



## FOCUS ON „*quality*“ STOCKS

INVESTMENT EXPERTISE - SEPTEMBER 2022

Despite a market recovery during summer, since the Jackson Hole conference held in the United States, investors should brace themselves for more volatility in the months to come. In such an environment characterised by rising inflation and sluggish economic growth, companies with sufficient resilience, i.e. the ability to weather financial market fluctuations with less volatility, should be favoured according to our analysis over those with high levels of debt and heavy dependence on energy, for example in the Chemicals or Industrials sectors.

In addition to active asset allocation, i.e. managing the equity or bond exposure of a well-diversified portfolio, the strategy implemented by some investors is therefore to seek out what we believe are so-called „quality stocks“, i.e. companies with a high return on capital, clear competitive advantages, a low level of debt and reasonable valuations.

### KEEPING AN EYE ON RELEVANT CRITERIA

Such a “quality” approach is also applied in our ODDO BHF Polaris range of global diversified funds to select securities for the portfolio. To this end, we measure quality based on five criteria according to our analysis, meaning we are looking for companies that:

- are capital efficient and profitable in the long term
- have competitive advantages that are difficult to overcome (economic „moats“)
- participate in a structural growth trend
- meet our sustainability criteria
- and are available at a reasonable valuation.

According to our analyses, we remain convinced that the companies in which we invest offer products and services that cannot be easily copied by competitors. Companies with stable and high returns on capital, which can be acquired at a reasonable price, represent high added value for investors in the medium term.

The success of quality companies often results from a strong brand enjoying pricing power and/or are active on an oligopolistic market with high barriers to entry. Such success leads to high cash flows that can be returned to shareholders.

We believe that this financial strength, along with low debt, offers investors protection in times of inflation and crisis. Quality companies can often generate a potential high return on capital employed over the economic cycle and raise the prices of their products or services in times of inflation.



**ODDO BHF**  
ASSET MANAGEMENT

## A RANGE OF GLOBAL DIVERSIFIED FUNDS

The ODDO BHF Polaris range consists of four globally diversified funds, each with a different risk profile, from defensive to balanced and from flexible to dynamic, as a function of each portfolio's maximum equity exposure. They invest mainly in equities and corporate bonds and share a quality-oriented investment approach.

The funds also seek to participate to the long-term growth potential offered by major structural and long-term trends in the economy, such as the digitalisation of the economy, new consumption and work patterns, the growth of the middle class and the ageing of the population. However, it is important to remind that the ODDO BHF Polaris range presents a risk of capital loss.

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