FUND PROFILE

RSMR
Our Research. Your Success.

SARASIN

FOOD & AGRICULTURE OPPORTUNITIES FUND

August 2022

RSMR RATED FUND

RSMR RESPONSIBLE FUND

OUR RESEARCH. YOUR SUCCESS

CONTENTS

SARASIN FOOD & AGRICULTURE OPPORTUNITIES

OUR FUND PROFILES provide an in-depth review of our leading rated funds and are designed to give advisers, paraplanners and analysts an 'under the bonnet' view of the fund. In providing more detailed commentary than a standard fund factsheet we believe our fund profiles set the standard for the next generation of research notes, aiding in fund selection and in meeting the ongoing suitability requirements expected by the FCA, and helping ensure firms deliver good client outcomes.

All of our rated funds are subject to rigorous and ongoing scrutiny on both a qualitative and quantitative basis. Our fund methodology is available for download from the RSMR Hub – www.rsmr.co.uk

The **Sarasin Food & Agriculture Opportunities Fund** has been an RSMR rated fund since November 2017 and is listed within the RSMR Responsible classifications as Thematic. It is a global equity fund that is unconstrained by benchmark in terms of positioning. Since inception (March 2008) the fund has had consistent input from Henry Boucher, who is also Deputy Chief Investment Officer at Sarasin & Partners and the strategist for the fund. Day to day management is undertaken by Jeneiv Shah as Portfolio Manager who joined Sarasin & Partners in 2017 with Colm Harney as Deputy Portfolio Manager who joined Sarasin in 2018.

The fund seeks growth opportunities within four key categories, namely diet change, nutrition & dietary health, food away from home, agriculture & farming technology and online food delivery & digitalisation. Although the portfolio invests in themes that benefit from opportunities within the food and agriculture sector, the underlying portfolio consists of global equities and as such this is essentially a global equity strategy. However, it is important to remember that this is a thematic fund seeking to find growth opportunities across the entirety of the food spectrum, the fund is not explicitly focused on exposure to the price movements of commodities linked to that spectrum.

The thematic global equity investment process used by Sarasin & Partners on the Food & Agriculture Opportunities Fund produces a benchmark agnostic proposition, diverse in geographic and industry allocation. The portfolio construction has a rigorous ESG element embedded into the process which stems from Sarasin's heritage in running money for a range of charities, foundations and institutional investors. The fund has demonstrated compelling risk/return characteristics compared to both the Investment Association Global and Global Emerging Markets sectors.

Stuart Ryan, Chartered FCSI, Chartered Wealth Manager, Investment Research Manager, RSMR

Stuart graduated from the University of Wales Swansea with a degree in Law and commenced his career in finance in 2004 at HSBC in Canary Wharf. He has gained wide range of experience in finance ranging from investment management and investment banking to financial trading and market making.

Stuart worked for over 6 years at London based IFA Holden & Partners as Investment Manager leading the in-house investment team. This included portfolio construction (including SRI & ESG portfolios), investment research, conducting face-to-face meetings with both fund managers and clients and being a member of the internal investment committee. He was subsequently the Performance & Risk manager at Redmayne Bentley based in Leeds and sat on the various asset allocation committees as well as the Model Portfolio Service committee.

Stuart is a Chartered Fellow of the Chartered Institute for Securities and Investment (CISI) as well as a Chartered Wealth Manager.

IA SPECIALIST SECTOR

The Sarasin Food & Agriculture Opportunities Fund is classified in the Investment Association (IA) Specialist sector, which includes a wide variety of fairly disparate funds. Due to this, as well as the underlying investment proposition of the fund, comparison against peers in this sector is inappropriate. To counter this, the performance section of this report considers how the fund has delivered returns against appropriate sector averages. The sectors selected being the IA Global due to the underlying composition of the portfolio, and the IA Global Emerging Markets as many of the themes played out within the fund are predicated upon the growth in emerging market economies, irrespective of where the invested company is listed. The fund is also compared against the EAA Agriculture sector which comprises funds with similar investment themes.

SARASIN & PARTNERS LLP

Sarasin & Partners LLP is a specialist asset manager that manages assets on behalf of their clients across a range of capabilities covering multi-asset, third party funds, equities, fixed income and real estate.

As of 31st March 2022, Sarasin were responsible for managing £20.5 billion in investments on behalf of charities, private clients, institutions and intermediaries. Sarasin operates as a partnership with management owning 40% of the economic interest. The remainder is owned by Bank J Safra Sarasin Ltd. Combined, the group has total assets under management in excess of £159.2 billion as at the 31st December 2020.

The Board of Sarasin & Partners LLP has overall responsibility for the management of the business. The firm's overall strategy is set by the Board with implementation and day-to-day management delegated to the Executive Committee.

SARASIN FOOD & AGRICULTURE OPPORTUNITIES

Managers	Jeneiv Shah & Colm Harney
Structure	OEIC
IA Sector	Specialist
Launched	31st March 2008
Fund Size	£211.3m (30/06/2022)

Fund Management Team

The primary manager on the fund from inception (March 2008) until July 2021 was Henry Boucher and he continues to be actively involved as strategist to the fund. Henry's change in role was in response to the evolution of the concept of sustainability to focus not just on climate change but also on land use, as a significant proportion of human climate impact is via deforestation and land use. Due to this, Sarasin are spending an increasing amount of time on the negative externalities of the issues caused by farming. This is not only farming for food but also the farming of land that is for produce that is not eaten (e.g. biofuels). This evolution requires a considerable amount of time focused on strategic thinking, which is the role being undertaken by Henry for the fund.

The fund is managed by Jeneiv Shah who joined Sarasin & Partners in 2017 as part of the fund management team. Jeneiv is supported by Colm Harney who joined Sarasin & Partners in 2018 and is Deputy Portfolio Manager on the fund.

In addition to the dedicated resource, the strategy also pulls in the resource of the wider thematic global equity team with additional input from the multi-asset investment team.

Jeneiv Shah – Portfolio Manager

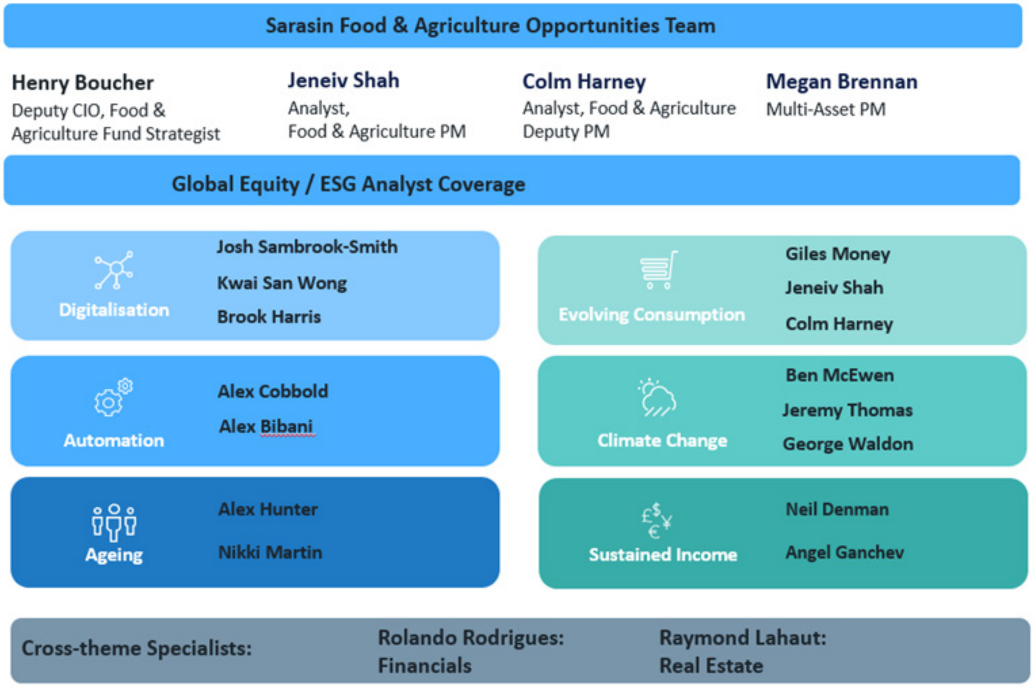
Jeneiv began his investment career in 2008 at Mirae Asset Global Investment as an Emerging Market Analyst. Prior to joining Sarasin and Partners in 2017 he worked at T Rowe Price as an International Equity Analyst for 7 years. Jeneiv is the Portfolio Manager for Sarasin Food & Agriculture Opportunities and is also an analyst within the wider Global Thematic Equity Investment Team. Jeneiv graduated from Warwick University with a BSc in Mathematics and is a CFA Charterholder.

Colm Harney – Deputy Portfolio Manager

Colm joined Sarasin and Partners in 2018. Prior to this Colm was a global equities analyst/portfolio manager at the West Midlands Pension Fund. Colm graduated from Smurfit School of Business (Dublin) with a MSc in Finance. He is also a CFA Charterholder.

Henry Boucher – Partner, Deputy Chief Investment Officer. Food & Agriculture Opportunities Fund Strategist

Henry started his career in fund management in 1983. Specialising in multi-asset and global equity fund management, he has managed a wide variety of funds, including unit trusts, pension funds, life funds and charity endowments. Henry is Chairman of the Sarasin & Partners Investment Strategy Group, responsible for defining the long-term thematic investment landscape. Henry is Deputy Chief Investment Officer, focused on global equities and with expertise in sustainable investment. He is also responsible for managing one of the firm's specialist thematic investment strategies, Food & Agriculture Opportunities. Henry is a Fellow of the Chartered Institute of Securities and Investment (CISI).



Fund Objectives & Targets

The objective of the Sarasin Food & Agriculture Opportunities Fund is to achieve long-term capital growth via investment in food and agriculture companies from across the world. Due to the underlying themes the fund invests in and the investment process at Sarasin & Partners, there is no underlying benchmark and so there are no constraints in terms of portfolio positioning.

Investment Philosophy & Process

The global equity investment philosophy at Sarasin & Partners is founded on the key principle that to invest in a company is to participate in the long-term success of that company. Underpinning this principle are three pillars on which the fund management process is based, namely thematic, responsible ownership, and active management.

- **Thematic** – Themes are ultimately what drive long term corporate profitability, and these have the potential for attractive long-term investment return. They look for themes which are likely to persist for at least 18 months across industry sectors and geographies, using a combination of macro and micro factors. Companies sought are those most likely to benefit from the theme and that have attractive returns on capital and a sustainable competitive advantage.

- **Stewardship (Responsible Ownership)** – Environmental, Social and Governance (ESG) analysis forms an integral part of the investment process as does the fundamental analysis of companies. Active engagement with the companies owned is important and can lead to the proactive raising of concerns where necessary.

• **Active Management** – Companies are invested in where the long-term economic profits are not currently being reflected in the market valuation. This is based on a belief that markets are not wholly efficient.

The portfolio investment process starts by identifying any company which has part of its business involved in food production. This encompasses agricultural land, production and machinery, chemicals, transportation and storage, and processing, through to distribution and retail. Around 550 companies make up this initial universe, however these are further screened to exclude companies that are too small, not liquid enough, or that have poor governance.

The investment philosophy can then be overlaid onto the investment process:

• Idea Generation (Thematic) – The thematic process is used to identify various growth trends, and research resources are then focussed on these areas to identify which companies will benefit. The team believe that there are a number of megatrends which cause the inexorable growth that forms a backdrop for the fund, which are population growth, rising living standards and the increasing trend of urbanisation across the world. Within the Food & Agriculture Opportunities fund there are four overarching themes which come from the megatrends. These are diet change, nutrition & dietary health, food away from the home, agriculture & farming technology and online food delivery & digitalisation. The managers look at sub themes to identify possible hunting grounds for stock ideas. This stage of the process results in circa 500 stocks within the Food & Agriculture universe.

• Stock Selection (Stewardship) – The identified themes are then populated with companies that Sarasin expect to benefit from the theme. Further due diligence is undertaken assessing the long-term valuations and applying a variety of metrics to analyse the prospects for each stock. This also includes ESG analysis. This stage of the process results in the Food & Agriculture Buy List containing between 40-60 stocks.

• Portfolio Construction (Active Management) – A core list of stocks is created comprising companies in whom the managers have long term conviction, from which the portfolio can be constructed. Typically, the fund contains between 35 and 55 stocks.

Once a holding is established in the portfolio via the investment process, sell discipline is maintained via the following conditions:

• Share price reaches intrinsic value estimates – Each investment case has an estimate of intrinsic value and an expected absolute return. If the investment case transpires (with the intrinsic value being reached) then a mandatory review of the holding will take place.

• Change in investment case – If the original investment case alters due to new information becoming available, the investment held will be reviewed.

• Superior idea – Holdings may be sold in favour of better ideas to include in the portfolio.

• Portfolio risk profile – Risk analysis of the portfolio can, on rare occasions, highlight unintended factor, style or correlation risks that require action. This may result in adjustments to existing holdings being made.

• Theme removal – When a theme is removed or replaced, the underlying holdings related to that theme will be reviewed.

The fund does not have a formal benchmark and the active share of the fund is typically between 90-95%. The portfolio usually consists of 35-55 stocks with annual turnover in the region of 10-35%, The maximum single stock holding weight is 10%, however in practice the managers rarely exceed their internal guideline of 6%. In terms of risk constraints, the fund will have the following regional guidelines:

- 0%-40% Emerging Markets
- 0%-40% Europe ex UK
- 0%-15% Japan
- 20%-60% North America
- 0%-25% Pacific ex Japan
- 0%-25% United Kingdom

Environmental, Social and Governance Factors

"by picking apart the individual components and really understanding them, we can get to the heart of each company of what the ESG issues really are"
– Henry Boucher

The fund does not apply hard exclusions based on ethics however it does have a responsible and stewardship approach which is integrated into the investment process. ESG issues are a fundamental part of the assessment undertaken on every stock and are factored into the modelling of the revenue and cost projections for the business as well as the threats to the business model.

Sarasin view ESG matters as potential harms with Henry stating, 'you cannot look at the environment as one 'E' but as its component parts'. This is reflected in the underlying components of climate change, circular economy, land, air and water, which are focused on for the environment. The same principle applies to social issues with the underlying areas of suppliers, employees, customers, bribery & corruption and cohesive society identified. For the social aspect, Henry highlights that you need to look at suppliers and customers differently as for example, for customers obesity is an issue that has given rise to sugar taxes and a change in consumer preferences.

By focusing on these component parts, issues can be identified with a premium added to the cost of capital in the models for that business. Elaborating further, Henry states 'by picking apart the individual components and really understanding them, we can get to the heart of each company of what the ESG issues really are'.

Traffic light analysis is applied to the companies held to highlight areas of concern with each stock graded A-E with support from the Stewardship team. Stocks graded E are unvisitable due to clear breaches of environmental and social norms, unethical business practices and/or a failed governance structure.

The fund has a sustainability policy that covers eleven key sustainability issues listed as follows:

1. Deforestation
2. Depletion of water tables and contamination of the water system
3. Desertification & soil erosion
4. Biofuels
5. Land grabbing
6. Carbon emissions from agriculture
7. Animal treatment, livestock intensity and the overuse of antibiotics
8. Fishstocks & marine deforestation
9. Genetic modification
10. Labour conditions
11. Pesticides

The nature of the strategy means that areas such as gambling, armaments and tobacco will not be held, although alcohol exposure can be actively held within the portfolio.

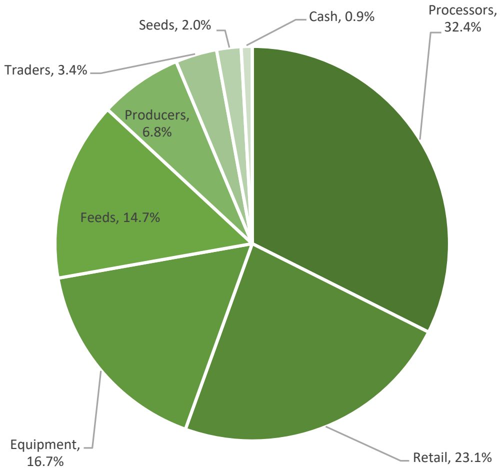
There is also zero exposure in the portfolio to crop chemicals, palm oil producers and beef producers.

PAST & CURRENT POSITIONING/STRATEGY

Although the portfolio invests in themes that benefit from opportunities within the food and agriculture sector, the underlying portfolio consists of global equities and as such this is essentially a global equity strategy.

Driving the selection of global equities within the portfolio are three key megatrends, the first of which is population growth; as the world population increases the demand for food naturally increases. Second, the raising of living standards across the developing world and the change in diet which accompanies it. As people become wealthier, the range and quality of foods also increases, with an increase in protein from meat the most apparent change. In the West, diets are also changing to healthier foods, with more fish and less red meats consumed each year. Finally, urbanisation and infrastructure development results in more people living in cities and an increase in the experience of food hospitality, whether that be in restaurants or being delivered to experience at home. Furthermore, as access to a reliable source of power becomes more common, the consumption of perishable foods such as dairy products increases. These trends create multiple investment opportunities across the food spectrum for the portfolio. Ranging from the land itself, transportation and storage, to retailing, there is a varied opportunity set that covers numerous industries and geographies. The manager uses the phrase ‘from field to fork’ to encapsulate the opportunities right across the food chain, all of which are available for consideration within the portfolio. This enables the manager to invest in food not just as sustenance but also as an experience. The key for the managers is to pick out the areas that are timely and positive in the food chain whilst underplaying those that may have a headwind or may be encountering a negative issue.

The following pie chart provides an example of the diverse food spectrum exposure within the fund:



Source: Sarasin 30/06/2022 & RSMR. Numbers may not add up to 100% due to rounding.

The fund is actively managed and its composition will vary. Fund details and characteristics are as of the date noted and subject to change.

‘This is a very long-term investment fund. It is more than the demographic drivers, it is more than rising wealth. It is a story of better health, diet change in an area which is still very inefficient where the benefits of modern technology will bring a lot of efficiency and productivity over time’

– Henry Boucher

As the world population is growing, the amount people spend per person per year on food is also increasing. This trend can be seen both in developed and in emerging markets. Naturally, the emerging markets are showing the greatest increase in expenditure as these regions are typically starting from a lower base. This trend is set to continue, with some of the greatest opportunities flowing from this increase. Data from the United Nations shows that from 1950 to 2022 the world population has increased from 2.5 billion to 7.9 billion. This figure is projected to be 8.5 billion by 2030, 9.7 billion by 2050 and 10.4 billion in 2100 with the growth occurring in the emerging markets, in particular. This will result in far more mouths to feed and solutions to cope with this increased demand.

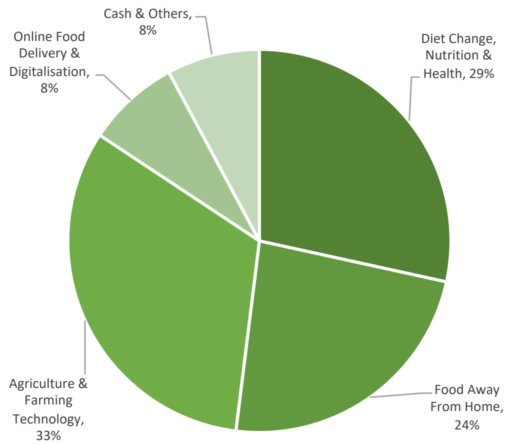
'we try to stay relatively diversified across the whole of the spectrum, across the whole of our themes'
– Jeneiv Shah

To access this opportunity set, the fund looks across the entire food chain and this can be broken down into two levels. The first is the range of the food spectrum encompassing the field to fork principle, highlighted above. The second is the sub-themes that drive the opportunities, and these can be broken down into four categories:

- Diet change, nutrition & dietary health this includes healthier diets, luxury and indulgence, new proteins, snacking and wellness.
- Food away from home – this includes experiences.
- Agriculture & farming technology – this includes climate change, circular economy, water scarcity, smarter agriculture.
- Online food delivery & digitalisation – this includes online ordering, big data, future retail, analytics and automation and the internet of things.

Each of these underlying themes of the portfolio are benefitting from a variety of thematic tailwinds. Due to this, typically all themes are present in the portfolio at any one time. As the manager states, 'we try to stay relatively diversified across the whole of the spectrum, across the whole of our themes'.

The following pie chart provides an example of the food & agriculture themes exposure within the fund:



Source: Sarasin 30/06/2022 & RSMR. Numbers may not add up to 100% due to rounding.

The fund is actively managed and its composition will vary. Fund details and characteristics are as of the date noted and subject to change.

As can be seen, the sub-themes are incredibly diverse covering a variety of different areas and industries, some of which are not naturally associated with food and agriculture.

An example of this is the use of analytics and automation as techniques that are already used in other industries are moving into the agriculture space. This is via the adoption of machine vision, automation robotics and big data, all of which will see increased productivity, less waste and improve the overall economics.

Two of the four themes, agriculture & farming technology and online delivery & digitalisation, are technology focused. Currently every aspect of the food chain employs some form of technology with the emphasis going forward on minimising farm inputs and minimising the use of chemicals. Farmers are embracing technology as the productivity gains far outweigh the expenditure on the equipment. A beneficiary of this has been the holding in Deere & Co which has experienced a tailwind as higher crop prices have resulted in farmers achieving higher valuations for their yields, giving them increased ability to invest in machinery. Technology has the potential to increase productivity gains across the food chain ranging from precision agriculture robots and artificial intelligence (although this is in its infancy) to online shopping (robot goods pickers) and diets of livestock. For the latter point, DSM is a good example of a company that is transitioning itself towards animal and human nutrition providing solutions via animal feed to improve the health of livestock that in turns results in a higher yield per animal.

'If we look at it objectively, the food system is not sustainable today with the companies in the fund helping the system to transition to become more sustainable'
– Jeneiv Shah

The food and agriculture chain does face headwinds with challenges for traditional agriculture inputs, and the sustainability and security of the food system. The use of pesticides, herbicides and nitrogen-based fertilisers is causing significant environmental impact and has resulted in a demonstrable loss in biodiversity that now requires government intervention. This was an area of focus at COP26.

Pesticides, herbicides and nitrogen-based fertilisers are used to increase yield and if their use is restricted, then ultimately, we will see yield reductions as a valuable part of the food chain shrinking instead of growing. This will impact crop chemical producers such as Bayer and is why there is zero exposure in the portfolio). Issues such as this have ramifications to the investable universe of the strategy, in terms of both the supply side and demand side.

With any challenges, there are opportunities that generate interesting stock ideas due to the solutions that are created. This includes areas in innovative agriculture technology, the circular economy & sustainable inputs as well as in food waste reduction. This is a fast-moving dynamic area and reinforces Henry's focus on strategy within the overall resource of the fund.

The portfolio has already been positioned to capture the opportunities from companies that assist with the reduction of waste in the food chain. For example, many of the ingredient companies have technologies to protect produce to provide extended shelf life, as well as livestock health improvements to increase yield. As the manager states, 'If we look at it objectively, the food system is not sustainable today, but the companies in the fund help the system to transition to become more sustainable'.

The rising inflation, and consequently rising interest rate environment of the first half of 2022, resulted in the market repricing to reflect this backdrop. Long duration cash flow companies (i.e. investing today andnot making cash flow with a view to a build a network that can be monetised in the future) came under pressure, most notably within the online food delivery and digitalisation category (e.g. Ocado).

To reflect this changing market backdrop, the exposure to online food delivery and digitalisation has declined from 18.2% in June 2021 to 8% in June 2022. The managers still believe in the theme and the companies held but they are not currently being rewarded by the market. Instead of removing the names, the managers elected to not add to the positions whilst they were deflating, but instead to assess the environment. One holding was removed as part of this assessment, Meituan, leaving five companies in the theme within the portfolio. Concerns overgrowth in China, combined with the elevated valuation left the position with limited upside and consequently the company was removed.

As exposure to online food delivery and digitalisation was declining, in March 2022, the weight to agriculture and farming technology was increased in the fund from 17.9% in June 2021 to be maintained between 30-35% going forward. The rationale for this is that the managers believe we are on the cusp of an agriculture cycle that is going to persist. It is unusual for a position in this theme to be at these levels as the agriculture cycle can be very volatile, and ultimately this is not what the fund is trying to pursue as it is seeking thematic ideas. However, against the current backdrop, the companies held within the theme are better placed to navigate the market going forward.

The rationale for this view is that grain prices (i.e. soy, wheat, corn) are rising due to multiple factors, mainly relating the war in Ukraine which put additional pressure on the upstream food market, which the managers had seen tightening since September 2021. The recent agreement between Russia and Ukraine (mediated by Turkey and the UN) to unblock ports to allow the export of grain has seen prices roll back slightly, however the managers feel the market is reacting as though the situation is resolved, whereas it is going to take time for this to occur. Confidence will need to be restored for shipping activity to increase in the Black Sea ports to pre-crisis levels with ongoing constraints on supply impacting prices. As well as the supply problems created by the Russia / Ukraine conflict, many of the world's key agricultural producing areas have experienced extreme weather events which has made it incredibly difficult to reliably produce supply.

To capitalise on this theme, new ideas have been added to the portfolio with Bunge (American agribusiness and food company), and Archer Daniels Midland (American multinational food processing and commodities trading) examples of this. Relative to the rest of the universe, the medium-term investment case is stronger for companies such as Bunge, Archer Midland Daniels, as well as the fertiliser companies, versus the rest of the investable universe. However, this is not a speculative bet on agriculture, instead the managers are recognising that fundamental business performance will be better from these names and consequently the market will reward this. If this thesis plays out and the market becomes more supportive of the thematic growth names, then it is the managers responsibility to readjust the portfolio and reposition the fund accordingly.

The removal of FeverTree is an example of a business that has been removed from the portfolio due to less pricing power and weakening sales demand. The product is a discretionary item with other options available at lower price points (e.g., Britvic) so passing on price increases is challenging (e.g. increased packaging costs as the glass bottles are sensitive to the oil price).

Reliable compounding staples companies with pricing power are preferred in the current environment – Nestle and Mondelez were added to the portfolio in 2021, and both have outperformed on a relative basis. The manager describes these types of businesses as 'ballast stocks' that will not be in the top ten holdings but are in the 1.5-2.5% weight range and are a very safe place to hide in when times are challenging. When there is a sign that the market is rewarding thematic growth names once more, the ballast stocks will either be pared back or sold.

'We have maintained our disciplined process when it comes to stock selection, conducting the fundamental bottom-up work as we are not going to chase after IPOs'
– Jeneiv Shah

With increased opportunities comes an expanded universe of ideas, with several Initial Public Offerings (IPOs) and Special Purpose Acquisition Company's (SPACs) over the past three years (e.g. Beyond Meat) as well as increased potential future listings as well, although the volume of new listings has been very low so far in 2022 against the turbulent backdrop. Each of these new ideas has one thing in common, they are all disruptors of legacy market participants. It is important to note that the fund will not participate in all of these new opportunities as fundamental work is required before any investment decision is made, and they are prepared to be patient and wait for more attractive entry points. As the manager confirms, 'we have maintained our disciplined process when it comes to stock selection, conducting the fundamental bottom-up work as we are not going to chase after IPOs'. Beyond Meat was owned in the portfolio post the IPO, however it is no longer held as there were concerns over the valuation and competitor pressures for the business.

Even against the recent uncertain backdrop, standards of living are still increasing globally which in turn leads to individuals seeking a little indulgence in their lives, whether that is via a small treat in the form of premium wines and chocolate or premium quality items. Although 2020 was challenging for many, the year did witness increased usage of online ordering, a trend that is set to continue and has benefitted the portfolio with the positions held.

With regards to the environmental challenge of climate change (and its inevitable impacts), this will force change to take place. Meat consumption will decline with increased consumption of vegetables, fish and alternative proteins. All of this will result in a reduction in carbon footprints with a focus on waste and pollution reduction as well and will put pressure on companies that have increased their revenue by expanding the use of packaging e.g., coffee in one portion pouches. This can be seen with the OECD (Organisation for Economic Co-operation and Development) policy of extended producer responsibility for the treatment and disposal of post-consumer products. This will put pressure on some large established fast-moving consumer goods (FMCG) businesses.

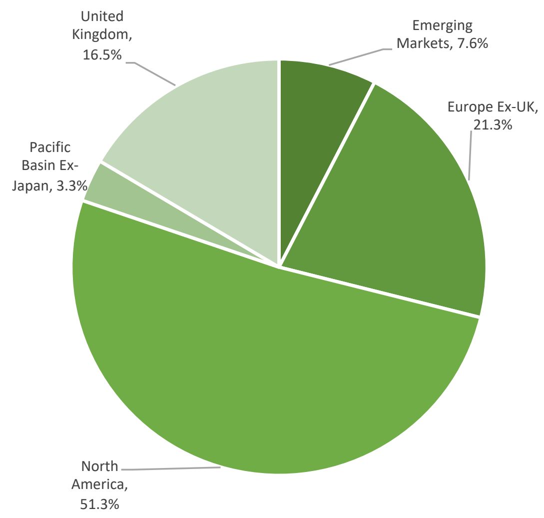
This leads on to where the managers will not invest, as parts of the agriculture food chain are quite challenged, although this can lead to opportunity. For example, traditional agricultural inputs are under threat as row crop subsidies are increasingly at risk, biofuel demand is declining as electric vehicle use increases, and crop chemical use is going to decrease due to environmental issues and technological advancements. The opportunity from this is the use of precision spraying via Deere and AGCO, livestock farmers using eubiotics instead of antibiotics via DSM and CHR Hansen, and the China pig herd rebuild and the technification of livestock farming via Genus. Food waste reduction is an opportunity with more efficient grocery retailing via Ocado, more efficient use of ingredients in commercial kitchens via Middleby and the shelf-life of products extended via Kerry and IFF. The use of 'haptic' technology (recreating the experience of touch by applying forces) by Ocado will enable robots (as opposed to humans) to pick increasingly more delicate food items (e.g., soft fruits) enabling the removal of a large proportion of the cost of food retailing, especially as labour costs are increasing.

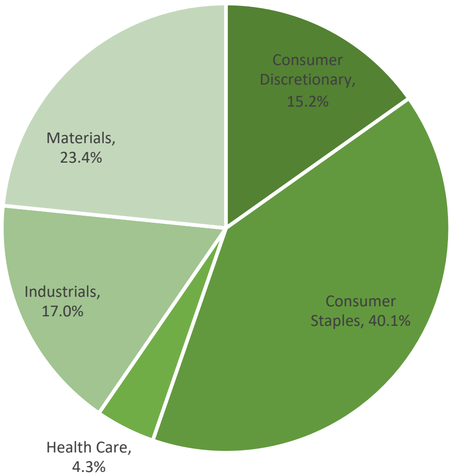
The managers highlight that there is an amazing shift taking place in the food industry, an industry that is not on many people's radars. These shifts will see an increased amount of value unlocked and companies such as Ocado and Just Eat are building the platforms that will be the dominant players in terms of turnover within the next five to ten years. This is the opportunity that is available to the strategy.

The only restaurant chain currently held in the fund is Chipotle within the food away from home theme, which was introduced into the fund at the beginning of 2022. The company is held due to the efficiency in processing drive though orders via 'Chipotlanes' that remove the frictions encountered with traditional drive through stores resulting in increased turnover and increasing profit margins when compared to traditional stores.

The demand for salmon is increasing, especially in a post pandemic world as there is an increased focus on healthier eating. Compared to beef and lamb, farmed aquaculture uses less soy/corn with salmon the lowest user. To capitalise on this trend, Atlantic Sapphire was introduced into the fund in 2021. The company is a land-based salmon producer that uses a recirculating aquaculture systems approach to sustainably raise salmon. The managers are of the view that the market for premium sustainable salmon could grow as much as eight times over the next decade with Atlantic Sapphire a beneficiary of this growth.

The following charts provide an example of how the portfolio may be positioned. As can be seen, the geographic exposure by listing is global with the portfolio constructed in a bottom-up way with no reference to a benchmark and the managers buy stocks where they see the most attractive opportunities.





Source: Sarasin 30/06/2022 & RSMR. Numbers may not add up to 100% due to rounding.

The fund is actively managed and its composition will vary. Fund details and characteristics are as of the date noted and subject to change.

Although exposure to emerging markets from a direct listing perspective has decreased over recent years, the underlying sales of the businesses held within the portfolio are in emerging markets with exposure obtained via listings in developed nations. For example, both DSM and International Flavors & Fragrances have circa 30% exposure to emerging markets via their products.

PERFORMANCE

The Sarasin Food & Agriculture Opportunities Fund has delivered a return of 68.99% over the last 7 years, outperforming the agriculture sector which returned 23.21% over the same period. The fund also outperformed the IA Global Emerging Market sector average which delivered 59.19% over the same time frame. The fund was outperforming the IA Global sector average over seven years until the second half of 2019 when the fund stabilised after a period of strong growth.

Since that point, the macro backdrop has provided somewhat of a headwind, initially via exposure to disruptive growth names that were beneficiaries during the events of 2020 (i.e., food delivery businesses such as Delivery Hero) and then weaker during 2021 as economies reopened. The fund did have exposure to names that benefitted from the economic reopening (i.e., restaurant exposed holdings), however those gains were offset by the underperformance of the disruptive growth names.

Like many funds, the strategy has not been immune to the market rotation that has taken place in the first half of 2022 due to the rising inflationary backdrop, rising interest rates, geopolitical tensions and concerns over a global recession.

Reflecting on this backdrop, it is important to remember that this is a thematic fund seeking to find growth opportunities across the entirety of the food spectrum, the fund is not explicitly focused on exposure to the price movements of commodities linked to that spectrum. The fund can have exposure to long duration technology names which provided a headwind in the first half of 2022. This includes names such as Ocado, Delivery Hero and Just Eat. The managers feel the market is being too short term with its view on these types of businesses, reflecting the depressed levels experienced in the first half of 2022. The market will look more favourably on these businesses once again when the guidance from the central banks indicates the rate hiking cycle is ending or will not be as aggressive as previously priced in. At that point, the managers will tactically review the five names held and determine which to support further, in essence high grading the portfolio.

The fund did benefit in part from the movement in the price of fertiliser due to exposure to fertiliser producers such as CF Industries and Nutrien. This price increase does feed into increased input costs (combined with increased operating costs as energy prices rise), and so the increased price of the underlying crops farmed has offset this. The rising input costs has focussed attention on to precision agriculture with holdings such as Deere and Agco benefitting.

Digitalisation of food businesses have underperformed in the first half of 2022 as a rising interest rate environment, combined with a stronger demand for normal activity post pandemic, impacted performance. This is reflected in positions such as Delivery Hero which announced higher than expected investment and costs with the online grocery platform. Increased agriculture exposure took place in the quarter with new positions initiated in Mosaic Industries (fertiliser specialist), Bunge (commodity trading) and CNH (agriculture equipment specialist).

The second quarter of 2022 was a period of persistent inflation and rising interest rates with markets continuing to struggle against this backdrop. There were positives with the Chinese pork processing company, WH Group, assisting returns as recovering sales in the US and Europe bolstered profits. International Flavors & Fragrances also contributed due to its strong pricing power as the company makes essential ingredients for companies operating in the nutrition, health foods and beverages areas.

High growth technology companies in general have been subject to derating in the first half of 2022 and exposure within the portfolio was not immune with holdings in Ocado and Just Eat Takeaway coming under pressure.

The Chinese food delivery platform company, Meituan, was sold in the second quarter due to its elevated valuation and limited upside. A position in Archer Daniels Midland (agriculture commodity trading and grain-crushing) was initiated as the company is in a position to benefit from the disrupted and tight grain markets.

‘If Colm and I stick to our process and our beliefs, we think the businesses that we own will come good over a three to five-year period’

– Jeneiv Shah

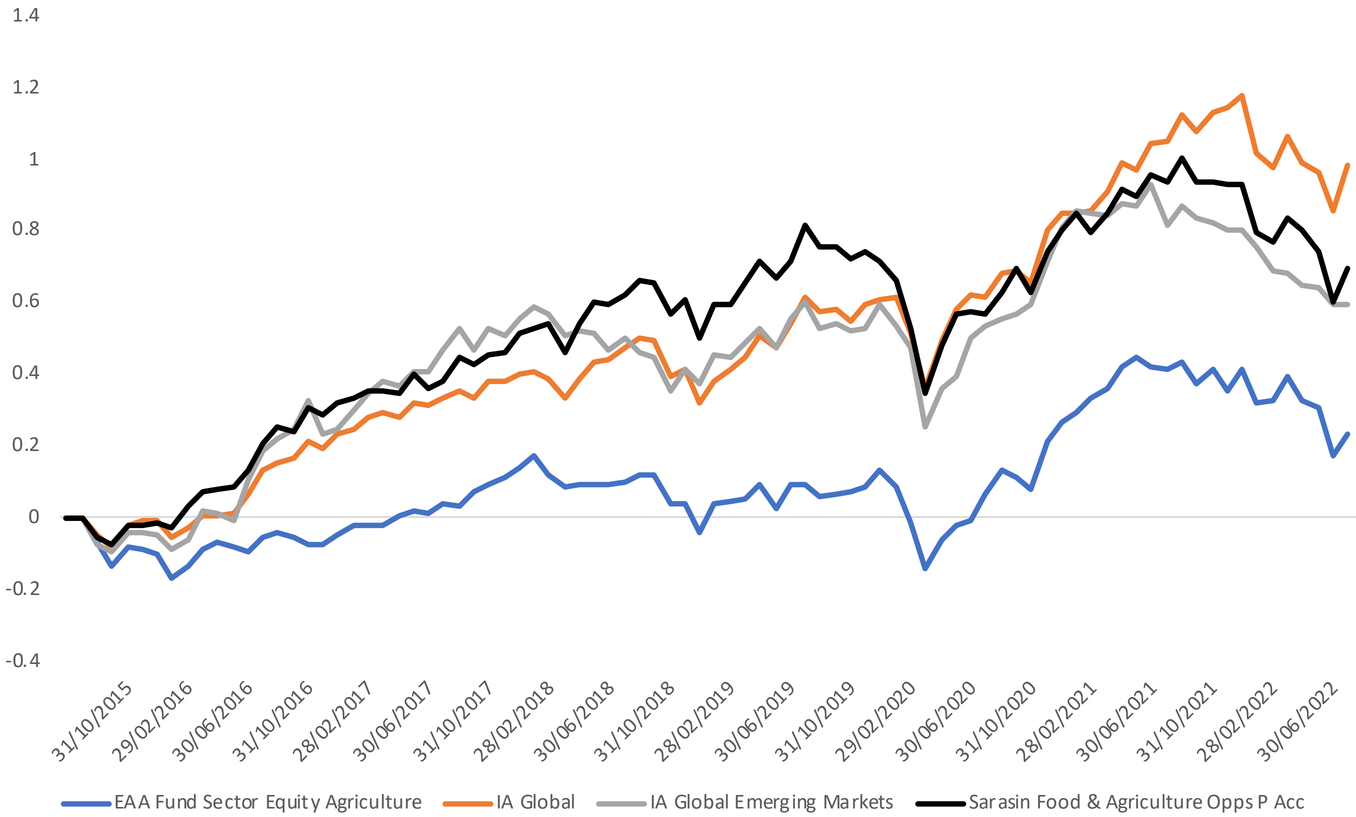
Due to the nature of the fund proposition and underlying investment themes, the fund is not constructed to outperform over the short term. Jeneiv highlights that if 'Colm and I stick to our process and our beliefs; we think the businesses that we own will come good over a three to five-year period'.

This approach can be seen with the holding in Ocado, a stock the fund has held over the long term and has benefitted the portfolio over the period of ownership. The stock has experienced, like many of its peers, a period of underperformance in the first half of 2022 with the managers aggressively trimming the position when the stock was above £20. The position has not been added to as the share price weakened, however the managers feel there is still another five to ten years growth to be realised from the company and continue to hold it in the fund.

The fund is bottom up in terms of its stock selection process and there is an overweight bias towards the consumer staples sector which represents over 40% of the allocation of the fund. This allocation is at the expense of sectors such as energy, financial services and utilities. The fund will underperform the global benchmarks when there is a rotation into the sectors where the fund has a zero weighting, or a significant underweight. This was experienced during the onset of the Covid-19 pandemic.

The managers highlight that the trend of the unit price since the launch of the fund reflects the nature of the businesses that are invested in. These are compounding businesses growing revenue at mid-single digits and which typically go in cycles. The managers continue by highlighting that the wider market does not always recognise and reward this steady incremental growth immediately.

Sarasin Food & Agriculture Opportunities Fund vs EAA Sector Equity Agriculture Performance IA Global and IA Global Emerging Markets Sectors. (July 2015 – July 2022)



Source: Sarasin (31/07/2022) & RSMR. Figures shown are for the P Acc share class in sterling.

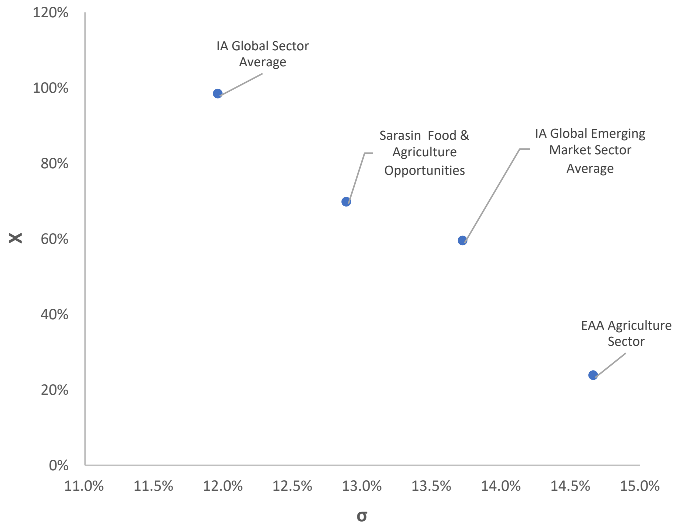
The figures shown relate to past performance. Past Performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

As the chart illustrates, over the past seven years, the fund has delivered robust returns providing exposure to global growth trends that are set to continue over the long term. These returns highlight the diverse composition of the underlying portfolio, the diversification benefits of the fund itself cand the strong stock selection and valuation discipline. Recent strong performers in the fund include WH Group, Mondelez, China Mengniu, Barry Callebaut and Compass Group.

It is useful to compare this fund against the IA Global sector as it consists of a broad portfolio of global equities and can be used to provide a broad equity exposure in a thematic way. As can be seen from the following chart, the fund has experienced marginally more risk than the global sector average over seven years, however it should be noted that this increase in risk is more of a function of the macro backdrop since 2020 as opposed to stock selection within the portfolio.

The Global Emerging Markets sector is also compared, as many of the themes played out within the fund are predicated upon the growth in emerging market economies, irrespective of where the invested company is listed. The EAA Agriculture sector is included as it comprises funds which invest along a similar theme. Against both of these sectors, the fund has delivered greater returns whilst experiencing less risk.

This risk/return characteristics of the fund versus the comparative sectors over seven years (31/07/2015-31/07/2022) is illustrated in the following scatter chart.



Source: Sarasin (31/07/2022) & RSMR. Figures shown are for the P Acc share class in sterling.

The figures shown relate to past performance. Past Performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

SUMMARY & EVALUATION

The Sarasin Food & Agriculture Opportunities Fund is first and foremost a global equity proposition. The fund invests in global equities to gain exposure to themes across the food spectrum and along the food chain, both of which benefit from the global demographic changes and the requirement to feed the population. However, it is important to remember that this is a thematic fund seeking to find growth opportunities across the entirety of the food spectrum, the fund is not explicitly focused on exposure to the price movements of commodities linked to that spectrum.

The thematic global equity investment process produces a benchmark agnostic proposition and as such the portfolio can include a diverse number of industries, geographies and themes ranging from online ordering, analytics & automation and healthier diets to water scarcity and climate change. This naturally leads to a high active share. The manager typically runs a fairly concentrated portfolio of around 35 to 55 stocks with low annual turnover. The fund is well resourced benefitting from a co-manager structure and a dedicated strategist, all of which are supported by the wider Global Equity team at Sarasin.

The world population is set to rise dramatically, with an estimated 67 million new mouths to feed each year. The fund is positioned to benefit from this rising global population as well as increasing income levels, which in turn leads to greater consumption and increased value in the food economy. Advances in technology in the agriculture sector is a key theme which the managers of the fund are keen to access across the food chain.

Changes in the way society accesses food, whether in the form of regular grocery shopping or experiencing outside hospitality in the comfort of your own home, are captured in the opportunity set of the fund and highlight the forward thinking and adaptability of the underlying portfolio to societal change.

This adaptability is also reflected in the dedicated strategist role for the fund which allows for the consideration and strategic thinking that is required to fully reflect on the influences that impact the themes within the portfolio, and therefore the opportunities for the fund. The fund is able to react and reposition to take advantage of these identified opportunities.

This level of flexibility is enhanced by the fund not following a formal benchmark.

Stewardship is a fundamental part of the investment process, and the fund does have a sustainability policy covering eleven sustainability issues. That said, some of the underlying holdings and themes in the portfolio may not be suitable for all investors. Sectors such as gambling, armaments and tobacco will not be held as the focus on the fund is on food and agriculture, although there can be exposure to alcohol.

The Sarasin Food & Agriculture Opportunities Fund is a worthy candidate for consideration to diversify exposure within the global equities allocation when constructing a portfolio. The fund provides exposure to key long-term megatrends that are only going to accelerate.

ABOUT US

RSMR
Our Research. Your Success.

Established in 2004 RSMR provides research and analysis to firms working across the UK's personal financial services marketplace.

Our work is completed with total impartiality, without any conflict of interest and delivered to a high professional standard by a team of experienced and highly qualified people.

Working with advisers

We provide specialist research, analysis and support to a diverse range of financial advisers and planners helping them to deliver sound advice to their clients, backed by rigorous and structured research and due diligence.

The main regulatory body in the UK, the FCA, states that personal recommendations made by advisers should be 'based on a comprehensive and fair analysis of the relevant market' and this has led to closer scrutiny of the whole advice process. Our solutions are designed to help advisers meet these challenges whilst recognising that advisory firms require a range of flexible options that best meet their own business needs and those of their clients.

Working with providers

We work with all the leading fund groups, life and pension companies and platform operators across the financial services sector offering straight forward and pragmatic advice to help add value and improve their business performance and efficiency whilst treating customers fairly in line with FCA requirements.

Ratings

Our innovative ratings are now recognised as market leading and cover a broad area of investment solutions including single strategy funds, SRI funds, Multimanager and multi-asset funds, DFMs and investment trusts. Our familiar 'R' logo is now recognised as a trusted badge of quality by advisers and providers alike and a 'must-have' when selecting funds. Our ratings are founded on a strict methodology that considers performance and risk measures but places a greater emphasis on the ability of fund managers to continue to deliver performance in the years ahead. based on our in-depth face-to-face meetings with fund managers across the globe.

We understand financial services and we will work alongside you to deliver tailored solutions that are right for your clients and your business.

Our research. Your success.

RSMR

Our Research. Your Success.

Number 20
Ryefield Business Park
Belton Road
Silsden
West Yorkshire
BD20 0EE

Tel: 01535 656 555
Email: enquiries@rsmgroup.co.uk
www.rsmr.co.uk

OUR RESEARCH. YOUR SUCCESS