

Sarasin Food & Agriculture Opportunities

Quarterly commentary Q1 2026

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Economic review

Tariff disruption and a surge in energy prices following the commencement of war in Iran negatively affected investor sentiment during the quarter. Investors became increasingly concerned about inflation risks, which led to a weaker performance across global stock markets.

Japan was the strongest major equity market, supported by yen weakness and expectations of higher government spending. Meanwhile, UK equities were relatively resilient due to a weaker sterling.

Fund review

Agribusiness and grain trader Bunge contributed positively to the fund's performance. Improved soybean crush margins and final clarification on biofuel subsidies helped the stock this quarter. Another positive contributor was Ahold Delhaize. The food retailer announced better-than-expected margin performance in its US grocery business, as well as continued strong cash generation.

Deere's shares were re-rated positively as the market believes that we are the start of a new agriculture equipment cycle. We are not as convinced as others that the company's fundamentals are improving and have trimmed our holding.

In contrast, our holding in Compass weighed on performance. Shares in the catering and support services company have been negatively impacted by sentiment concerns for its office-based canteen segment, where AI could lead to job replacement. However, we think this view is too simplistic and the de-rating is overdone. BellRing's share price also fell. Competition from Coca-Cola and other new entrants into the ready-to-drink protein beverage market led the company to issue slower revenue growth guidance.

Retail hardware and software technology company Vusion suffered from unwarranted concerns over a 'revenue cliff' once its Walmart contract is fully rolled out, and this led to a major de-rating of its shares. We believe new client wins could rebuff this negative view.

Fund transactions

We increased our holding in Vusion, as we think that the market is too sceptical about its pipeline of new client opportunities for electronic shelf label technology. We also added Uber as its platform for providing autonomous electric vehicles should be successful and we like the partnerships it has announced in recent months.

A de-rating of Chipotle to multi-year valuation lows provided an opportunity to increase our holding in the restaurant chain. We think the company will benefit from FIFA World Cup-related spending and dining out.

We took some profit from our holding in Bunge on the strength of the cyclical sector in which it operates. We also reduced our holding in flavours and fragrances company Givaudan, given slower growth guidance the company issued for its taste ingredients.

We sold some of our holding in Brazil-based agribusiness SLC Agricola as we think that there is a low likelihood of a simultaneously strong cotton and soybean upcycle in Latin America.

Outlook

Although there are hopes of a managed de-escalation of the Iran war, there is also a strong possibility of a protracted, perhaps lower-intensity, conflict lasting several months. Global economic growth should remain resilient, though inflation is likely to increase modestly for most developed economies. The Iran conflict has led to a repricing of fertilisers in the near-term. It is too soon to say whether this will result in a multi-year inflationary cycle as it can quickly reverse course, but we think geopolitical tension will continue for the next few months and are considering whether to hedge against these risks.

In the food and agriculture value chain, we favour companies that are generating strong cash flows. Consumer behaviour has become driven by health, wellness and convenience, as well as value. The agriculture cycle is in a trough and there are no immediate signs of a major upcycle, although we remain aware that geopolitics and climate change could help to put these companies in favour once more. We think our exposure to non-US stocks – where we see more attractive relative valuations and potential for growth surprises – results in a fund that offers something different from peers.

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Key risks

It is important that investors are aware of the various risks prior to making an investment decision. The primary risks of the fund have been outlined below:

Concentration risk: The fund holds a small number of investments, and therefore a decline in the value of a single investment may have a greater impact than if it held a larger number of investments.

Emerging markets risk: Emerging markets may face more political, economic or structural challenges than developed markets. Shares may also be less liquid, meaning investments may not be sold quickly enough to prevent or minimize a loss. As a result, investing in emerging markets may involve a higher risk than investing in developed markets.

Small-cap equities risk: Shares of smaller companies can be riskier, as they may be more difficult to buy and sell, and their prices may fluctuate more than those of larger companies.

Operational risk: Operational risks arising from failures or delays in processes and systems, or the failure of a third-party provider may affect the value of your investments. If compensation is required to due failures, payments may be delayed.

Counterparty and settlement risk: The fund could lose money if a counterparty with which it transacts with becomes unwilling or unable to repay money owed to the fund.

Charges deducted from capital: The fund has charges deducted from capital, which may reduce the potential for growth.

Further details of the risks that apply to the fund can be found in the fund's Prospectus.

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Capital at risk. The value of investments and any income derived from them can fall as well as rise and investors may not get back the amount originally invested. If investing in foreign currencies, the return in the investor's reference currency may increase or decrease as a result of currency fluctuations. Past performance is not a reliable indicator of future results and may not be repeated. Forecasts are not a reliable indicator of future performance.

The fund is managed by Sarasin Investment Funds Limited (the "Authorised Corporate Director/ACD"), which is authorised and regulated by the Financial Conduct Authority (FRN: 122244). The ACD has delegated its administration and registrar functions to Northern Trust Global Services SE, UK Branch. The ACD has appointed Sarasin & Partners LLP as the Investment Manager of the fund.

The fund may not be appropriate for investors who plan to withdraw their money within five years. Prospective investors should review the Prospectus carefully, including the section on 'Risk Factors', prior to making any final investment decisions. The Prospectus, the Key Investor Information Document for the relevant class, as well as the annual and half-yearly reports, are available in English free of charge via the relevant product pages on our website or upon request.

The fund may not be distributed to investors in jurisdictions where such distribution would be unlawful. The ACD reserves the right to reject any applications from investors outside of the jurisdictions where the fund is registered for sale. US Persons are not permitted to subscribe for shares in the fund.

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