

Marketing material for professional investors

## Energy storage and efficient building materials outperform

- Structural growth gets additional support from recovery measures
- Earnings outlooks encouraging for companies
- Valuation and growth very compelling



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## Market review and developments

In August, the strategy underperformed versus the general market after a strong start until mid-month and was below the global materials sector. Year-to-date, the strategy underperformed global markets and is below the materials sector; over the 1-year rolling period, the strategy is ahead of the general market and 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.

The earnings season for the second quarter of 2020 has been ongoing and providing some insights. Especially China shows a stronger recovery, whereas Europe and the Americas are behind. Secular themes continue to provide guidance towards more growth in the second half of the year and into 2021, as the transition to more efficient materials and technologies continues to accelerate.

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

	last month	YTD	2019	2018	2017	2016	2015	2014	Since Inception* p.a.
RobecoSAM Smart Materials Fund	2.84%	-2.00%	20.14%	-16.32%	28.59%	18.64%	8.54%	10.93%	7.51%
MSCI World Index TRN	5.48%	-1.13%	30.02%	-4.11%	7.51%	10.73%	10.42%	19.50%	6.87%
Excess Return	-2.64%	-0.87%	-9.88%	-12.21%	21.08%	7.91%	-1.88%	-8.57%	0.64%

\*02.10.2006

## Portfolio and performance

The year-to-date performance includes positive contributions from circular systems, analytical instruments and smart manufacturing, with strong robotics performance. Similarly, energy storage materials rebounded and biobased materials was strong. Strategic metals and lightweighting contributed negatively over the period.

In August, performance ended below the general market after a strong start and below the resources sector, while industrials remained weaker. Energy storage materials benefited from battery makers LG Chem and Samsung SDI as well as lithium producer Livent. Smart manufacturing was led by Yaskawa and PTC. Efficient lighting and displays was weaker after a strong previous month. Lightweight materials also showed strength, with Luxfer and Solvay leading.

With growth coming from electric vehicle-related markets, LG Chem, a global leader in batteries based in South Korea, posted good numbers last month. The company is set to significantly ramp up production in Europe to serve European car manufacturers that need to meet new

emission targets from 2021. Furthermore, the stimulus measures that have been announced in Europe should further increase demand. The company has also been supplying to Tesla in China. The stock is up 30% in Korean won terms.

Samsung SDI, the battery and OLED materials-related specialty materials supplier, continued to benefit from good growth trends and EV batteries starting to turn a profit. Going forward, the increasing adoption of OLED should also bode well for the company. In August, the stock increased 14% in Korean won terms.

Coherent, the laser specialist with strong business related to OLED published in line numbers. Looking towards the second half of the year, the acceleration is likely to come later in the third quarter and at the end of the year, as Apple is set to use OLED in all its iPhone models. The company is attractively positioned and refocusing its activities, with the arrival of the new CEO. The stock declined 19% in US dollar terms.

## Outlook

The economic recovery will likely continue at a moderate rate at best, as a resurgence of coronavirus cases can hamper the reopening process, making further improvement of the job markets less likely. On the other hand, the full monetary support of central banks remains assured, and governments worldwide continue to provide strong stimulus and recovery packages.

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 to further solidify positions in companies with very strong long-term business

perspectives.

Strong secular growth themes related to the decrease of emissions (net zero targets) and more efficient materials and production (e.g. smart manufacturing) are impacting their respective sectors. More specifically, efficient building materials, 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 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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