

RobecoSAM Global SDG Equities Fund - EUR Monthly Manager Report | March 2020

Marketing material for professional investors



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Coronavirus expands to a global pandemic; markets tumble on a severe slowdown of economic growth

- Portfolio outperforms in weeks with extraordinary volatility
- Roche benefits from positive news flow on its product pipeline and virus tests
- Financials strongly underperform on fears of higher credit losses

Market review and developments

The global spreading of the SARS-CoV-2 virus turned markets into crisis mode in March. Global stocks around the world tumbled on daily news of a dramatic increase of confirmed cases. At the beginning of April, the global number stood at 870,000, nearly 10 times as many cases as a month ago. Nearly all governments reacted with drastic measures to flatten the curve of newly infected people, in many cases with a full lockdown. Fears of surging unemployment rates as well as collapsing manufacturing and consumption data caused investors to panic and dispose of assets across all categories. The MSCI World Index crashed within a couple of days, increasing the loss from the February peak to max. -

35%. Energy and financials underperformed, while healthcare, consumer staples and IT showed the most resilience. Still, the volatility turned to the other side when global central banks and governments began to release stimulus packages in dimensions never seen before. In the US, the Fed slashed interest rates to zero and initiated a series of programs to buy treasuries, municipal bonds, asset backed and mortgage backed securities, commercial papers and more. The government added a USD 2 trillion Coronavirus Aid, Relief and Economic Security Act to keep the economy running. The temporary relief stabilized the MTD return at around -13%.

Periodic performance comparison (in EUR terms, gross), March 2020

	last month	YTD	2019	2018	2017	2016	2015	2014	Since Inception* p.a.
RobecoSAM Global SDG Equities Fund	-10.88%	-14.91%	26.62%	2.23%	0.15%	-	-	-	4.36%
MSCI World Index TRN	-13.14%	-19.23%	30.02%	-4.11%	-1.31%	-	-	-	-0.27%
Excess Return	2.26%	4.32%	-3.40%	6.34%	1.46%	-	-	-	4.63%

*12.12.2017

Portfolio and performance

The portfolio resisted the downward pressure better than the overall market. It outperformed the benchmark by more than 2%. During the days of extreme losses though, the portfolio performed quite in line with the benchmark, as the correlation between sectors and companies surged. Only in the second half of the month, investors started to digest the news flow and assess the impact of the coronavirus pandemic on individual industries and firms. While companies with sound balance sheets and strong cash flows regained some of their losses, other companies with higher leverage ratios continued to remain under pressure. Roche and Novo Nordisk, two leading European pharmaceuticals, closed the month in positive territory. Both companies expect only limited disruption of their businesses, which is why they will continue to generate high returns on invested capital. Roche further benefits from the high demand for its coronavirus test kits. The risk of higher

competition from biosimilars in the US also seems to become less prominent, with the product pipeline developing strongly. Consequently, some sell-side brokers have improved the rating for Roche. In the IT sector, Microsoft and Cisco performed fairly well on the back of their strong capitalization and cash flow margin. The portfolio added a position in Intel, as we expect the semiconductor manufacturer to benefit from the increasing data volumes managed in the cloud. ON Semiconductor, which suffered heavily due its higher exposure to the industrial and automotive sectors, was reduced. The financials sector was especially hit, with investors worrying about a surge in credit losses in the coming months. Discover Financials performed the worst, as the company faces fewer transactions in the credit card business. The underperformers further included insurance and healthcare REITs.

Outlook

The coronavirus pandemic will push the global economy into a recession. With countries around the world in a simultaneous lockdown, manufacturing and logistics chains are interrupted and businesses closed. As most sectors will be hit, global GDP will face a severe slowdown. The Goldman Sachs economists cut their estimates for the full-year growth for the US to -3.8%. The unprecedented monetary and fiscal policy responses across the world may not prevent the recession, but they will help to dampen the resurgence of financial stress in the economies. Corporates are provided with sufficient capital to prevent an immediate wave of mass lay-offs and defaults. Still, many of them will cut their

guidance or waive planned share buybacks and dividends. The stock market may well remain under pressure during the upcoming Q1 earnings season, as management will be very defensive in setting forecasts for the coming months. For the second half of the year, when the pandemic has hopefully peaked in Europe, we foresee a gradual and material recovery. We therefore remain constructive on the mid-term to long-term perspectives of the equity markets, and intend to use the current market volatility to further solidify positions in companies with very strong long-term business perspectives.

Why invest in the RobecoSAM Global SDG Equities Strategy?

- **Ambition** – The Global SDG Equities Fund supports the global economy's transition toward sustainability by providing capital to companies that generate a material positive contribution to the UN Sustainable Development Goals (SDGs).
- **Approach** – It involves a sophisticated, multi-stage investment process and selects companies with high-quality fundamentals. A proprietary SDG framework provides the research foundation for proper company assessment.

Why invest now?

To reach the targets specified in the 17 SDGs by 2030, immediate action is required. Fundamental change across all industries offers long-term opportunities. The investment process of the Fund is designed to capture the potential of innovative business models while limiting the portfolio's volatility.

For more information visit www.robeco.com.

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