

Marketing material for professional investors

## The water fund rebounded further, benefiting from the more cyclical part of the value chain

- Veolia Environnement has shown interest in Suez
- Water analytics are still overweight
- US water utilities and waste companies are underweight in the fund



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## Market review and developments

Global equity markets increased further in August and almost made us forget the major Covid-19-related correction in March. China has mostly solved this issue with a rigorous lockdown regime. In Europe, the situation has improved; however, recently the number of infected people has increased again, especially in France and Spain. In the Americas, Brazil was hit hard and is still suffering from the virus. In the US, the infection rate is still high, but started to decrease in August. The US-China trade dispute is still harming global trade. On the positive side, there is still

generous support from central banks. The top water-related news in August was the announcement of Veolia Environnement's bid for its major competitor Suez. To start the official bidding, the acquirer would have to convince Engie, Suez' major shareholder, to sell its 29.9% stake to them. Veolia might need to sell some assets after the acquisition to get approval from antitrust authorities. Veolia has already announced that it would sell Suez' French water assets to a French infrastructure fund if the bid is successful. However, more asset sales might be needed.

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

|                                  | last month | YTD    | 2019   | 2018   | 2017   | 2016   | 2015   | 2014   | Since Inception*<br>p.a. |
|----------------------------------|------------|--------|--------|--------|--------|--------|--------|--------|--------------------------|
| RobecoSAM Sustainable Water Fund | 3.85%      | 0.92%  | 34.45% | -6.65% | 14.08% | 11.94% | 12.92% | 17.58% | 9.30%                    |
| MSCI World Index TRN             | 5.48%      | -1.13% | 30.02% | -4.11% | 7.51%  | 10.73% | 10.42% | 19.50% | 5.80%                    |
| Excess Return                    | -1.63%     | 2.05%  | 4.43%  | -2.54% | 6.57%  | 1.21%  | 2.50%  | -1.92% | 3.50%                    |

\*28.09.2001

## Portfolio and performance

The water fund further rebounded in August, as did global equities in general. Mainly the more cyclical clusters capital goods & chemicals and construction & materials performed strongly, benefiting from an expected economic rebound after some countries made progress in their fight against the pandemic. However, Covid-19 is far from being under control yet. In the more cyclical clusters, companies such as Trimble, Kurita Water Industries, Sekisui Chemical, Norma Group, Arcadis and Reliance Worldwide performed well. Reliance Worldwide is a leading supplier of water flow and control products to the plumbing industry. Within utilities, we saw a rather diverse picture. Brazilian and UK utilities contributed

negatively, while French utilities showed a positive return; especially Suez, after Veolia showed interest in buying Suez. On 31 August after Suez' share price jumped approximately 20%, we took some profit and rebalanced the position. We also took some profit and reduced the position in Fortune Brands Home & Security after its recent rally. In August, we added another food ingredient company to the fund: Dutch company Koninklijke DSM. DSM is a leading manufacturer of plant-based proteins. The production of plant-based protein is expected to use fewer water resources than the production of animal-based proteins.

## Outlook

Long-term drivers such as population growth, the growing global middle class, urbanization, water pollution, aging infrastructure and climate change are intact, and these trends are expected to 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 still overweight in suppliers of analytical equipment and water treatment

solutions due to their good growth opportunities. Suppliers of water-related building materials such as plumbing equipment have been overweight, despite the fact that we have taken some profit recently. We still overweight US water utilities, Brazilian water utilities and US waste management. French utilities are overweight due to their cost saving programs, some planned asset disposals and merger & acquisition activities. Overall, there were no significant changes in the outlook and positioning of the fund.

### 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 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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