

# Q3 2018 AUD

KBI Global Investors

## KBIGI Water Strategy



### Summary Details

Assets under Mgmt.	A\$1.3bn
Inception Date	03 Mar 2006
Benchmark	MSCI ACWI Index NR
Number of Stocks	48

### Risk Characteristics

Beta (10 Yrs)	0.99
Information Ratio (10 Yrs)	0.09

### Portfolio Statistics

	Strategy	Index
Current Dividend Yield	2.4%	2.4%
Price to Earnings (forward)	15.1x	14.8x
Price to Book	2.9x	2.2x
Weighted Avg Market Cap.	\$8.2bn	\$137.5bn

Source: KBI Global Investors as of 30/09/18. The risk characteristics are calculated using monthly gross returns over a 10 year period relative to the Index as at the 30/09/18. Portfolio Statistics are of a representative account and are calculated relative to the Index. The AUM listed above is Water Strategy AUM. Weighted Avg. Mkt. Cap figures are in US Dollars.

### Investment Thesis

There are compelling investment opportunities in companies providing solutions to resource scarcity across water, food and energy driven by five long term trends.

- Inadequate supply of water, cleaner energy and arable land for farming
- Increasing demand for resources, driven by population growth, industrialisation and urbanisation
- Increasing regulation and government support
- Increasing investment in infrastructure to address urgent global requirements
- Increasing investment in technology to create solutions and facilitate the more efficient use of resources

### Strategy Overview

The KBI Global Investors' Water Strategy is a long-only, high-conviction global equity portfolio investing in 35-50 global companies providing solutions to water scarcity. The strategy has been investing in companies active across all parts of the water cycle including Water and Wastewater Utilities, Water Infrastructure and Water Technology since 2000.

The Water Strategy provides exposure to a number of dominant and persistent themes:

- Global growth
- Natural resource scarcity
- Infrastructure spending
- Emerging market growth
- Mergers and acquisitions

Water brings new sources of alpha to a global equity allocation. Specialist active management is the best way to capture this alpha, carefully qualifying a universe of stocks to ensure exposure to the water theme and then identifying companies with strong fundamentals, leading products, and attractive valuations.

### Annualised Performance (AUD\$)

	3Mths	YTD	1Yr	3Yrs	5Yrs	10Yrs
Fund (Gross)	4.6	4.7	14.2	14.6	13.1	9.7
Benchmark	6.5	12.2	19.0	12.3	14.4	9.1

Source: KBI Global Investors, Datastream as of 30/09/18.

Returns are gross of fees in AUD. Our firm claims GIPS compliance and is annually verified by an independent verification firm to be so. The verification report from our verifier and our GIPS composite presentation are available upon request. The performance record disclosed here is that of the firm's composite for this strategy. The Water strategy gives investors the opportunity to invest in companies whose revenues are closely linked to the water industry. The strategy invests in circa 40 to 70 internationally diversified companies active across the water cycle - the range of activities needed to provide clean water to the end user (human, industrial, agricultural) and return it to nature. The firm invests across all parts of the cycle including: Water and Wastewater Treatment, Water Testing, Infrastructure, Filtration, Engineering/Consulting Services and Pumps/Valves. The strategy is managed by a dedicated, specialist team of investment professionals in Boston, USA and Dublin, Ireland. The strategy is ethically screened to exclude the diverse range of corporate activities which concern the ethical investor, from human rights to environmental exploitation and animal welfare. The benchmark is the MSCI AC World Index, inclusive of net income. The benchmark is designed to measure the equity market performance of developed and emerging market countries. The benchmark is market-cap weighted. Sources of foreign exchange rates may be different between the composite and the benchmark; but not materially so. Benchmark returns assume the reinvestment of dividends after the deduction of withholding taxes. See disclaimers for further information.

### Portfolio Positioning

#### Segment Breakdown

Sector	%
Water Infrastructure	39.9
Water/Wastewater Utility	30.8
Water Technology	29.3

#### Geographical Breakdown

Region	%
North America	54.4
Europe	23.5
Emerging Markets	18.2
Japan	3.6
Pacific Basin ex Japan	0.3

#### Top 10 Holdings

Stock	Country	%
Veolia Environnement SA	France	4.7
Stantec Inc	Canada	4.0
Pico Holdings Inc	US	3.8
United Utilities Group Plc	UK	3.7
Fortune Brands Home & Security Inc	US	3.7
Kurita Water Industries Limited	Japan	3.6
Agilent Technologies Inc	US	3.2
Danaher Corporation	US	3.2
Xylem Inc	US	3.1
Arcadis NV	Netherlands	3.0

Source of all data: KBI Global Investors. Data as of 30/09/18

## Investment Team

Key People	Title	Investment Experience
CIO		
Noel O'Halloran	Chief Investment Officer	31yrs
Portfolio Management Team		
Catherine Cahill	Senior Portfolio Manager	18yrs
Matt Sheldon	Senior Portfolio Manager	16yrs
Martin Conroy	Investment Analyst	15yrs
Eoin Fahy	Investment Strategist	30yrs
Trading		
Ultan O'Kane	Trader	13yrs

## Contact Details

Address: KBI Global Investors Ltd.  
3rd Floor, 2 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland  
Phone: +353 1 438 4400 Email: [info@kbigi.com](mailto:info@kbigi.com)  
Web: [www.kbiglobalinvestors.com](http://www.kbiglobalinvestors.com)

## Investment Process

Our investment process is designed to use our specialist skills to precisely define each theme, construct a proprietary investment universe and then build a concentrated, high conviction portfolio designed to outperform the broad market and passive alternatives

Investment Universe Definition
<ul style="list-style-type: none"><li>Precisely defined opportunity set for investment to ensure exposure to drivers of resource scarcity</li><li>Companies for inclusion: Pure Plays and Market Leaders</li></ul>
Weighting Sector
<ul style="list-style-type: none"><li>Focus on bottom up fundamentals and valuation with an overlay of top down influences</li></ul>
Stock Selection
<ul style="list-style-type: none"><li>Focus on stocks with exposure to key themes driving earnings growth, strong fundamentals, competitive advantages, strong management and attractive valuation</li></ul>

## Overview

We continue to have an optimistic outlook, and believe the multi-year tailwinds specific to global Water provide a compelling equity opportunity. There are a number of reasons including:

1. Government spending on Water/infrastructure is picking up globally
2. High profile & highly publicized pollution is leading to more regulation & enforcement
3. Portfolio earnings are expected to grow faster than the market over time
4. Better, more sustainable companies are emerging
5. Long-term Water spending drivers are becoming stronger over time

While investors continue to pay up for growth, quality companies, and believability about future earnings, we have been able to build out a well-balanced Water portfolio that is actually at the bottom end of its historical range on relative valuation and below its average absolute valuation. Given our conviction in the earnings growth of our portfolio, the strong free cash flow generation, and the visibility over the next few years associated with the medium-term drivers highlighted above, we believe there is strong valuation support. Longer term, the combination of stronger companies and better long-term drivers provide the structural tailwinds that should benefit the Water Strategy for the coming decades.

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