

RobecoSAM Smart Materials Fund - EUR Monthly Manager Report | March 2020

Marketing material for professional investors



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Opportunities arise in a volatile market

- Structural growth trends remain
- Smart manufacturing relatively strong in March
- Valuation and growth very compelling

Market review and developments

In March, the strategy underperformed versus the general market and the global materials sector. Over the last 12 months, the strategy underperformed the global markets and the materials sector. Relative valuation versus the general market has become very attractive. This is also true at the stock level, where moves in the market have provided some rare opportunities.

Supply chains are currently challenged by the coronavirus contagion measures. Dependency on just one region or lack

of knowledge about the progress of products can become a major challenge. It has become increasingly clear that production value chains will be reshaped after the crisis and will become more digitalized. It seems that the crisis will accelerate this process. This is one reason we think the smart manufacturing sub-cluster will continue to benefit from even more attractive growth opportunities, as payback periods are getting shorter for more efficient solutions.

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

	last month	YTD	2019	2018	2017	2016	2015	2014	Since Inception* p.a.
RobecoSAM Smart Materials Fund	-18.02%	-24.15%	20.14%	-16.32%	28.59%	18.64%	8.54%	10.93%	5.73%
MSCI World Index TRN	-13.14%	-19.23%	30.02%	-4.11%	7.51%	10.73%	10.42%	19.50%	5.50%
Excess Return	-4.88%	-4.92%	-9.88%	-12.21%	21.08%	7.91%	-1.88%	-8.57%	0.23%

*02.10.2006

Portfolio and performance

The 12-month performance includes relative contributions from smart manufacturing, which delivered well-above-average results, particularly from 3D software-related names but also from robotics. Biobased materials and efficient lighting with OLEDs were also strong. Strategic metals contributed negatively over the period.

In March, relative performance was below the general market and the resources sector, as the weakness in industrials was quite strong. We looked at opportunities and started buying into some attractive names, and reduced exposure in some names that had held up stronger than we expected them to. Analytical instruments and circular systems outperformed relatively, led by Thermo Fisher and Asahi Holdings. Smart manufacturing held up well, and started to offer some increasing opportunities in robotics from our shortlists.

Linde Plc, the industrial gas leader, produces key gases such

as hydrogen and oxygen as well as other gases. After correcting in the earlier part of March, the stock started to stabilize and we started to build a position. The stock increased 11% in euro terms since then.

Arkema, the French chemical leader in materials for applications such as lightweight, biosourced and others, also saw a fair correction in March and started to offer attractive value, which is why we started to build a position. The stock increased 5% in euro terms.

Hexcel, the global leader in carbon fiber materials for aviation, previously reported in-line earnings, managing the short-term challenges of Boeing pretty well, but as the worries around commercial aerospace continued, the stock remained under pressure. The company is a structural beneficiary of the increasing usage of carbon fibers in airplanes. It decreased 42% in US dollar terms.

Outlook

Unprecedented monetary and fiscal policy responses across the world may not prevent a sharp recession, but they will help to dampen the resurgence of financial stress in the economies. Global markets may remain challenged for as long as the future course of the pandemic remains unclear and the lockdowns stay in place, making it likely that an increased number of small companies will struggle to stay in business.

Once measures implemented to reduce the spread of the pandemic can be reduced, the current slump in economic growth should be followed by a recovery. This already appears to be happening in China. We therefore remain constructive on the mid-term to long-term perspectives of

the equity markets, and intend to use the current higher market volatility, focusing on companies with very strong long-term business perspectives.

We are even more positive about secular growth stories related to the decrease of emissions (net zero targets) and more efficient materials and production (e.g. smart manufacturing). More specifically, 3D software, Internet of Things and robotics companies offer attractive opportunities. In the recycling and circular systems investment cluster, which is concentrated on reusing, recycling and repurposing plastics, we are beginning to see attractive opportunities that lead towards more circular business models.

Why invest in the RobecoSAM Smart Materials Strategy?

- Forward-looking concept — Focus on companies that benefit from structural changes resulting from resource scarcity. The fund invests in companies offering products and services that substitute existing materials and processes.
- Focus areas — Invests in structural winners along the materials value chain. The most interesting and fastest-growing focus areas are automation and robotics, 3D software, lightweight materials and energy storage materials.

Why invest now?

More materials and technologies are reaching a tipping point, pollution becoming an ever greater problem as evident in air pollution or plastics. We focus on companies that have solutions to address the challenges of the current and future use of natural resources.

For more information visit www.robeco.com.

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