2023: the IAA 80 was affected by its large caps and the surge on global indices

The IAA 80 fell by 4%, while the MSCI Europe was up 11.7%

In 2023, the IAA 80 went down due to the poor performance of several of its heavyweights, as well as the unfavourable sector allocation strategy driven by the macroeconomic and financial environment. Investors initially favoured "quality" and "growth" stocks, which are not sensitive to economic cycles. Cyclical stocks rebounded at year end. They were supported by the absence of recession in Europe, and a sharper-than-expected reduction in inflation that paves the way for a future cut in key rates. The IAA 80 was also affected by the poor performance of the **Nestlé** (-6.7%), **Unilever** (-8.5%), **Diageo** (-21.4%) and **Pernod Ricard** (-14.8%) quartet, which account for nearly 60% of its market capitalisation.

Unlike the global indices, the IAA 80 has not yet returned to the level reached in January 2020, before the Covid pandemic. At the end of 2021, the Food and Beverage sub-indices had both recovered the ground lost during the pandemic, but inflation caused by the strong economic recovery and then by the war in Ukraine has led to further falls. **Over the long term, the IAA 80 nevertheless continues to outperform the MSCI Europe** with an average annual growth rate over 10 years of +3.9%, versus +3.6% for the global index.

After a fall of -12.1% in 2023, the Food component nearly stabilised, at -1.8%

Its negative performance was primarily due to its two main stocks, Nestlé and Unilever, which represent 72% of its market capitalisation. Investors sanctioned disappointing top-line growth, which was driven solely by higher prices. This unconvincing growth failed to offset margin deterioration caused not only by cost inflation and but also by lower sales volumes, as less expensive products – particularly private label lines – ate into their market shares. With price increases reaching their limits, sales growth now hinges on boosting volumes. To boost profitability, it must be sufficiently robust for the operating leverage it