

# European Pensions

## Attractive investments in food sector driven by EM growth – Reyl

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The food sector offers attractive investment opportunities, especially those specialised parts that are being driven by emerging market growth, such as infant nutrition, REYL Group has said.

Analyst and portfolio manager Daniel Steck explained that the big difference between the traditional and specialised food segments are the geographical opportunities. While infant nutrition is maybe not that interesting today in developed markets where the birth rate is quite low, there is a significant tilt of this industry towards emerging markets, especially China.

"It depends on what you're looking for in the food sector. If you're really after defensive investment there are some good opportunities in the traditional business like beverages, snacks, yogurt or cereals, but they're not typically growth investments. We think the growth opportunities really lie in the specialised segments of these markets, like infant nutrition for example," he said.

"If you compare the organic growth of these sub-segments you really see a big differential in favour of infant nutrition. It is a market that is growing around 7-8 per cent organically per year, whereas the beverage market is growing 1-2 per cent each year."

When looking for food companies to invest in, REYL looks at firms that have both business in developed and emerging markets, where you can find a good balance between growth coming from the emerging markets and defensiveness from developed markets.

Examples of companies they invest in are Mead Johnson, which generates about 70 per cent of its profits in emerging markets, and McDonalds, which on average opens one new restaurant in China everyday.

Chief investment officer Francois Savary added: "Another company we are not yet invested in, but is a good company to consider, is Coca Cola, which has made good investments and they should benefit from those investments in the coming years. In Europe we are looking at companies like Danone and Nestle. So we try to diversify our location, but always with a bias towards emerging markets growth in the future."