

RobecoSAM Sustainable Water Fund – EUR Monthly Manager Report | March 2020

Marketing material for professional investors



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The RobecoSAM Sustainable Water strategy could not detract from the market weakness in March due to the coronavirus.

- British water utilities outperformed in March
- Most cyclical companies underperformed in March
- UK firm Pennon Group is focusing on its water utility business

Market review and developments

In March, governments, populations and economies suffered due to the spread of the coronavirus. As a result, the global equity markets were volatile and were hit, while towards the end of the month a significant rebound started. However, for the month and year-to-date the global equity markets are still in negative territory. After the situation in China started to stabilize following stringent measures by its government, Europe and increasingly North America became the new centers of the crisis. Investors increasingly fear the negative impact on economic development globally

and start to question how long the crisis will continue. However, weakness in certain shares also offered opportunities for long-term investors. British water utilities gave their business updates, which all sounded rather positive. The City of Pittsburgh in the US announced an agreement to replace lead pipes, which carry water to the citizens, by 2026. Lead pipes are a widely spread challenge in the US and it goes without saying that the replacement of these pipes in Pittsburgh and possibly also in other cities will generate growth opportunities for pipe suppliers.

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

	last month	YTD	2019	2018	2017	2016	2015	2014	Since Inception* p.a.
RobecoSAM Sustainable Water Fund	-14.17%	-20.30%	34.45%	-6.65%	14.08%	11.94%	12.92%	17.58%	8.13%
MSCI World Index TRN	-13.14%	-19.23%	30.02%	-4.11%	7.51%	10.73%	10.42%	19.50%	4.78%
Excess Return	-1.03%	-1.07%	4.43%	-2.54%	6.57%	1.21%	2.50%	-1.92%	3.35%

*28.09.2001

Portfolio and performance

As water companies cannot hide from these coronavirus-related trends on the global equity markets, their shares were under pressure as well in March. Especially cyclical companies in the clusters construction & materials and capital goods & chemicals. Most holdings in the fund showed a negative return for the month due to the market weakness. Despite the risk of a recession in the near future related to lockdowns to manage the COVID-19 virus, some shares were punished too harshly. Among the weak performers were European industrials such as Sulzer, Aalberts and Arcadis, and French utility Suez. Among the relatively positive contributors were Japanese holdings such as Kit, Rinnai and Metawater, and British water utilities

Pennon Group, United Utilities and Severn Trent. British water utilities benefited from their defensive nature in general. Pennon Group also benefited from the announcement that it is selling its waste business to a private equity firm at an attractive price. During the sharp correction, we took the opportunity to rebalance or increase some positions, which relatively speaking became more attractive in valuation terms. In March, we also added a new holding to the portfolio, Dover Corporation, which is a US industrial conglomerate that offers various environment-related technologies such as efficient car washing solutions, environmentally friendly textile printing, pump and fluid process solutions.

Outlook

Despite the short-term volatility, long-term drivers such as population growth, the growing global middle class, urbanization, water pollution, aging infrastructure and climate change are intact and it is expected that these trends will generate growth opportunities in the water value chain. However, short-term trends such as more stringent regulations for water quality, new infrastructure construction, refurbishing of outdated infrastructure, metering, desalination and water recycling are also evident.

These too are expected to be supportive for the water industry going forward. RobecoSAM is overweight in suppliers of analytical equipment due to their good growth opportunities. Suppliers of water treatment solutions are also overweight. On the other side, US water utilities are underweight, as some are rather expensive. Brazilian as well as Italian water utilities are also underweight. French utilities are overweight due to their cost saving programs.

Why invest in the RobecoSAM Sustainable Water Strategy?

- Focus on companies that seek solutions to address the challenges of rising water demand.
- Implementing solutions to these challenges is critical to survival and a pre-requisite for further economic growth. This is one of the major growth opportunities of our times.

Why invest now?

Forward-looking concept — While water resources are limited, demand for water is increasing fast. Population growth, urbanization and water-intensive dietary changes add to rising industrial water demand.

For more information visit www.robeco.com.

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