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Social Progress strategy

Concerns over tapering and Omicron variant eclipsed solid corporate results

- Global equities fell in November due to uncertainties on vaccines efficacy over the new variant
- Technology was the strongest sector while Energy and Financials were unfavoured
- Focus remains on companies helping to shape a more sustainable future for our communities

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What's happening?

Global equities fell in local-currency terms in November. Equity markets started the month on a positive note, boosted by strong corporate results, announcements of new and highly effective Covid-19 antiviral pills, signs of international cooperation towards addressing climate change at COP-26 and the adoption of a \$1 trillion infrastructure spending bill in the U.S. But this optimism ended abruptly when it emerged that a new, highly mutated strain of COVID-19 had been detected, which was potentially both more contagious and more resistant to existing vaccines.

The U.S. Federal Reserve indicated it could bring forward its monetary tightening plans in the face of persistent inflation. This more hawkish tone also weighed down on equity market sentiment and boosted the U.S. dollar. Oil prices sank as worries about the pandemic threatened the demand outlook. Technology was the strongest sector over the period while Energy and Financials were most under pressure.

Portfolio positioning and performance

Over the month, the strategy underperformed the broader equity market (MSCI All Country World). We saw a positive contribution from companies reporting solid results and from our testing & diagnostics segment given the discovery of a new highly mutated variant of Covid-19.

Etsy, a U.S E-commerce market place soared following an increased in purchase frequency and solid buyer retention levels,

Our exposure to Semiconductor player **Teradyne** contributed positively as the stock reported strong results, particularly in its wireless testing unit, despite facing supply chain bottlenecks in its automation business.

Alnylam Pharmaceuticals, a US biopharmaceutical company specialising in RNA interference medicines moved up, driven by expected positive data release next year and an uptick in M&A activity in the biotechnology sector.

We believe that the new Omicron covid-19 variant should typically boost testing volumes, benefiting firms such as **Eurofins Scientific**, **Dr Lal Pathlabs** in India and **Sartorius**. The latter continues to see strong tailwinds in the medical innovation field, particularly in biosimilars.

Chegg, an education services provider was a major underperformer this month. A key driver for its lower student enrolment was the tightness in the U.S. labour market and strong wage inflation, especially for low wage earners, which led prospective students to postpone their studies and find work instead. We would expect the situation on the job market to loosen over time, as specific factors fade away such as pandemic related direct support to households. We would also expect students to delay rather than completely forego a tertiary education. On the bright side, the international segment reached a 1 million subscribers' milestone.

Everbridge also moved sharply lower driven by decelerating quarterly billings growth, which tend to be volatile quarter on quarter, and a broader selloff in software names.

Teladoc Health, a US telemedicine player continued to underperform as some U.S. states are reversing emergency authorization for virtual care granted during the pandemic.

We made no change to the strategy over the month.

Outlook

We continue to face uncertainties related to the impact of the Covid-19 pandemic on the level of economic activity, pace of inflation and global supply chain bottlenecks. There are also questions about future tightening by governments and central banks, which will have to scale back fiscal and monetary support. As such, we remain cautious on a faster-than-expected rise in inflation and interest rates, as this could weight in emerging markets and growth companies.

Public health and safety issues remain at the top of governments, regulators and businesses priorities. In addition, digitalization, which has accelerated during the pandemic, also opened new opportunities to support the currently underserved populations (such as in financial inclusion, small business support, or education). We remain confident in the strategy diversified positioning to capture social secular long-term trends.

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