

Marketing material for professional investors

## The tech euphoria continues

- Portfolio lags market as diversification does not pay off
- Voltronic benefits from strong demand, Cisco suffers from weak IT investments
- Regulation promotes more initiatives for a sustainable economy



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## Market review and developments

In August, the MSCI World Index (in local currency) rose in all calendar weeks and is now trading at an all-time high. While the European and Japanese markets are still below the previous year's level and are only recovering slowly, the US market is going through the roof. Since the low in mid-March, the S&P 500 Index increased more than 55%. Technology, and the FANG stocks in particular, continues to dominate all other sectors. With a market capitalization of over USD 2 trillion, Apple alone is now worth more than the entire German DAX Index! The real economy showed an unchanged mixed picture. On the one hand, incoming orders for durable goods and retail sales have recovered

better than expected, but on the other, initial applications for unemployment benefits increased again. Meanwhile, the Fed announced a somewhat different approach to setting monetary policy. Instead of an absolute 2% inflation target, the central banks now want to steer inflation as an average value, accepting a temporary overshoot to compensate for low price increases in recent years. Conversely, this means that nominal interest rates will be kept at near zero for a long time and further purchases of corporate bonds might follow. The equity and commodity markets reacted positively to the continued generous supply of liquidity.

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

	last month	YTD	2019	2018	2017	2016	2015	2014	Since Inception* p.a.
RobecoSAM Global SDG Equities Fund	3.35%	-2.48%	26.62%	2.23%	0.15%	-	-	-	9.00%
MSCI World Index TRN	5.48%	-1.13%	30.02%	-4.11%	-1.31%	-	-	-	7.47%
Excess Return	-2.13%	-1.35%	-3.40%	6.34%	1.46%	-	-	-	1.53%

\*12.12.2017

## Portfolio and performance

Despite the strong performance, the market breadth has continued to decrease. As capital inflows are increasingly concentrated on the big technology names and on a few 'favorites' such as Tesla, the discrepancy between sectors, market capitalization (large vs. small) and between investment factors (growth vs. value) is growing further and partially reaching extreme levels. The focus on technology (or Nasdaq) also comes with a disadvantage for the SDG Equity strategy, as it can only partially invest in FANG shares from a sustainability point of view and aims for the broadest possible diversification by means of the minimum-variance optimization.

In addition to this allocation effect, the position in Cisco contributed negatively to the strategy's performance. The network specialist disappointed again with a weak business outlook. It suffers from corporates reducing their IT spending and prioritizing investments in cloud-based infrastructure

over on-premise infrastructure, Cisco's core business (routers, switches, etc.). In addition, the company announced the departure of the CFO, additionally signaling the need for some reorganization to stabilize the business and get it back to growth. In consumer staples, Sprouts Farmers corrected without specific news, following a strong performance in recent months. The positive contributors included Voltronic Power Technology and Medtronic. Voltronic, which produces special power supply units and solar inverters, benefited from good numbers that resulted from resumed growth from China and the US as well as from cost saving measures. The Medtronic shares rose on confidence that demand for medical devices will recover faster from low numbers in medical procedures, caused by Covid-19. In addition, Medtronic is perceived as having a very promising pipeline of innovative new products.

## Outlook

As expected, industrial production in all major economies picked up strongly after the lockdown ended and businesses gradually reopened. Postponed orders are now being processed and companies are replenishing their inventories. Inflows for new orders show good improvements. Whether this upswing will develop into a full V-shaped recovery, lifting the overall economic output fully back to pre-crisis levels, remains questionable though. The resurgence of unemployment in the US suggests that companies are still cautious about longer-term investments. With regard to retail sales, it is important to note that the weekly payment checks have expired and will not continue to the same extent, at least for the foreseeable future. Also in Europe

more lay-offs are likely to follow when the temporary working programs expire. Consequently, it would not come as a surprise if stock markets (especially in the US) were to take a break after their fastest 50% rally in history. At 190%, the ratio between total market capitalization and GDP, a valuation metric known as the Warren Buffett indicator, has never been as high as today. An intensifying fight for the US presidency is also likely to cause reluctance among investors. Yet, it remains to be seen how long the Retail-Robinhood traders are still capable to push the markets to any further highs.

### 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 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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