



# Candriam | Breakfast Club

Is there still value in growth?

**Geoffroy Goenen**

Head of Fundamental European Equity

Commercial document intended exclusively for Qualified Investors

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May, 2021

A TEAM BUSINESS

# European Equity Expertise



**Geoffroy Goenen**  
Head of Fundamental  
European Equity  
23 years experience  
23 years with the firm



**Christian Solé**  
Deputy Head  
Head of Financials  
23 years experience  
16 years with the firm



**Sandrine Coujan**  
Environment Specialist  
Senior Fund Manager  
27 years experience



**Frédérique Bette**  
Head of Consumer  
21 years experience  
21 years with the firm



**Laurent Milliat, CFA**  
Head of B2B  
17 years experience  
14 years with the firm



**Nicolas Rutsaert, CFA**  
Materials, Industrials,  
Energy Specialist  
24 years experience  
21 years with the firm



**Antoine Hamoir, CFA**  
Health Care, Consumer  
Specialist  
16 years experience  
16 years with the firm



**Mariam El-Far**  
Financials Specialist  
April 2020



**Adrien Gassée**  
Technology, Media and Telecom  
Specialist  
2 years experience  
2 years with the firm



**Quentin de Streeel**  
Industrials & Consumer Specialist  
2 years experience  
2 years with the firm



**Quentin Duquesne, CFA**  
Industrials & Consumer Specialist  
5 years experience  
5 years with the firm



**Pierre Longueville**  
Head of Derivatives  
24 years experience  
2 years with the firm



**Nicolas Deltour, CIIA**  
Client Portfolio Manager  
20 years experience  
3 years with the firm

## Experienced Team

13 fundamental investment  
specialists

More than 15 years of  
experience on average

Best Fund Manager 2017  
Pan-European Equity\*

**CITYWIRE**  
make better investments™

## Strategies (AUM : € 8 bn<sup>(1)</sup>)

**Innovation**  
★★★★★<sup>(2)</sup>

**Sustainable Europe**  
★★★★★

**Sustainable EMU**  
★★★★★

**Small & Mid Caps**  
★★★★★

**Optimum Quality**  
(Min Var)

(1) - Source: Candriam – as of end March 2021

(2) - Morningstar: Ratings Overall - © 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. – as of end March 2021 - 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

\* CityWire – Category Equity-Europe Income : « Best Fund Manager Awards, generating the highest risk-adjusted returns in a particular sector over the past three years to 31 December 2016”.

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For details on all specific awards please consult [www.candriam.com](http://www.candriam.com)

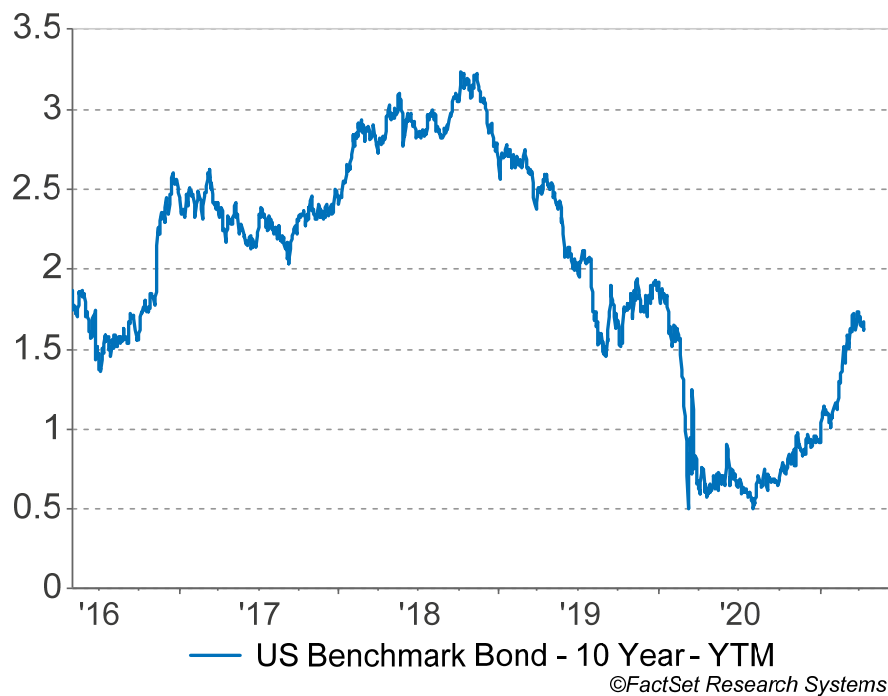
## Main topics



## Long term rates and market direction

Long term rates levels have a direct impact on stock markets attractiveness

US Long Term Rates



German Long Term Rates



## EPS Momentum – 2022 & onwards is key

Open question: infrastructure plans & 'consumer cheques' (US & Europe)



- ▶ **'American Rescue Plan'**  
\$1.9trn relief package
- ▶ **'American Jobs Plan'**  
\$2.0trn 8-year investment plan
- ▶ **'American Families Plan'**  
\$1.8trn package
- ▶ **FED: \$120bn/month Purchase Programme**

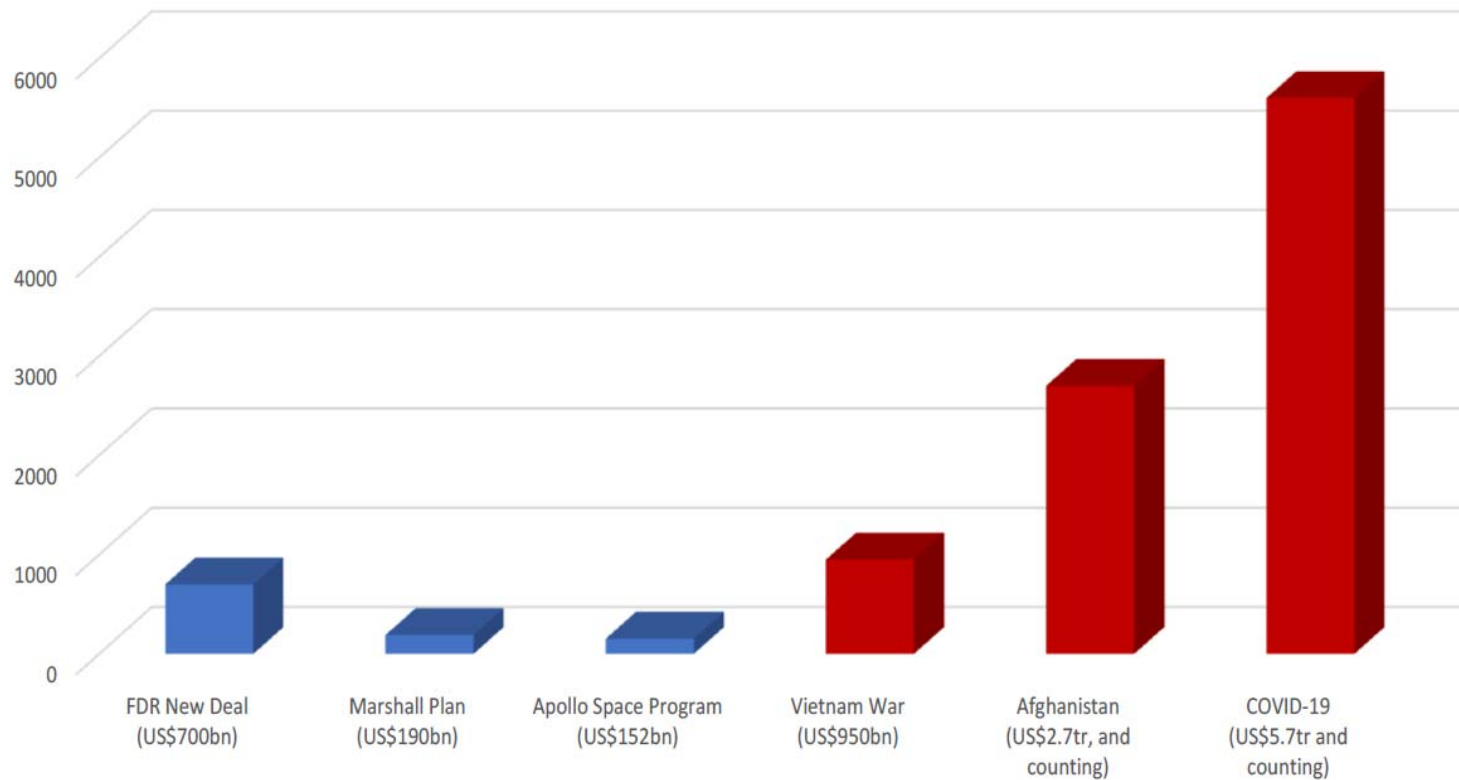


- ▶ **Immediate fiscal survival support**  
mostly at national level
- ▶ **Long-term investment plans**
  - ▶ €750bn "Next Generation EU" programme
  - ▶ Green, digital and infrastructure investment, linked to some extent to pro-growth economic reform programmes
- ▶ **ECB: €1.85 trn Pandemic Emergency Purchase Programme (PEPP)**

MARKET CONTEXT

# « COVID-19 equals to 6 Vietnam Wars »

The cost, in today's dollars, of various US government programs



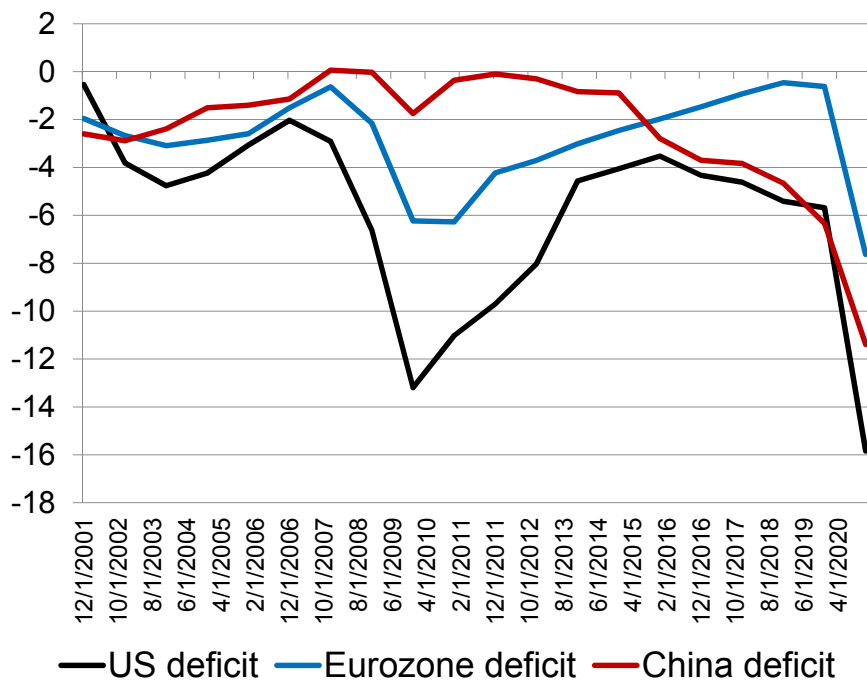
Source: Gavkal Research

MARKET CONTEXT

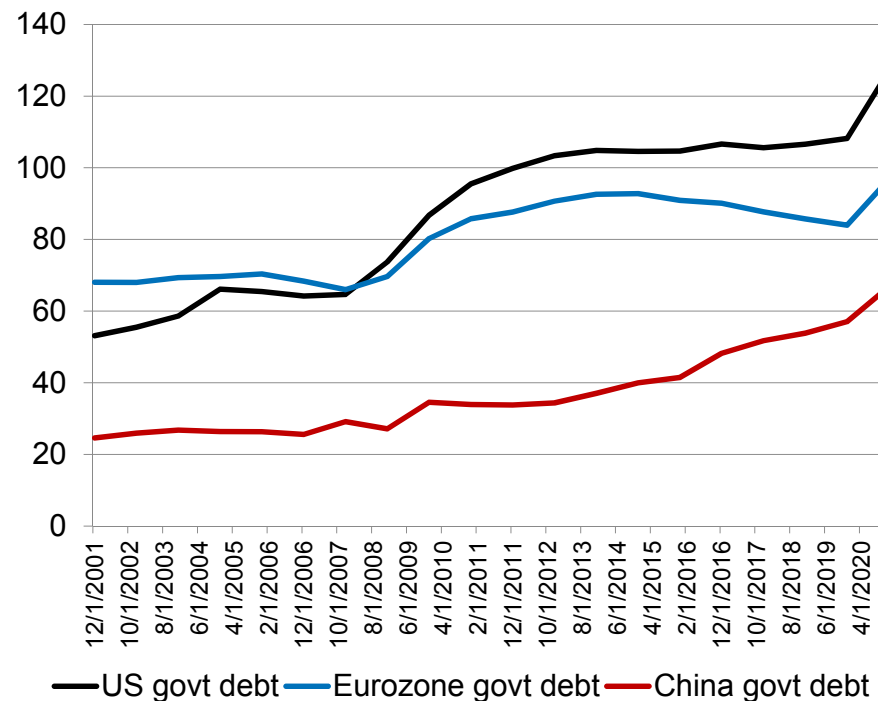
# Deficits & Debts

Any room for more stimulus?

Deficits (% GDP)



Public Sector Debts (% GDP)

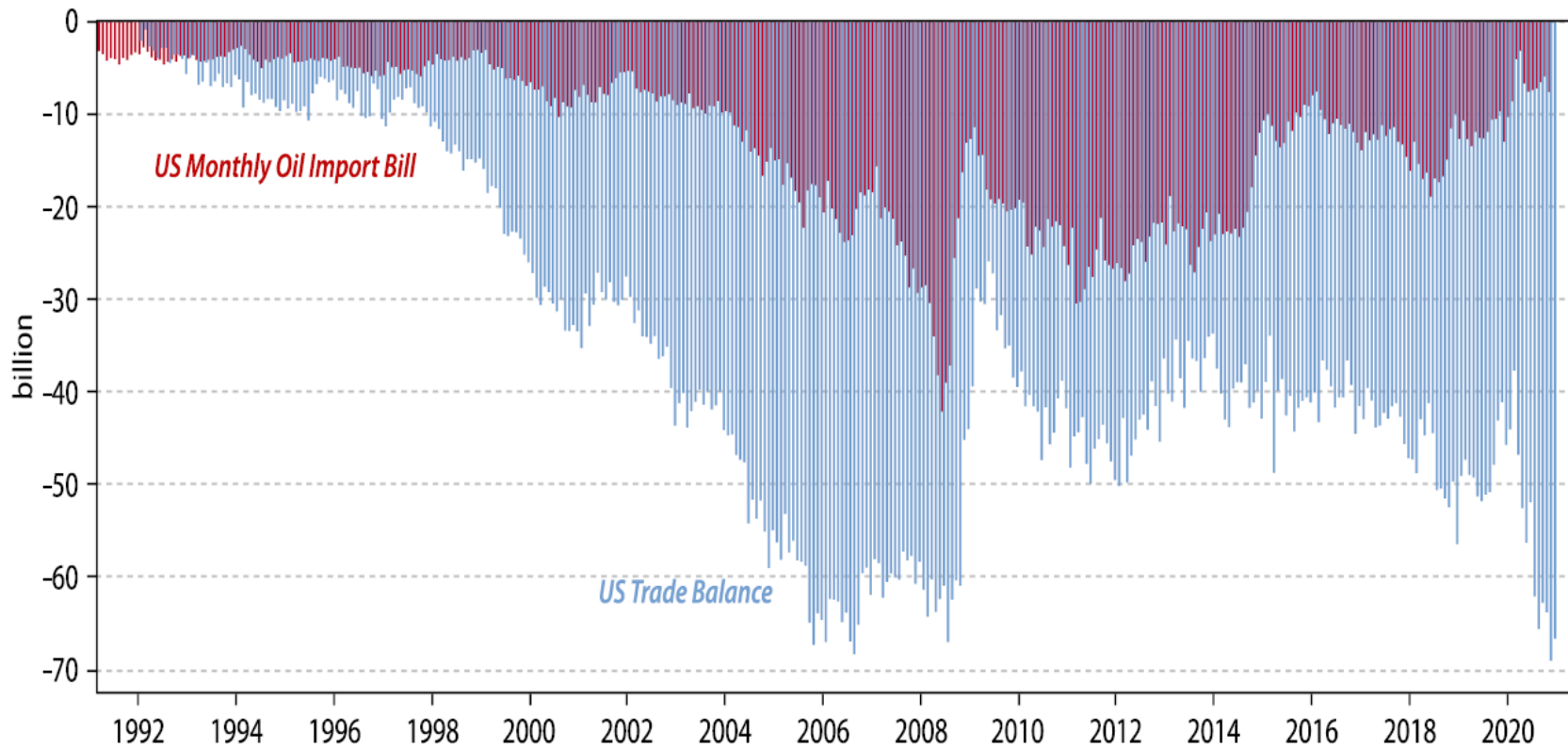


Source: Candriam

MARKET CONTEXT

# Deficits & Debts

## US trade balance – Monthly cost of Oil Imports & US Trade Balance



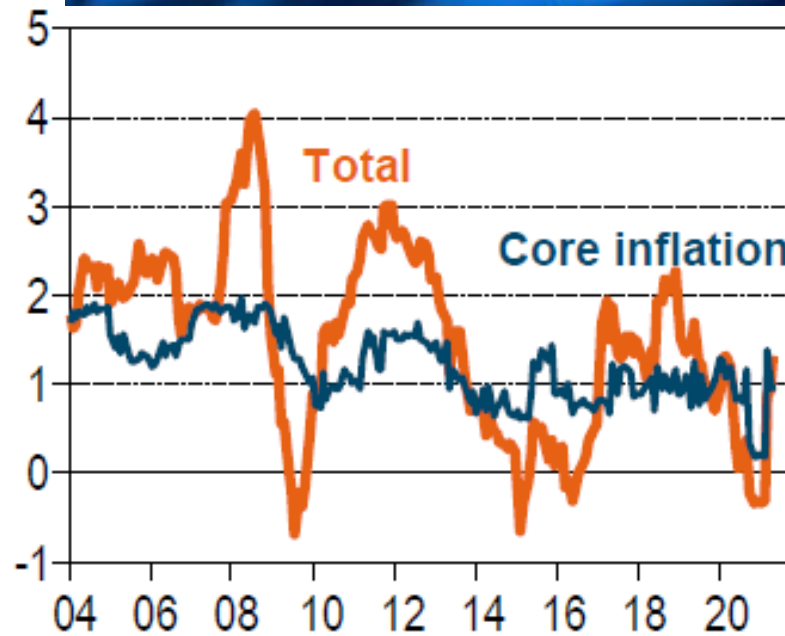
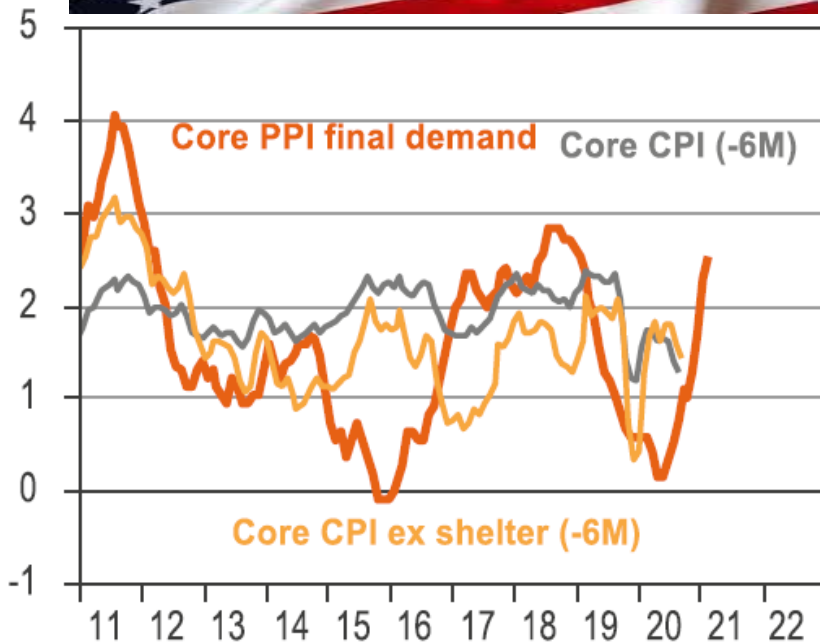
Source: Gavkal Research



MARKET CONTEXT

# Inflation

There to last?

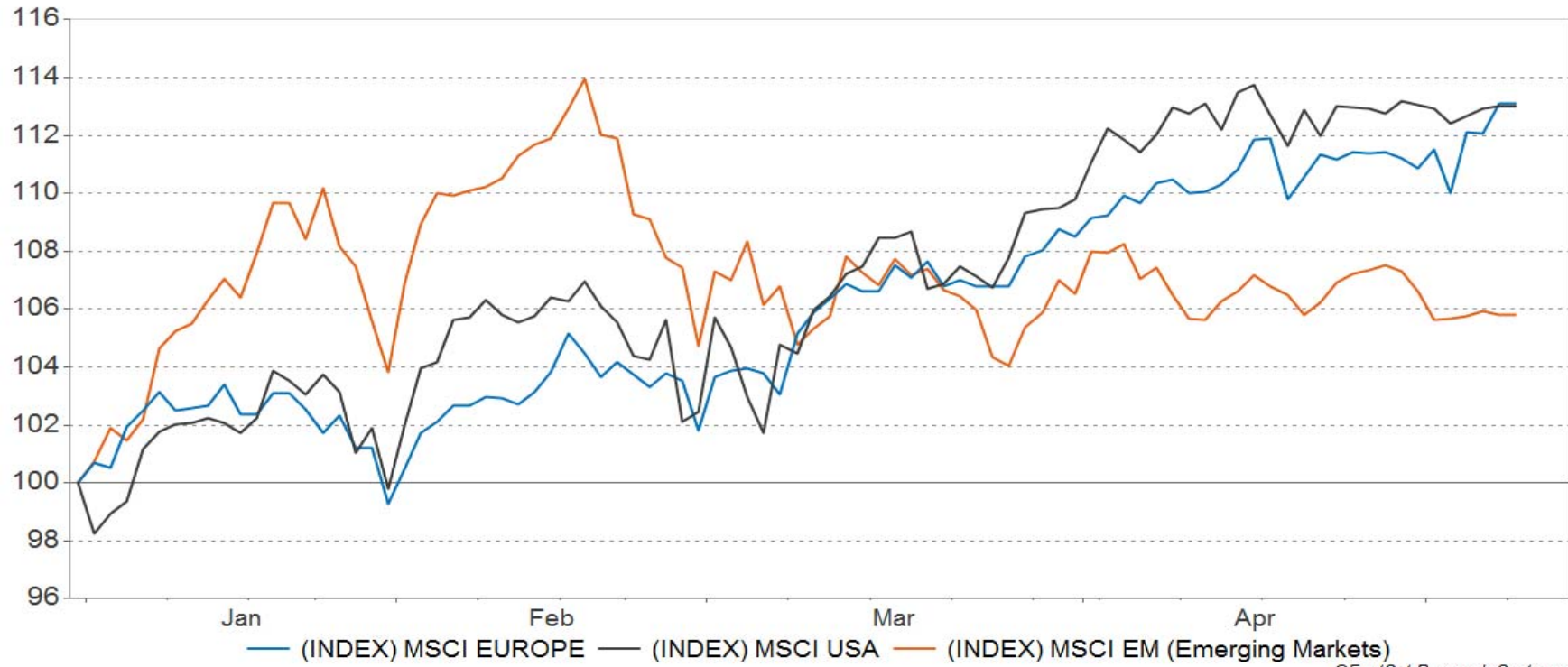


Sources: Candriam, Bloomberg®

MARKET CONTEXT

# 2021: a volatile year...

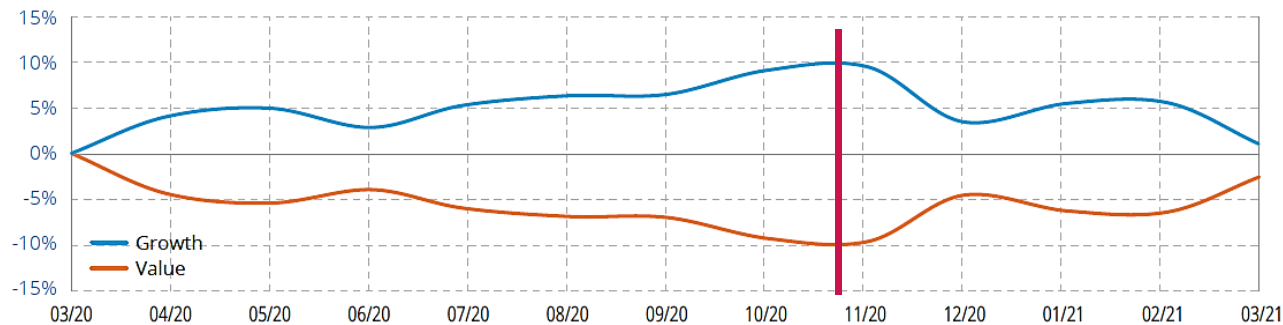
...going forward?



# Value Growth Rotation

...during the COVID crisis

1Y Cumulative Excess Return versus MSCI Europe (%)



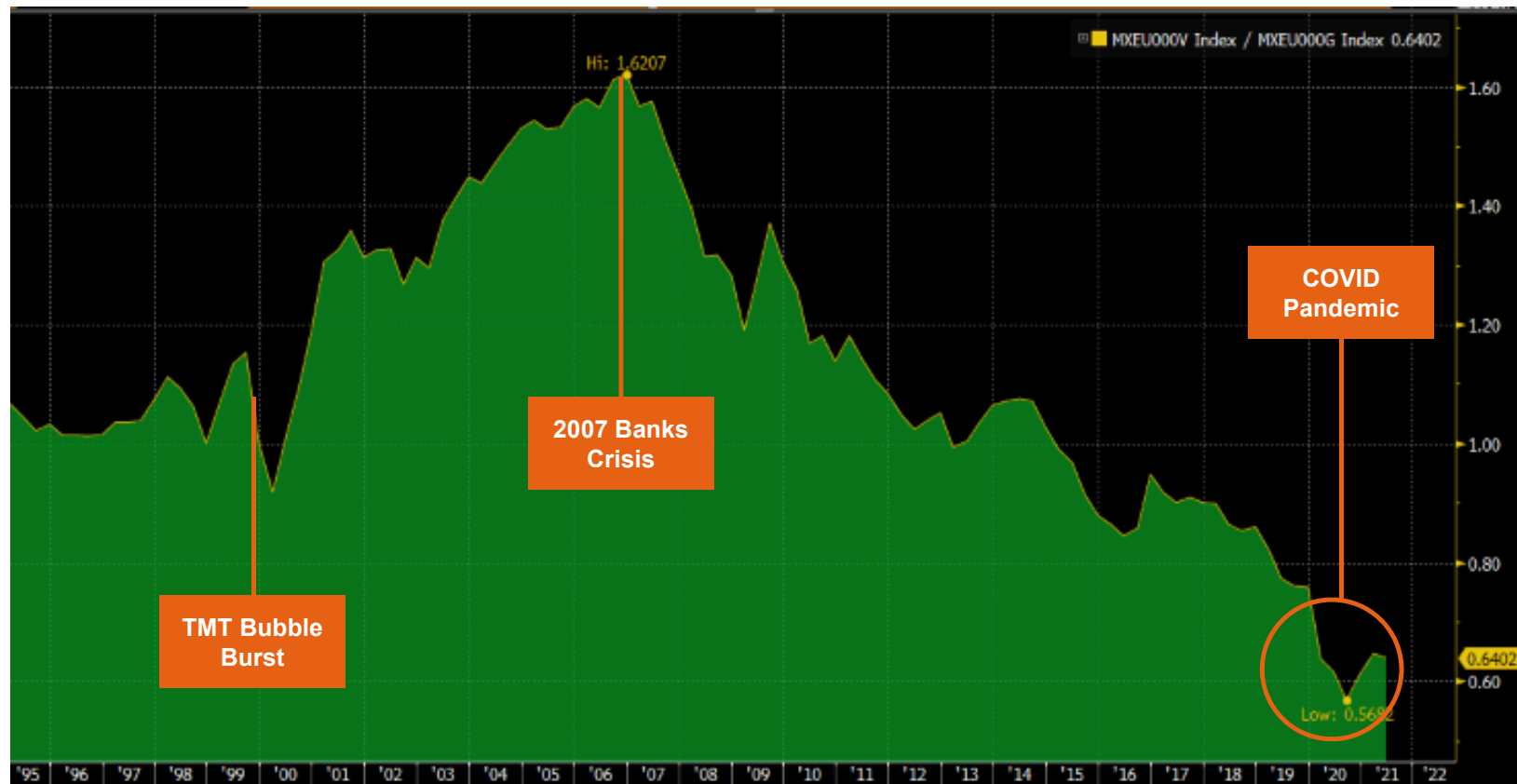
As we wrote in May 2020, after the extraordinary outperformance of quality and growth stocks in the first half of 2020, the market inevitably had to rebalance a few exaggerations. These expectations began to materialise from November 2020 onwards, when news on the vaccine outlook reassured the markets and an end to the crisis gradually became apparent.

Now in the financial markets, the word "normalisation" is on everyone's lips, as evidenced in particular by a repositioning of the American and European rate curves. This hope of economic normalisation is accelerating the current rotation away from growth stocks and towards value stocks, with commodities and interest-rate-sensitive sectors at the forefront.

MARKET CONTEXT

# Value Growth Rotation

...over the last 25 years

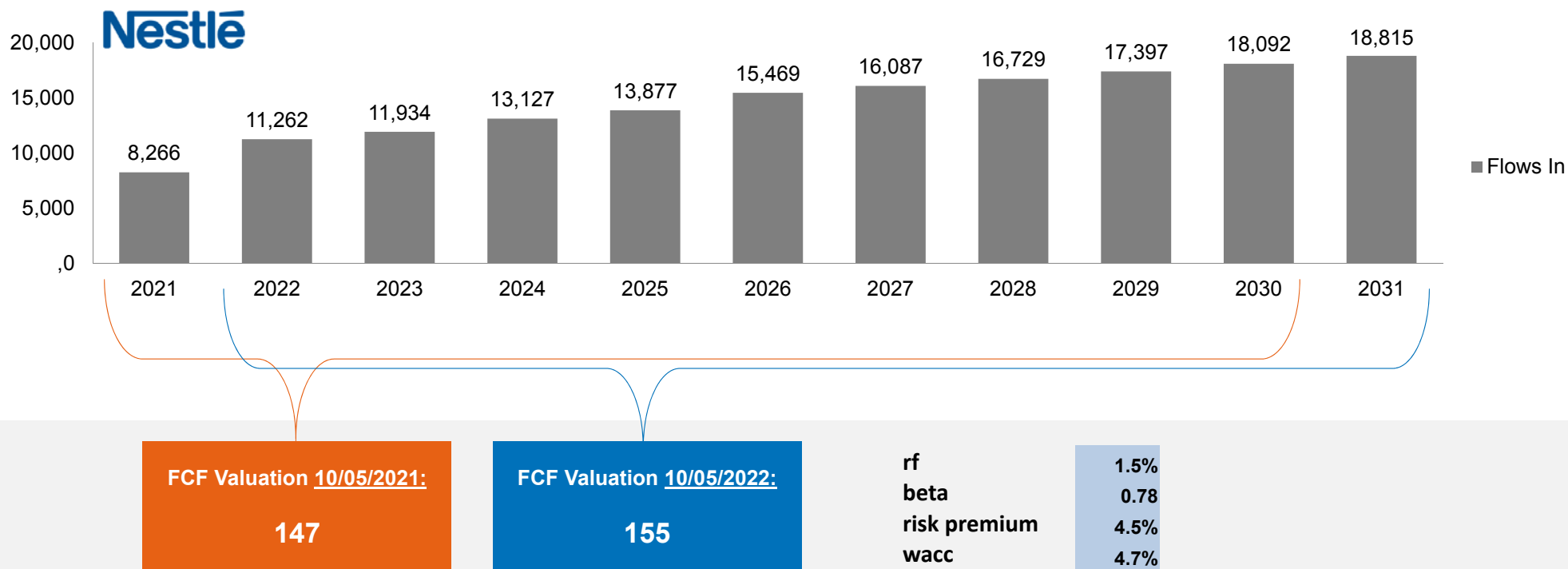


Source: Bloomberg®

MARKET CONTEXT

# Value Growth Rotation

The mathematical value creation of Quality/Growth companies



Source: Candriam - Purely illustrative

## 3 blocks, 3 questions



▶ **Budget:**

Republicans  
VS  
Democrats



▶ **'Managed slowdown'** is coming

- ▶ Targets :
- ▶ Cap debt/GDP ratio
  - ▶ more economical independence vs USA



▶ **Elections** to come,  
In particular in  
Germany

▶ Potential **Green Wave**

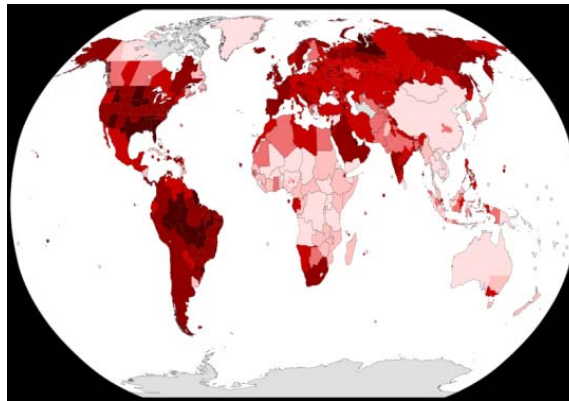
WHAT'S NEXT

## Road to the future

### 3 Key Factors



Climate-related Regulations



COVID Impact  
- On habits and needs -



COVID Impact  
- On Economy -

WHAT'S NEXT

## Road to the future

### Climate-related Regulations

COVID Impact  
- On habits and needs -

COVID Impact  
- On Economy -



- ▶ **Back in the Paris Agreement**
- ▶ **Carbon Neutral by 2050**



- ▶ **5 Y plan targets:**
  - ▶ 15% reduction in energy consumption
  - ▶ 23% improvement in water efficiency
  - ▶ Overall 18% reduction in carbon intensity



- ▶ **EU green deal targets:**
  - ▶ 55% CO2 reduction by 2030
  - ▶ carbon neutral by 2050



WHAT'S NEXT

# Road to the future

Climate-related Regulations

COVID Impact  
- On habits and needs -

COVID Impact  
- On Economy -

Durable Impact  
New Sanitary Needs

Working & Consumption habits  
Remote Economy



WHAT'S NEXT

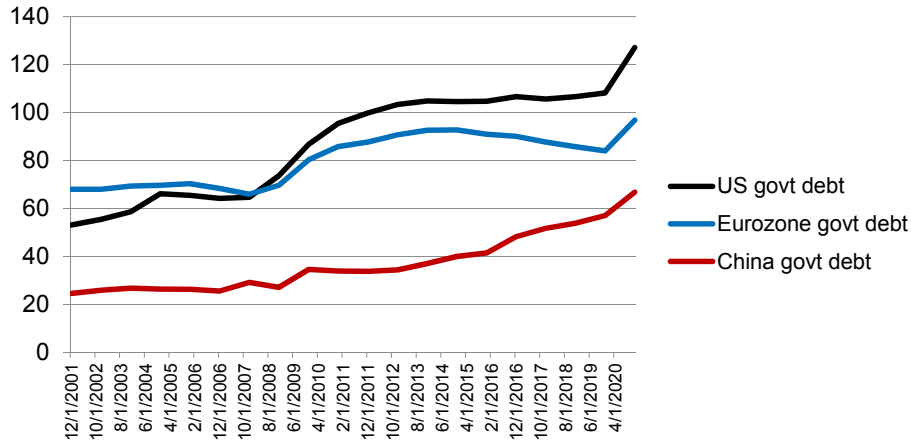
# Road to the future

Climate-related Regulations

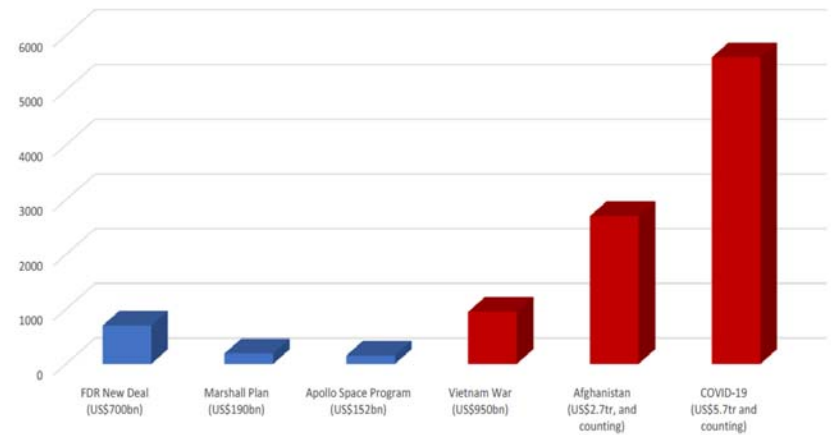
COVID Impact  
- On habits and needs

COVID Impact  
- On Economy -

Public Sector Debts (% GDP)



US government programmes



States have a limited **margin of manoeuvre** for the **next decade**, even if deficits will undoubtedly remain tolerated in the next two years.

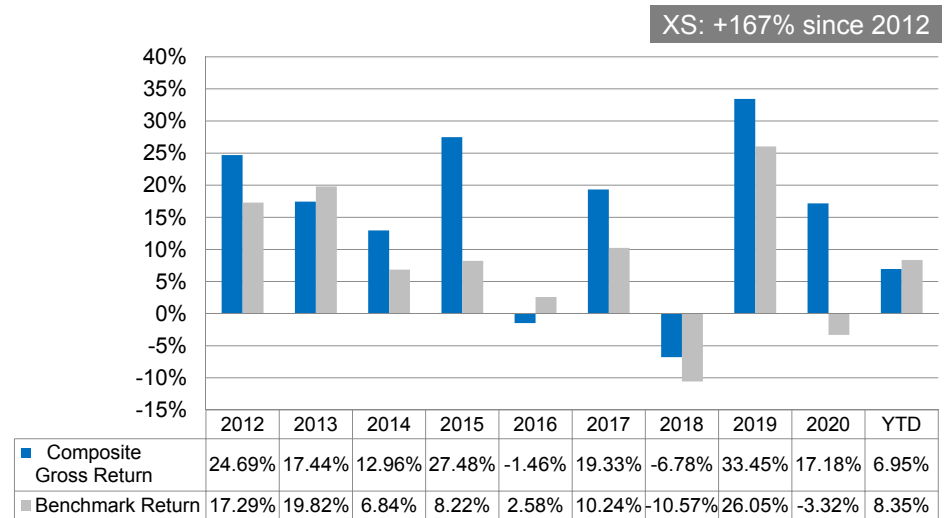


# Key strategies

# Innovation as a corner stone

- ▶ Unique combination of a dedicated innovation analysis framework with a fundamental analysis framework
- ▶ Product-Process-Marketing Innovation
- ▶ 5 quality criteria
- ▶ Sector diversification
- ▶ +/- 50 positions
- ▶ EUR 3,5 bn AUM
- ▶ Tracking Error: 4-8%

## Performance Review – gross of fees

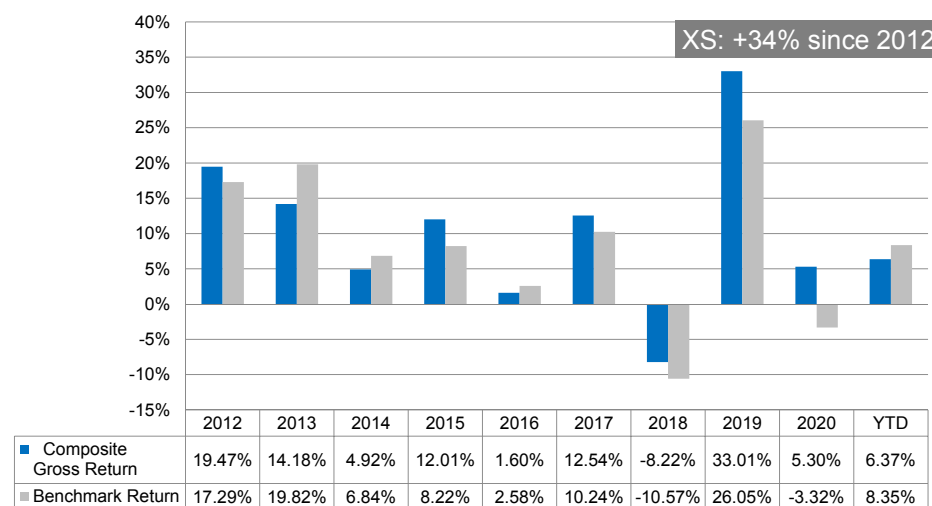


Source: Candriam As of 31 March 2021 - Past performance is no guarantee of future results and is not constant over time The strategy (European Innovation Thematic Equities ) is actively managed and the investment process implies referring to a benchmark index, the MSCI® Europe (NR). © 2020 MSCI Inc. All rights reserved

# Sustainability - Quality - Engagement

- ▶ Best-in-class approach
- ▶ Quality and sustainable companies
- ▶ Style Management ( all weather strategy )
- ▶ Sector diversification
- ▶ Engagement programme towards ESG best practices
- ▶ Tracking Error: 2-4%
- ▶ +/- 70 positions
- ▶ Eur 2 Bn AUM

## Performance Review – gross of fees



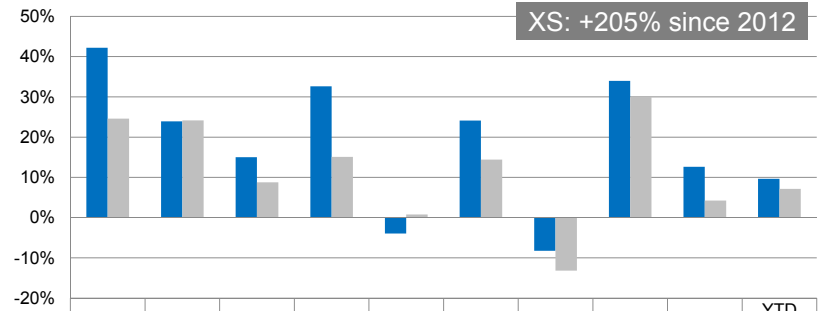
*This Composite includes all fee-paying investment funds and institutional mandates managed on discretionary basis and invested in European equities that have been selected based on sustainable characteristics by Candriam's sustainable analysis.*

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# Entrepreneurship - Quality - Responsibility

- ▶ Best-in-universe approach
- ▶ High quality, sustainable small and mid caps
- ▶ Specific ESG Engagement programme
- ▶ Sector diversification
- ▶ +/- 50 positions
- ▶ Tracking Error: 4-8%
- ▶ EUR 650 M AUM

## Performance Review – gross of fees



	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD (March)
■ Composite Gross Return	42.20%	23.92%	15.02%	32.62%	-3.95%	24.10%	-8.24%	33.97%	12.64%	9.66%
■ Benchmark Return	24.61%	24.15%	8.78%	15.10%	0.80%	14.42%	-13.16%	29.97%	4.23%	7.16%

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THANK YOU

Your questions?

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