

RobecoSAM Sustainable Food Equities - EUR Monthly Manager Report | March 2020

Marketing material for professional investors



Holger Frey, CAIA
Senior Portfolio Manager

Pandemic triggers fastest market drop on record

- Two black swans is (at least) one too many
- Unprecedented stimuli accompany unprecedented shutdowns
- Groceries and food online demand surging

Market review and developments

The fastest correction, two of the five worst trading sessions on record and volatility levels only surpassed during the Great Financial Crisis. March provided a variety of records, which tested investors' resilience. In the face of two black swans, the oil price war between Saudi Arabia and Russia, and the escalating pandemic, the MSCI World Index lost 13% or -24% from its February high. Previously inconceivable mobility restrictions were implemented around the world, and governments acted swiftly to announce global fiscal stimulus of USD 4-5 trillion. The food sector was weaker, but the fund outperformed the market by 1.7%. Shutdowns had far-reaching effects, with restaurants hit hardest and comps

for casual dining down as much as 78%. Given the negligible exposure in the fund, we were able to capture some of the positive effects such as surging traffic for groceries (up ~30% at its peak) and food online. In the absence of promotional activities, the inflation gap of 14% between groceries and eating out is reversing. The fight for conscious eating continues despite the crisis. Mexico went ahead with new food and beverage label regulations to warn consumers about excessive calories and sugar, trans fats and sodium levels.

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

	last month	YTD	2019	2018	2017	2016	2015	2014	Since Inception* p.a.
RobecoSAM Sustainable Food Equities	-11.16%	-19.12%	22.14%	-8.54%	6.13%	12.24%	-2.66%	16.89%	4.50%
MSCI World Index TRN	-13.14%	-19.23%	30.02%	-4.11%	7.51%	10.73%	10.42%	19.50%	7.63%
Excess Return	1.98%	0.11%	-7.88%	-4.43%	-1.38%	1.51%	-13.08%	-2.61%	-3.13%

*29.08.2008

Portfolio and performance

In the midst of the market correction, Food Consumption outperformed. Food retailer Kroger (+7%), Sprouts Farmers (+16%) and meal kit provider HelloFresh (+39%) were all up, as operations were not affected by lockdowns. Confirmation of the tailwind in store traffic and online orders amid a sharp drop in eating out activity was provided, as HelloFresh pre-announced a profit beat for Q1 on 31 March. Low customer acquisition costs in the current environment are expected to have a positive impact on profitability. Along those lines, packaged food players such as Meiji, where demand for probiotics is expected to climb, and frozen food specialist Nomad outperformed. Food Security lagged the market, as

investors shied away from agtech. Performance for Production and Logistics was mixed. Salmon farmers such as Bakkafrøst and Salmar erased some of their earlier gains, but rail operators performed better. Sustainable Processing outperformed, with ingredients names such as Chr. Hansen and Givaudan benefiting from non-cyclical end markets. Food packaging companies such as Packaging Corporation of America and Billerud traded well, supported by the shift to e-commerce and stable demand for food packaging solutions.

Outlook

A combination of fast monetary action and unprecedented fiscal policy responses across the world have calmed markets for now. Both may not prevent a sharp and imminent recession, but will help to dampen adverse effects of the associated decline in economic activity, while ensuring the orderly functioning of the financial markets. Equity markets may still remain fragile until the future course of the pandemic is better understood and a reliable plan to reboot the global economy becomes visible. Once measures to control and monitor the spread of the virus are in place, both the announced stimulus packages and consumers' desire to go back to a normal life may unleash a substantial

rise in economic activity. We expect companies with a solid financial base to emerge from the current situation in a superior position, and favor business models that continue to enjoy structural tailwinds or have demonstrated innovation leadership. We consider providers of mechanization and environmentally friendly packaging solutions for food products to be major beneficiaries. Furthermore, we expect the ongoing consumer shift towards more conscious eating among the rising urban middle class to create new opportunities for investors.

Why invest in the RobecoSAM Sustainable Food Equities Strategy?

- Long-term growth potential — Innovation and disruption in the food value chain are only at its beginning. New technologies and consumption shifts create efficiency gains and new growth markets.
- Focus areas — Large number of growth opportunities from AgTech to food automation and sustainable packaging. Investing along the entire food value chain offers a balanced risk/return profile.

Why invest now?

Rising food demand, changing consumer preferences and increasing digitalization are transforming the food value chain.

For more information visit www.robeco.com.

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