



TARENO

Global Water Solutions Fund



PERFORMANCE REPORT AUGUST 2020



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Tareno Global Water Solutions Fund August 2020

August was another strong month for risk assets as the number of daily new Cov-19 infections in the US started to decrease. The presidential campaign has continued to gather steam with the final nomination of Joe Biden and his vice president candidate Kamala Harris. As the democrats seem to lead the polls now, the tech-sector continued its rally during the reporting period. The announcement of the Fed, that they decided to shift to average inflation targeting confirmed, that monetary policy would remain supportive. The famous “Hotel California” comes to our mind here – “You can check out any time you like, but you can never leave”.

Most economic data released pointed to moderate growth in August. Manufacturing PMI, as well as Service PMI surprised on the upside and the housing market remained the bright spot with housing starts, home sales and the homebuilder sentiment beating expectations. Toll Brothers CEO Doug Yearley said in an interview after their results presentation (stellar results by the way), that he had never seen such strong momentum in his entire 30-year career. The ability to work from home and record low mortgage yields will drive demand for houses way into 2021. Since every house requires water infrastructure, the companies exposed to residential buildings will benefit from this trend. Since the beginning of the summer, “construction” keeps to be a major driver in the water universe. We still need to be very selective, since there are pockets of weakness in construction as well. After some channel-checks, we are cautious on non-residential construction and would stay away from names with significant exposure in this area.

August also marked the end of the second-quarter earnings season, which surprised on the upside relative to weak expectations. We came away from this earnings season convinced, that the impact of the disruptions due to the pandemic is manageable.

During the reporting period, the Tareno Global Water Solutions Fund achieved a performance of +3.83% (R1 Tranche in Euro).

There were some transactions on the M&A front during the last couple of weeks as French conglomerate Saur bought Dutch water-solutions provider Nijhuis, Suez bought Lanxess’ membranes business and Danaher bought Aquatic Informatics (a data management solution for Danaher’s water testing platform). The big surprise (at least in terms of timing, as the rumor has been circulating for some time) was Veolia’s plan to make an offer for the 29.9% stake of Suez that is currently held by Engie. With Engie most likely ready to sell the stake (the CEO described the investment as “non-strategic” some time ago), Veolia has for sure an eye on the whole company. They are optimistic, that the deal would go through from a regulatory standpoint as well. Suez’ French water assets will be sold to an infrastructure fund according to the plan that Veolia presented at the press conference.

Some minor adjustments were made to the fund. We reduced our exposure to Japan and added to positions in the construction vertical (Homeserve and Advanced Drainage Systems).

Best regards



Stefan Schütz



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Stefan Schütz leads the equity research team consisting of 6 analysts, and is responsible for the European and US industry sector. He has over 20 years of experience in equity research and asset management. Stefan Schütz started his career in the finance industry in 1997 at Bank CIC. He joined the Tareno Investment Team shortly after the inception of the Tareno Global Water Solutions Fund in November 2007. Stefan Schütz is Certified International Investment Analyst (CIIA).