
BNP PARIBAS WEALTH MANAGEMENT

2021 Investment Themes

Half-Year Update

June 2021



BNP PARIBAS
WEALTH MANAGEMENT

The bank
for a changing
world

01

The future of food: health, productivity and water security



The future of food: health, productivity and water security

MEDIUM-TERM, HIGH RISK

There is growing awareness of the impact of food production and the consumption chain on the environment and our carbon footprint. These themes are among the UN's Sustainable Development Goals (SDGs). Consequently we expect a strong demand for goods and services in these areas.

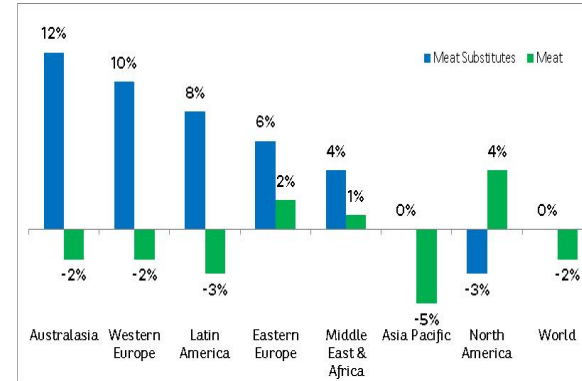
New trends in food and nutrition are today focused on healthy eating and nutraceuticals (food with health properties), vegan/vegetarian diets and products including plant-based meat substitutes. We also analyse the role of innovation in food production in improving agricultural productivity and using less water, more environmentally-friendly fertilizers and recycling. Finally, environmentally-friendly packaging and alternatives to plastics offer attractive investment opportunities.

Food demand and innovations in food production

This theme relates to several of the UN's Sustainable Development Goals (SDG): "Zero hunger", "Good health and well-being", "Responsible consumption and production" and "Water". The UN estimates that the world's population will soar to 9.7 billion by 2050 from 7.7 billion today, despite a falling fertility rate. Ensuring that the world population is fed in a sustainable and environmentally-friendly way is one of the biggest challenges ever. This theme will be a top priority for consumers, governments and companies.

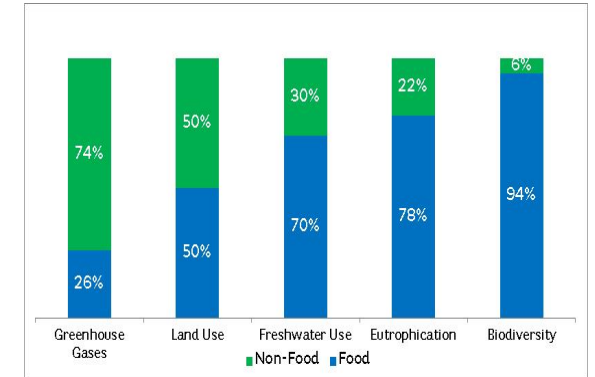
Demand for food is on the rise due to population growth but it is also changing in nature. Indeed, recent trends in demand suggest a shift towards non-meat or vegan food due to mounting concerns about health and carbon footprint awareness (see chart).

Global meat substitutes vs. meat volume growth in 2020



Sources: Euromonitors, UBS Analytics

Global environmental impacts of agriculture and food



Source: Our World in Data – Sustainability

Indeed, food production is a major source of pollution and water consumption. This is especially true for meat production and is even responsible for CO2 emissions (see chart). The path towards more sustainable food production systems is thus crucial. Innovations in agricultural sciences, precision farming and ways to reduce waste in the value chain are contributing to this goal.

Food & beverage companies are also aware of the impact on final demand for their products, and are quickly adapting product ranges to accommodate these new food trends. Furthermore, the growing appetite of both institutional and retail investors to apply ESG criteria in selecting their investments will also fuel pressure on companies to adopt the necessary changes.

Opportunities and Risks

MAIN RISKS

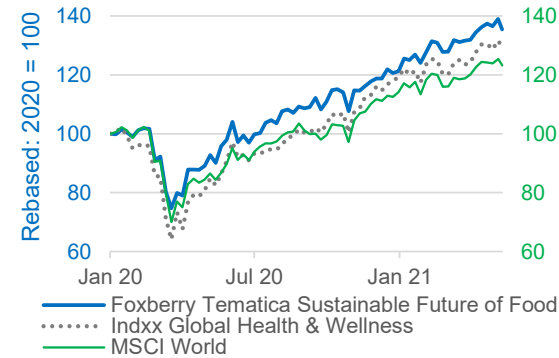
The investment solutions related to this theme mainly relate to equities. Despite the theme's relevance and attractive potential returns, investment solutions will still be subject to global equity market movements. A factor that should limit the risk relative to global equity markets could be that companies related to this theme should often benefit from a high rating for Environmental, Social and Governance (ESG) criteria.

Water and Packaging

Water has been defined as a specific SDG by the UN. Only around 3% of the earth's water is fresh. Of this amount, approximately 7.5% is usable. Governments worldwide are ever-conscious of the importance of useable water especially in food production. Optimising the use of water and technologies to reuse and recycle water will be central to the path towards a circular economy in this area.

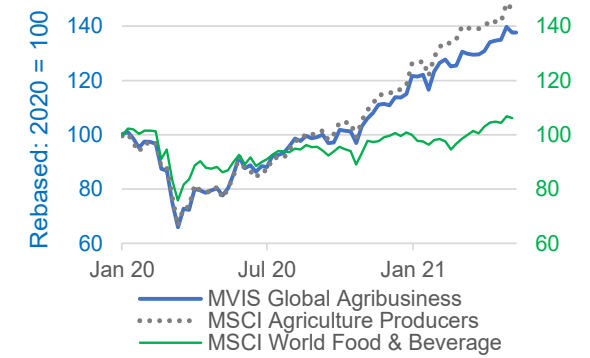
Growing awareness from consumers on the environmental consequences of packaging (above all plastics) will be another key driver of change. This is particularly true as this topic is attracting greater media coverage. Governments too understand the need to act quickly. The Directive (EU) 2019/904 "New Directive for Single Use Plastics", adopted in the European Union in June 2019, was a key milestone, and other countries, such as the US, are following suit.

Future of Food index beats global equities



Source: Bloomberg

Agriculture producers outperform Food & Beverage sector overall



Source: Bloomberg

Key beneficiaries of the mega trend shaping the food industry

We focus on three sections of the food value chain and look at companies which actively contribute to sustainable food production and the transition towards a circular economy:

- (1) Demand for new kinds of food, such as alternatives to meat as well as vegan food;
- (2) Innovations in agricultural science including biological pesticides and fertilizers, precision farming (increasing the crop yield for any given amount of inputs needed) as well as waste reduction technologies, and
- (3) Sustainable packaging thanks to technologies which reduce and reuse packaging, and alternatives to plastics etc.

We will focus on stocks of companies that operate in these areas, or via actively-managed funds or ETFs.



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C.I.A. RÉSEAU

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