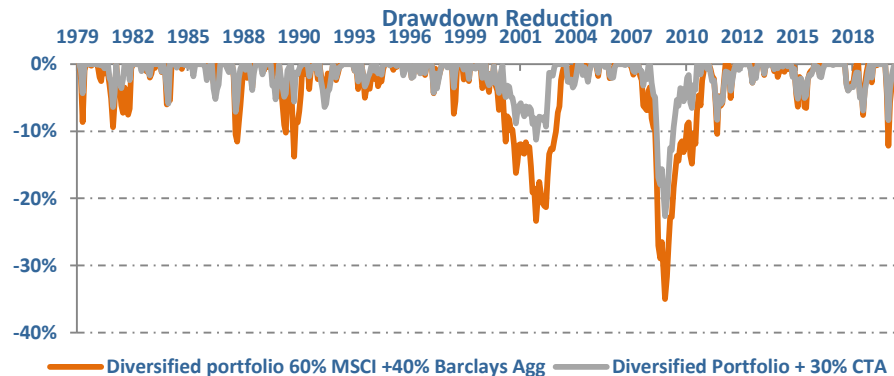
Candriam Approach



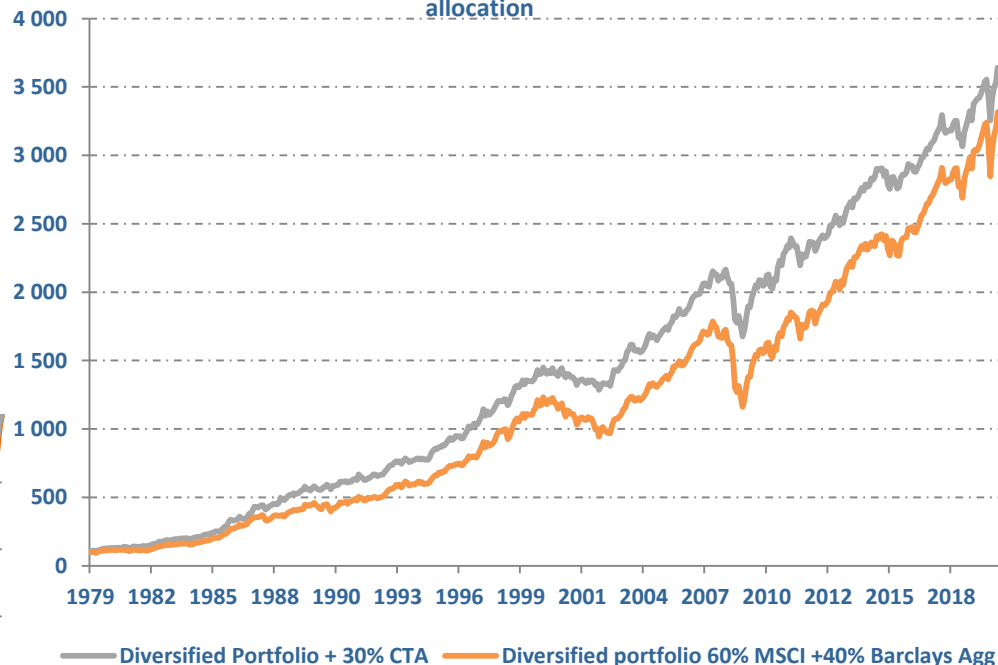
What CTAs brings to a diversified portfolio

Since 1979	Annualised Return	Maximum Drawdown	Annualised Volatility
Diversified Portfolio*	9.09%	-34.99%	9.52%
70 %Diversified Portfolio* + 30% BarclayHedge CTA Index	9.31%	-22.64%	7.86%
Impact	0.22%	-12.35%	-1.65%

*60% MSCI World TR +40% Barclays US Aggregate TR)

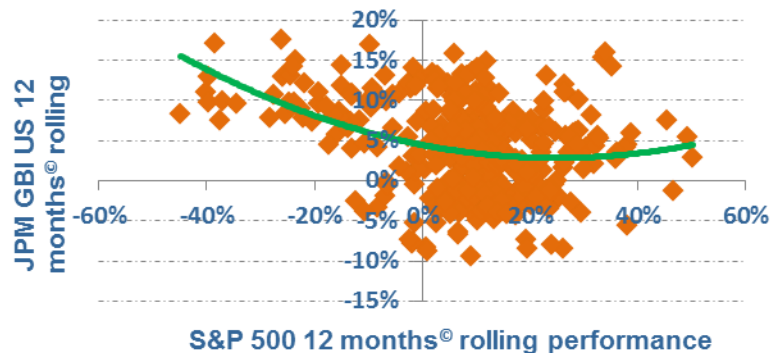


Performance of a diversified portfolio with and without a CTA allocation



Sources: Bloomberg®, Candriam - Monthly Data as of 30/09/2020. Past performance is no guarantee of future results and is not constant over time.

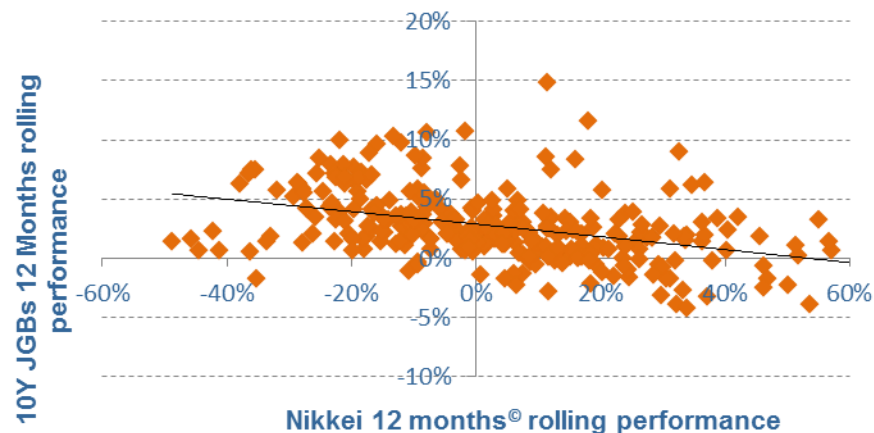
The bonds hedging power in a low interest rate environment



In the case of a **bear equity market**, expected return is **lower** than in “normal interest rate environment”

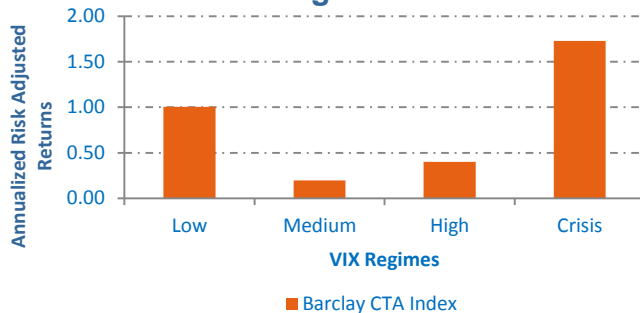
When the **equity market rises**, bonds return turn **mediocre**

Historically, bonds provided a **good hedge** for equity market corrections while still **delivering performance** when equities raised.

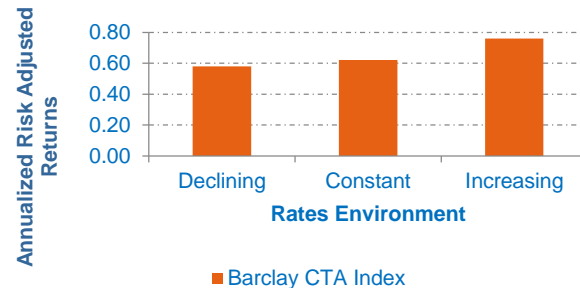


When to invest in CTAs

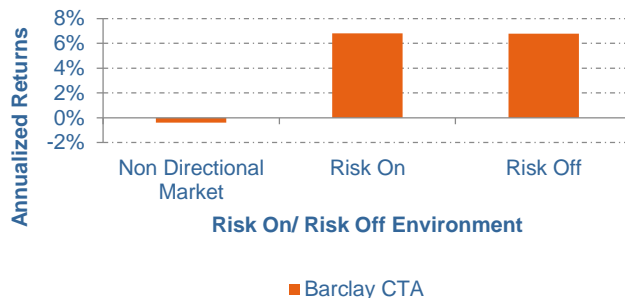
During Crisis?



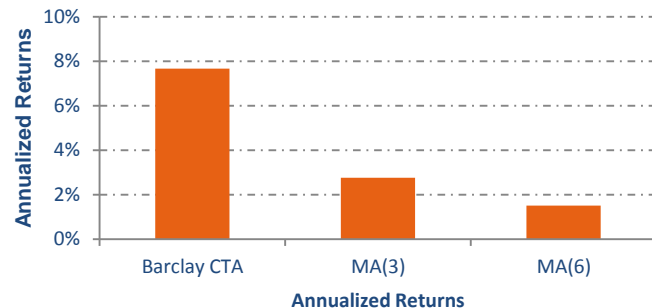
In which rate environment?



During directional markets?



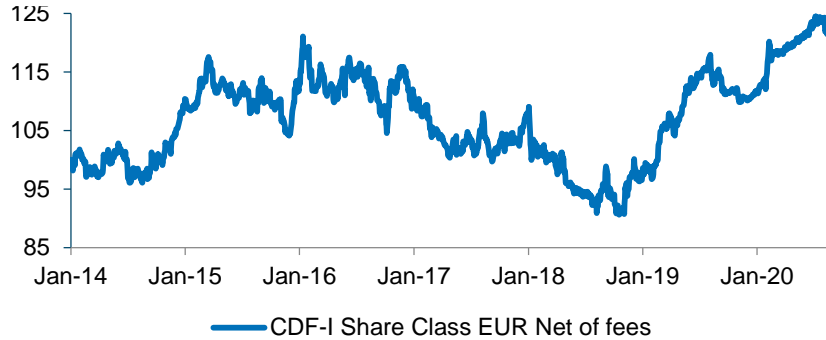
Being a trend follower yourself?



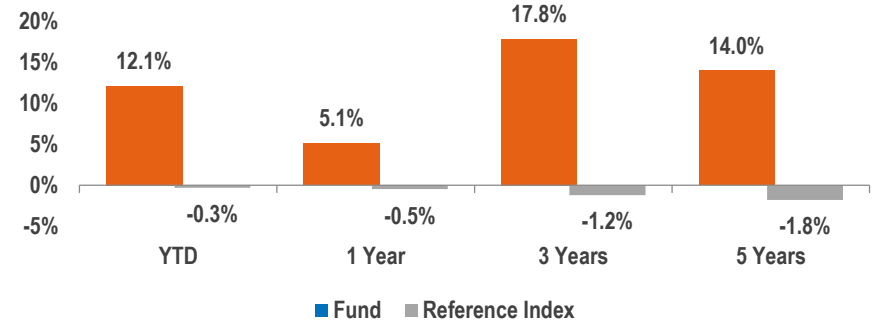
Sources: Bloomberg®, Candriam - Monthly Data as of 30/09/2020. Past performance is no guarantee of future results and is not constant over time.

Candriam Diversified Futures

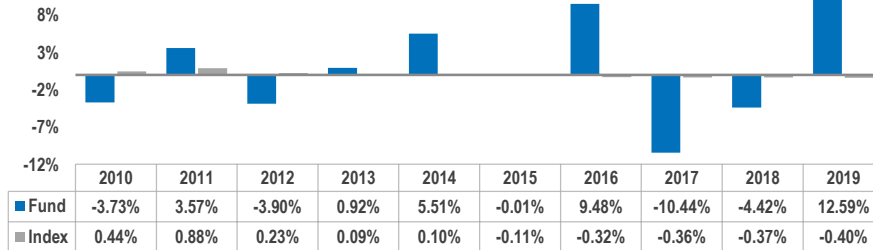
Performance since 2014



Risk & Return



Historical Performance



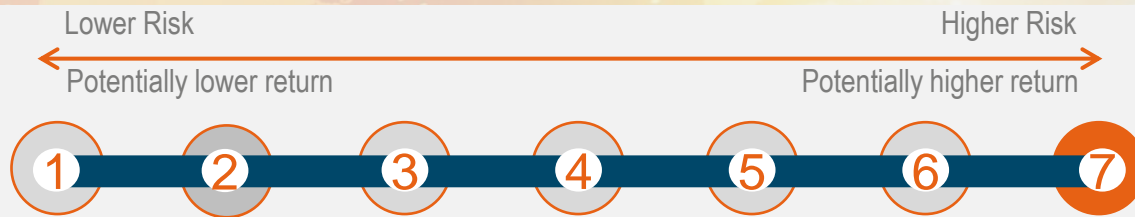
Annualized Trailing Returns & Risks

	1 Year	3 Years	5 Years
Fund Return	5.1%	5.6%	2.6%
Benchmark Return	-0.5%	-0.4%	-0.4%
Excess Return	5.5%	6.0%	3.0%
Fund Volatility	7.8%	10.1%	11.0%
Benchmark Volatility	0.0%	0.0%	0.0%
Sharpe Ratio	0.90	0.59	0.27

The fund is actively managed and the investment process implies referring to a benchmark index (EONIA cap.). I Share Class - Past performance is no guarantee of future results and is not constant over time

Source: Candriam - Monthly Data as of 31 August 2020

Candriam Diversified Futures



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- ✓ The indicated category may vary over time.
- ✓ The lowest category does not mean "risk-free".
- ✓ There is no guarantee or mechanism to protect the capital.

The investor needs to be aware of the following significant risks which are not necessarily adequately taken into account by the indicator:

- ✓ **Arbitrage risk:** The fund may use the technique consisting in taking advantage of price differences (recorded or anticipated) between two securities/sectors/markets/currencies. If such arbitrage transactions perform unfavourably (a rise in selling transactions and/or fall in buying transactions), the net asset value of the fund may fall.
- ✓ **Counterparty risk:** the fund may use OTC derivative products and/or effective portfolio management techniques, and these may engender a counterparty risk, i.e. the inability of the counterparty to honour its commitments to the fund. This counterparty risk could be fully or partially hedged by the receipt of guarantees.
- ✓ **Risk arising from financial derivative instruments:** use of these instruments involves a risk arising from their underlying assets, which may amplify downturns due to the associated leverage. If there is a hedging strategy it may not be complete.
- ✓ **Emerging countries risk:** emerging countries may experience political, legal or fiscal uncertainties or other events that could impact negatively on the assets of the fund. The assets traded in these countries may be subject to market movements that are potentially more rapid than in the major international markets and listing differentials that may be considerably bigger under certain market conditions. These assets may prove to be less liquid and may not be able to be sold quickly and at reasonable prices. Exchange rate fluctuations involving the currencies of emerging countries may be sudden and substantial.
- ✓ **High leverage risk:** the use of potentially high leverage may result in significant volatility, and the fund may suffer increased losses depending on this level of leverage.
- ✓ **Model risk:** the securities making up the portfolio of the fund are picked essentially on the basis of quantitative models. There is a risk that these models are less efficient, or that they may even present deficiencies, under certain specific market conditions.

Candriam Diversified Futures

CANDRIAM DIVERSIFIED FUTURES																			October-20		
Legal Form	UCITS - FCP									Recommended investment horizon									3 years		
Domicile	France									Frequency of valuation									Daily		
Launch date	November 16, 2009									Subscription									D before 12:00 PM (CET)		
Management Company	Candriam France									Redemption									D before 12:00 PM (CET)		
Auditors	KPMG - Audit									Settlement									D+3		
Depository bank	RBC Investor Services Bank France S.A.									Fund currency									EUR		
Transfer agent	RBC Investor Services Bank France S.A.									Fund AUM									125 million		
Fund administration	RBC Investor Services France S.A.																				
Registered for sale in	All or some of the fund share classes are authorized in the following countries (orange coloured points)																				
	AT	BE	CH	CL	DE	DK	ES	FI	FR	GB	IE	IT	LU	NL	NO	PT	SE	SK	SG	KR	
	●		●		●		●		●	●		●	●								

To fully understand the fund's risk profile, we advise investors to carefully review the official prospectus and the description of the underlying risks.

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Candriam consistently recommends investors to consult via our website www.candriam.com the key information document, prospectus, and all other relevant information prior to investing in one of our funds, including the net asset value ("NAV") of the funds. This information is available either in English or in local languages for each country where the fund's marketing is approved.

Specific information for Swiss investors: The appointed representative and paying agent in Switzerland are respectively: CACEIS (Switzerland) SA, Route de Signy 35, CH-1260 Nyon and CACEIS Bank, Paris, succursale de Nyon/Suisse, Route de Signy, 35, CH-1260 Nyon. The prospectus, the key investor information, the articles of association or as applicable the management rules as well as the annual and semi-annual reports, each in paper form, are made available free of charge at the representative and paying agent in Switzerland. In respect of the Shares/Units distributed in and from Switzerland, the place of performance and jurisdiction is the registered office of the Representative.

Specific information for investors in Spain: Candriam Luxembourg Sucursal en España has its registered office at C/ Pedro Teixeira, 8, Edif. Iberia Mart I, planta 4, 28020 Madrid and is registered with the *Comisión Nacional del Mercado de Valores* (CNMV) as an European Economic Area management company with a branch. The following collective investment institutions (IIC) are registered with the CNMV:

Nombre de IIC	Num. Reg. CNMV	Domicilio de IIC		Forma Legal
Candriam Absolute Return	657	Luxembourg	UCITS	SICAV
Candriam Bonds	266	Luxembourg	UCITS	SICAV
Candriam Equities L	233	Luxembourg	UCITS	SICAV
Candriam GF	1392	Luxembourg	UCITS	SICAV
Candriam Money Market	644	Luxembourg	UCITS	SICAV
Candriam Quant	347	Luxembourg	UCITS	SICAV
Candriam SRI	1493	Luxembourg	UCITS	SICAV
Cleome Index	1275	Luxembourg	UCITS	SICAV

Nombre de IIC	Num. Reg. CNMV	Domicilio de IIC		Forma Legal
Candriam Diversified Futures	1532	France	UCITS	FCP
Candriam Global Alpha	1563	France	UCITS	FCP
Candriam Index Arbitrage	707	France	UCITS	FCP
Candriam Long Short Credit	798	France	UCITS	FCP
Candriam Monétaire SICAV	1472	France	UCITS	SICAV
Candriam Risk Arbitrage	711	France	UCITS	FCP
Candriam Sustainable	470	Belgium	UCITS	SICAV



CLIENT RELATION OFFICES

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MANAGEMENT CENTERS

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