

Marketing material for professional investors

## Stock market climbs wall of worry

- Earnings season beats expectations
- Wave of repairs and remodeling causes lumber prices to skyrocket
- Circular Use cluster outperforms



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## Market review and developments

Equity markets posted strong gains in August, backed by better-than-expected second quarter earnings results. Although US consumer sentiment dropped amid concerns over near-term job creation, other data points for US residential construction, regional manufacturing and the German IFO Business Climate Index provided more positive signals. Fed comments about keeping rates close to zero for an extended period and targeting inflation now above 2% for the next years, contributed to further US dollar weakness. The Circular Economy strategy gained less than the MSCI Index, but remains significantly ahead since

inception. The pronounced recovery in new construction paired with strong renovation demand has driven up prices for key building materials such as lumber to record highs, outperforming other commodities such as gold or silver. Lumber prices soared 150% since the beginning of the year, as a consequence of mill shutdowns, lean inventories and hefty demand. In this context, new plans of the UK government to substantially fine wood imports lacking proper supply chain certification, point to a rising awareness of deforestation risks and the increasing importance of sustainable forest management.

## Periodic performance comparison (in EUR terms, gross), August 2020

	last month	YTD	2019	2018	2017	2016	2015	2014	Since Inception*
RobecoSAM Circular Economy Equities	4.21%	-	-	-	-	-	-	-	5.02%
MSCI World Index TRN	5.48%	-	-	-	-	-	-	-	-4.69%
Excess Return	-1.27%	-	-	-	-	-	-	-	9.71%

\*23.01.2020

## Portfolio and performance

The Circular Use cluster delivered the best performance in August, led by leisure names such as Dometic Group (+25%). The outdoor recreation sector is experiencing brisk demand, visible in the 54% YoY rise of US shipments for recreational vehicles in July. Given Dometic's strong position as innovator for low-emission and recyclable equipment for this market, investors turned positive. Software-as-a-service provider Workday (+33%) reported better-than-expected subscription revenues and margins, as demand for cloud-based human capital management remained solid during the pandemic. In Redesign Inputs, packaging names such as

Mondi (+10%) performed best amid solid volume growth for packaging and containerboard. Mondi is progressing in making packaging more circular by developing paper-based or recyclable mono-material substitutes for plastic in applications such as bags or trays. In Enabling Technologies, lighting-as-a-service provider Signify (+10%) continued its run, backed by the strong results reported in July. In Loop Resources, metal smelter Boliden and provider of sensor-based reverse vending solutions Tomra continued to lead on the back of strong operations and positive sell-side comments.

## Outlook

Prevailing skepticism about the stability of the ongoing economic recovery and the rising number of Covid-19 infections worldwide, have not yet been able to derail the strong market run since the low reached on 23 March. While a second wave of the pandemic is emerging in Western Europe and India is about to overtake the US as global hotspot, a repetition of systematic lockdowns appears less likely at this point in time. Given that the unprecedented global stimulus and economic damage has so far been mainly concentrated in highly effected market segments such as airlines and hospitality, a continuation of the

economic recovery, albeit at a more moderate pace, is the most likely scenario for us. We continue to perceive the currently wide valuation dispersion across sectors as a source of compelling investment opportunities. Applying our 'circularity lens' in the stock screening process, we find that the acceleration in the adoption of digital collaboration platforms and the onshoring of global supply chains stand out. Furthermore, we think that the current market backdrop continues to provide a strong tailwind for circular building products and equipment for the outdoor recreation sector.

### Why invest in the RobecoSAM Circular Economy Equities Strategy?

- Investing in leading companies that seize the opportunities created by the paradigm shift in traditional production and consumption patterns toward a Circular Economy.
- Focus on innovative solutions, such as the redesign of production inputs that can be reused or recycled, that manage circular logistics and waste management systems, or that promote sustainable and eco-friendly nutrition and lifestyles.

### Why invest now?

Forward-looking concept – an increasing number of countries and companies are addressing the inefficiencies of linear production and consumption. Industry self-regulation toward a Circular Economy is gaining strong momentum amid looming regulatory pressure and a market of consumers who are increasingly demanding sustainable products.

For more information contact us [clientservicing@robecosam.com](mailto:clientservicing@robecosam.com) or have a look at [www.robecosam.com/en/professionals/strategies-services](http://www.robecosam.com/en/professionals/strategies-services).

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