CANDRIAM
A NEW YORK LIFE INVESTMENTS COMPANY

Invest in a fair future for all children

60 seconds with the fund manager

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Marketing communication

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60 SECONDS
WITH THE FUND MANAGER

Theany Bazet, Lead Portfolio Manager, explains how investors can focus on companies that help children live better lives, fulfil their future potential and, ultimately, help create more sustainable societies.

Is investing in children about sustainability?

Sustainability is not only about the use of natural resources and preserving the environment. It is also about maintaining certain standards of well-being and health of every human being. Today, one in three people living on our planet is under 18 and yet half of the poorest people on Earth are children. We cannot hope for a sustainable future if children's lives are dominated by inequality. No society is sustainable where the quality of your life in childhood and then in adulthood depends on where you were born or how wealthy your parents were.

This is because the first years of life have the power to shape a person's health and well-being for the rest of their life. Investing in children today is to invest in the societies of tomorrow.

Why should investors focus on this now?

There are a few reasons. First and foremost, the rights and well-being of children are right at the heart of the United Nation's Sustainable Development Goals (SDGs) and its "leave no one behind" 2030 agenda.

Over the past few decades there has also been a lot of positive momentum which investors can help maintain. The global under-five mortality rate declined by 61%, from 93 deaths per 1,000 live births in 1990 to 37 in 2020. Child health and literacy rates have also seen many impressive improvements. However, some of these valuable achievements are currently at risk from the COVID-19 pandemic.

Also, while responsible investors have been very successful in fostering the environmental angle of the ESG, the social dimension has often taken the back seat. The pandemic exacerbated the situation for children as the most vulnerable social group, and investors have an important role to play in bringing the "S" in ESG into the spotlight, raising awareness and encouraging accountability through corporate engagement.

While investors cannot break the vicious cycle of child poverty on their own, there are examples when it can be disrupted when investors join forces with governments, international organisations and companies on specific projects. International efforts to bring COVID vaccines to the developing countries and help schools reach their pupils during the closures are powerful examples that it can be done.

How do you approach investing in children?

We focus on two types of companies that address children's basic needs and help them reach their full potential.

The first, "Essentials", includes companies that help fulfil the basic needs of children, such as access to clean water, nutrition, sanitation, healthcare, housing and family support. The second, "Development", consists of companies providing for children's development requirements, such as education, financial inclusion, infrastructure, safety and sports & leisure.

How profitable are these companies?

Most of our companies benefit from structural megatrends and growing markets.

For example, the baby care products market is expected to grow by 5% a year, the paediatric and vaccine sector by 11% a year, the online education market by 8% a year and the parental software market by 10% a year.

All of our companies go through a comprehensive fundamental assessment to make sure that companies included in our portfolio have a strong financial position, effective management and good future prospects.

So once you identified the main themes, how do you select the companies in each of them?

Our investment process is based on a disciplined bottom-up approach which first identifies companies whose products and services align with our main child subthemes.

Next, we use an ESG screen to exclude companies that do not comply with the UN Global Compact or are involved in controversial activities. These also include children-specific controversies, such as child labour, breaches of human rights, as well specific products, such as breastmilk substitutes which are excluded on the advice of the World Health Organisation (WHO)[1] .

The final stage in our stock selection process is Candriam's fundamental analysis framework comprised of five criteria: competitive advantages, quality of management, business growth, value creation and financial leverage.

(1) The Candriam Exclusion Policy can be downloaded here https://www.candriam.fr/fr/professional/market-insights/sri-publications/.

What does it make Candriam a good choice of an asset manager for such a strategy?

As a pioneer in ESG investments and as a leader in thematic global investments for more than 20 years, Candriam offers an unparalleled competitive advantage.

We have recently celebrated 25 years of our ESG journey with 65% of our assets managed in our sustainable range. Our investment team is supported by 18 ESG analysts and a dedicated engagement department which helps us promote constructive dialogue with companies around the world. Because well-being and development of children concerns us all, each year Candriam dedicates a portion of the net management fees of our responsible range and thematic funds to the financing of social impact initiatives, coordinated through the Candriam Institute for Sustainable Development.

The main risks of the strategy are:

- **Risk of capital loss**
- **ESG investment risk**
- **Sustainability risk**
- **Equity risk**
- **Currency risk**
- **Liquidity risk**
- **Concentration risk**
- **Derivative risk**
- **Counterparty risk**
- **Emerging market risk**
- **Risk on A-Shares (China)**
- **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.