

# Santander Prosperity

Report | 1Q23



(RED)EFINE HOW YOU INVEST

# Santander Prosperity

Today's society faces challenges such as population ageing, expanding urbanization, and supplying food and drinking water and global health inequities.

**Santander Prosperity is a global, multi-sector equity fund with a focus on long-term growth and profitability themes that contribute to improving our well-being as a society.**



By 2050, 1 in 4 people in Europe or North America will be over 65.

United Nations

By 2050, the urban population will have doubled and close to 7 out of 10 people will be living in cities.

World Bank



# The investment you want for yourself, the future you want for all of us

Fund with a focus on innovative profitable companies

Sustainable fund with a clear social objective

15% of the fund's management fee is contributed to the Global Fund to help save lives with (RED).

Santander Prosperity Fund invests in companies whose activities are grouped around **three basic themes**:



## Health & Well-Being

An increasingly long-lived population, technological progress and the need to provide quality medicine at reasonable costs are some of the reasons behind the revolution in healthcare and the rise of companies dedicated to ensuring health and well-being.

DNA sequencing

Immunotherapy / mRNA vaccines

Biopharmaceutical research

## Food & Nutrition

Population growth and climate change are affecting both the demand for food and our capacity to produce it. The food industry as a whole needs to be transformed to meet growing production needs sustainably.

Agriculture equipment and technology

Sustainable agriculture

Food recycling



## Education & Financial inclusion

A growing middle class and accelerating technology during the pandemic have catalysed an industry that is not only growing, but evolving. This is also one of the themes most directly related to the SDGs, as it has a greater social focus.

Universal primary education

Technology content and tools

Microloans

# Santander Prosperity

## Features of the portfolio

**41,5MMUSD\***  
AUM

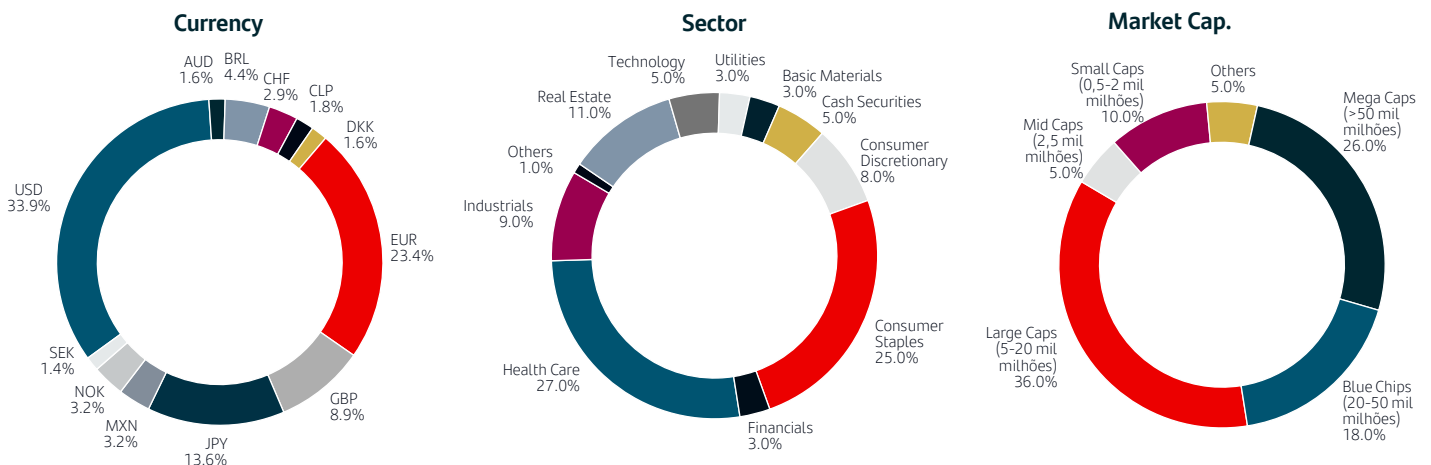
**63**  
Number of Positions

**97%**  
Investment in equity

\*Assets under management of the current strategy adding the vehicles of Luxembourg and Mexico.  
Data as of March 31.

## Portfolio positioning

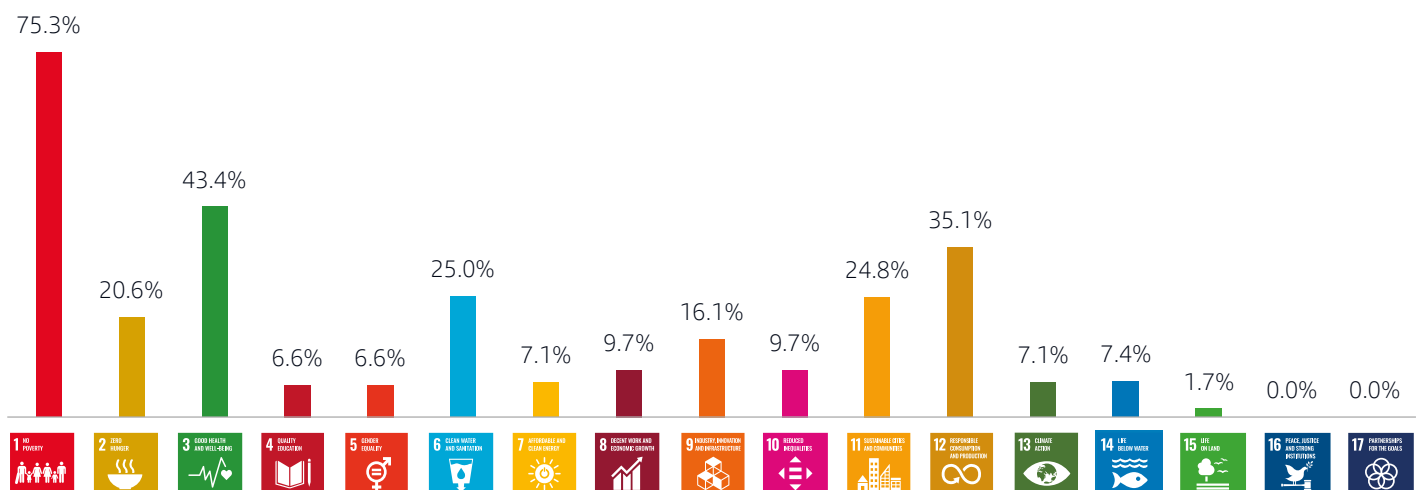
Sector Allocation, by Currency and company size



## Exposure of the fund AUM across the 17 SDGs

**Santander Prosperity** invests in companies whose activities are grouped around three themes: Health & Wellness, Education & Financial Inclusion, and Food & Nutrition.

These three major societal challenges in which the fund invests are mainly focused on the following 6 SDGs: **Eradication of poverty**, **Good health and Wellbeing**, **Quality education**, **Gender equality**, **Decent work and economic growth**, and **Reduced inequalities**.



\*The sum of the averages may exceed 100, as a company may contribute to more than one Sustainable development Goal (SDG).

# Santander Prosperity

## We have joined forces with (RED) to achieve a better future

We will donate an amount equivalent to 15% of the fund's management fee to the Global Fund to improve health around the world.



Founded by Bono and Bobby Shriver in 2006 to fight AIDS, (RED) partners with the world's most iconic brands and individuals to create products and experiences that raise money to help alleviate global health crises.

To date, (RED) has raised more than \$700 million for The Global Fund, helping more than 245 million people. Funds raised by (RED) support life-saving programmes that empower health workers and provide testing, treatment and care.

(RED) supports Global Fund programming in sub-Saharan Africa, where the burden of HIV is greatest. But disease knows no borders and HIV disproportionately affects marginalised communities everywhere. With this new partnership, (RED) is expanding its portfolio to include Colombia and Guatemala.

Latin America and the Caribbean have made significant progress in the fight against HIV/AIDS in recent decades. But the COVID-19 pandemic hit the region hard, and its spillover effects could trigger a resurgence of infectious diseases, especially in vulnerable populations facing poverty, inequality and discrimination.



Global Fund is a global movement to defeat HIV, tuberculosis (TB) and malaria and ensure a healthier, safer and more equitable future for all. It raises and invests USD 4 billion per year to fight the deadliest infectious diseases, challenge the injustice that fuels them, and strengthen health systems in more than 100 countries.

It brings together global leaders, communities, civil society, health workers and the private sector to find out what works and then scale it up, so the world progresses farther and faster.

**50**  
million lives  
saved

**23.3m**  
People treated with  
antiretroviral therapy for HIV

**5.3m**  
people treated for  
tuberculosis

**133.2m**  
Mosquito nets distributed

Figures at 2022 year-end

## Global Fund programmes that we support

With the new Santander Prosperity Fund, (RED) and Santander will support Global Fund programmes that address global health inequalities in two Latin American countries: Colombia and Guatemala.



### Colombia

Colombia has the fourth highest prevalence of HIV/AIDS in Latin America and is experiencing an upward trend in the number of new cases. The Global Fund's work in Colombia focuses on reducing inequalities and providing HIV prevention, care and treatment services to historically underserved populations, including people living in poverty and migrant communities. Another priority is providing women with health services to prevent mother-to-child transmission of HIV.



### Guatemala

Although new HIV infections have declined in Guatemala over the past ten years, not enough has been done to accelerate the trend in recent years. Global Fund programmes in Guatemala help improve maternal health care, including ensuring that women have access to regular medical visits during pregnancy, HIV screenings, health and nutrition education, and continued care for mother and child after delivery. Additionally, Global Fund supported programmes are encouraged to pursue innovative digital health solutions as they help reach patients with HIV testing and treatment and improve overall health communications.



## INVESTMENT MEGATRENDS

# Food & Nutrition

We analyze one of the three investment megatrends in which Santander Prosperity invests

Estimated value of the food and beverage industry (USD trn)

5.8 → 9.0  
2021 2026

Estimated value of the healthy foods niche (USD trn)

1 | +35%  
2026 compared with 2020

Access to safe and nutritious food is essential.

However, malnutrition and food security are currently serious concerns for society. According to the findings of the latest World Nutrition Report, diet quality has not improved for years and is far from healthy. Ultra-processed foods, which often contain excess fat, salt and sugar, are a major contributor to an unhealthy diet, but their consumption continues to increase in low- and middle-income countries.

That same report shows that, for example, fruit and vegetable consumption is still far below the WHO recommended levels (60% and 40%, respectively). In contrast, consumption of red and processed meat and sugary drinks is increasing and remains well above recommended levels.

The main problems facing our society are:



### Malnutrition and obesity

The WHO defines malnutrition as "deficiencies, excesses or imbalances in a person's intake of energy and/or nutrients", encompassing both undernourished people and those who are overweight or obese. One-third of the world's population suffers from some form of malnutrition and this figure could rise to 50 per cent by 2030 if current trends persist.

Therefore, there is a need to develop nutritional ingredients that improve food quality (reduction of sugar, salt and other less healthy components) and to incorporate nutritional supplements into daily diets.



### Environmental impact

Agriculture is often cited as a vector for endocrine disrupting pollution, especially through the use of herbicides, insecticides and pesticides. As a result, we are moving towards a model of using fertilisers and pesticides with fewer chemicals. For example, one of the EU's key objectives is to farm land less intensively, with a target to reduce the use of fertilisers (by 20%), pesticides (50%) and antibacterials (50%) by 2030, and increase the land devoted to organic farming to 25% of the total.

Moreover, the development of new agricultural equipment and technologies is vital in order to meet the challenge of food security by increasing productivity and reducing losses. The use of much more efficient equipment and automation of agricultural processes will increase efficiency and reduce labour needs and production costs.

Autonomous technologies (driverless tractors) and the use of drones are two clear examples.



### Food security and quality in production chains

From farm to fork, the entire value chain has a role to play in ensuring that the food we eat is healthy and nutritious and does not contain additives. According to WHO data, 1 in 10 people in the world fall ill after eating contaminated food and 75% of the new viruses this century have originated from animals in our food chain.

The term food safety refers to the proper handling, cooking, storage and preservation of food to protect consumers from illnesses caused by microbes, bacteria and viruses.

Today, regulators closely monitor food safety and the marketing practices used by companies to promote their products. Most countries are applying specific regulations on alcohol, sugar, fats, fats, pesticides and labelling, which will change the rules of the game for many companies and sectors.



### Managing food waste

An estimated one-third of all food produced each year (the equivalent of 1.3 billion tonnes worth close to USD 1 trillion) ends up rotting in consumers' and retailers' bins, or spoiling due to transport and deficient harvesting practices.

Food waste occurs at most points in the food chain, with vegetables being most susceptible (23%), followed by meat (21%), fruit (19%) and cereals (18%).

# Focus on the companies in portfolio



Glanbia is an Irish nutrition company whose philosophy is to find ways to make better, healthier and smarter products that fit the lifestyles and needs of people around the world.

With a unique portfolio of brands and ingredients, Glanbia has a standout division, Nutritional Solutions ("NS"), that is a leader in premixes, advanced technology proteins, functional beverages and flavours and has been increasing sales volume in like-for-like terms since 2018, outperforming its ingredient peers.

Mergers and acquisitions have been the main growth driver since 2014 and we believe additional acquisitions could drive inorganic growth. The sports nutrition sector remains fragmented, as the top 15 players accounted for approximately 35% of the market in 2021.

In addition, no company has more than a 5% market share, which lowers barriers to entry and increases competition among smaller brands. Similarly, while the weight management industry is dominated by two brands, Herbalife Nutrition (~16%) and Ensure (~8%), the rest of the market is fragmented and the other brands have less than 4% share each. Given Glanbia's market recognition and scale, we believe it is positioned for further acquisitions of smaller fast-growing local brands, which could improve its structural growth profile over time.

In terms of sustainability, their main objectives include their willingness to help end hunger, through food security and improved nutrition, while promoting sustainable agriculture. Glanbia is also a pioneer in its Pure Food + Pure Planet (2030) initiative focusing on 6 strategic areas:

**Responsible supply chains:** Its Responsible Procurement programme sets the criteria for supplier selection, integrating sustainability into procurement processes and reinforcing compliance with anti-slavery and anti-trafficking legislation.

**Food safety & quality:** All of its manufacturing sites are endorsed by globally recognised certification programmes (such as GFSI).

**Carbon:** It targets a 50% reduction in scope 1&2 emissions and a 25% reduction in scope 3 emissions (2018 baseline).

**Water:** Use of reclaimed water in processes with the aim of significantly reducing the use of pure water.

**Waste:** Commitment to reducing landfilling to zero by 2030 and to cutting food waste by 50%.

**Packaging:** By 2030, 100% of packaging will be recyclable, reusable or biodegradable.



Brazilian company SLC Agrícola produces and trades agricultural products. It operates in two segments: Farming and Landbank. The Farming division grows mainly cotton, soybean and maize. The Landbank division focuses on buying and developing land for farming.

SLC's business model is based on both company-owned and leased land; since 2015, the company has focused on expanding by leasing land in the regions where it already has a presence.

SLC has a model based on operational efficiency through scale and in-depth knowledge of Brazil's Cerrado region. Its farms are spread across multiple subregions, which provides some degree of protection against adverse climate events and pests.

SLC has increased soy output 3.7-fold, corn output 4.8-fold and cotton output 2.5-fold with respect to the 2009/10 harvest by expanding land area and improving productivity. SLC also maximizes land use by expanding leases and through second cropping. SLC currently uses 50% of its planted area to grow soybean.

Although its revenues are mostly denominated in USD, so too are its costs (60%), since the three most significant costs are in USD (fertilizers, pesticides and seeds).

With regard to sustainability, SLC Agrícola bases its strategy on three basic pillars: positive impact on future generations, through its global leadership in the field of agriculture and respect for the planet. Its main initiatives include:

- Waste management at SLC Agrícola is based on the 3R approach: Reduce, Reuse and Recycle. The farms have an optimal structure to be able to contain and store contaminated and uncontaminated waste temporarily for later use or proper disposal.
- Developing people to prepare them to face new challenges is a permanent commitment of SLC Agrícola. The company invests continuously in this area, developing specific projects to meet the needs of the areas and the business, in accordance with market best practices.
- SLC Agrícola joined the Working Group for Food and Agriculture, which is part of the Brazilian network of the United Nations Global Compact. Its main objective is to end hunger, achieve food security, improve nutrition and promote sustainable agriculture in Brazil.



Mowi, a Norwegian company, is one of the world's largest seafood companies and by far the largest producer of Atlantic salmon, with a 20% market share. The company controls the entire value chain, from feed production to breeding and value-added products. The company also has production facilities in the six largest salmon-producing countries in the world.

The salmon market has been trending positively over the last decade. There are few places in the world suitable for breeding salmon, and two of the main producers, Norway and Chile (75% of world supply), confirm that long-term supply growth is between 3% and 5%. Demand for salmon has increased by 6-7% in the last decade.

Mowi is the world leader in salmon production, with a target of raising 484,000 tons by 2023E. The company estimates that its operating margin will continue to rise in 2023 due to price inflation. Mowi volumes should grow by around 2-3% in the coming years while the cost per kg will remain relatively flat.

The company carries out a range of actions in the area of sustainability:

- Sustainable salmon feed policy: All ingredients used in salmon feed (marine and non-marine) must have a traceability system.
- Breeding practices that ensure animal welfare as defined by the World Organisation for Animal Health (OIE).
- Ensure a sustainable food safety and quality culture through continuous improvement of quality management systems that comply with the Global Food Safety Initiative (GFSI).
- The Blue Revolution Plan: based on a tasty, nutritious product, financial responsibility, transparency, and caring for our planet and people.



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