



# TARENO

## Global Water Solutions Fund



### PERFORMANCE REPORT NOVEMBER 2020



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## Tareno Global Water Solutions Fund November 2020

The month of November was very busy with regard to risk events. Presidential elections in the USA, numerous company reports on the 3rd quarter and another FED meeting.

Although Joe Biden was elected as the new president by a clear majority, a tough battle developed over the actual decision, which will probably only be made in court. Linked to the election of the Democrats is the expectation of a significant expansion of fiscal policy measures, such as the launch of an infrastructure program.

If politicians agree on a stimulus package, it's unlikely that the water sector would be its major beneficiary. The water sector has coped very well with the pandemic unlike travel or entertainment for example. With his focus on climate change, Biden will be good for water. Trump in fact was good for water as well. Given his rhetoric on climate change, this is not obvious, but drinking water spending grew by 10% per year under his administration – faster than at any time in the US Census Bureau's 28 years of data. Anyway, the stock markets reacted positively to the outcome of the election across the board.

The FED's statement after the central bank meeting also had a positive effect on share prices. During his post-meeting news conference, Fed Chairman Jerome Powell said he feels that the Fed still has plenty of policy "ammunition" and pledged that the committee is "strongly committed" to using these powerful tools to support the economy.

A few days after the election, US pharma giant Pfizer announced the successful trial of a vaccine to fight the Cov-19 pandemic. This news immediately started to draw capital from the sideline into the stock market. The Dow Jones Index reached a new all-time high, crossing the 30'000 level.

Last but not least, the earnings season ended on a positive note for the companies in our universe. We got several strong reports and solid outlooks into 2021 from Tetra Tech, Advanced Drainage Systems, Emerson, Wienerberger or Kurita to name a few.

The Tareno Global Water Solutions Fund achieved a return of +4.9% (R1 Euro Tranche).

Looking at our four demand verticals, there is growing optimism among irrigation suppliers, that the rally in commodities can be sustained. Corn prices have been holding above \$4/bushel, a level rarely reached recently. In addition, the Biden administration is looking to increase funding for irrigation projects. We have been underweighting irrigation names for some time, but continued monitoring the space. We would like to see the positive trend strengthening before becoming more constructive on the relevant companies.

The picture for industrials has improved quite a bit in the recent month. Every round of hope for a vaccine might push companies closer to release capex, that were postponed due to the pandemic. A rebound in industrial activity and investment would be a clear positive for the water universe. The construction sector remains the bright spot, as the pandemic has had a positive impact on home sales (low mortgage rates, work from home, strong remodeling activity). The US has seen its supply of homes for sale falling to an all-time low in October.

Several adjustments were made to the portfolio during the reporting period. We trimmed positions in Danaher, Thermo Fisher and Ansys as they got ahead of themselves in terms of valuation. We initiated positions in US irrigation-systems supplier Toro Corp and Finnish water treatment chemicals supplier Kemira. In addition, we have increased our exposure to the construction vertical by adding to Uponor and Rexnord.



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As far as ESG is concerned, our fund was awarded with the FNG label, a sustainability label by the German “Forum Nachhaltige Geldanlagen”, for the third time in a row and again achieved two out of three stars.

As this is the last report until early January 2021, I would like to thank you for your continued support and wish you and your families a happy holiday season!

Stay safe

Stefan Schütz



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).