

Summary Details

Assets under Mgmt.	A\$1.2bn
Inception Date	03 Mar 2006
Benchmark	MSCI ACWI Index NR
Number of Stocks	48

Risk Characteristics

Beta (10 Yrs)	0.98
Information Ratio (10 Yrs)	0.12

Portfolio Statistics

	Strategy	Index
Current Dividend Yield	2.6%	2.8%
Price to Earnings (forward)	13.1x	13.0x
Price to Book	2.6x	1.9x
Weighted Avg Market Cap.	\$7.3bn	\$111.4bn

Source: KBI Global Investors as of 31/12/18. The risk characteristics are calculated using monthly gross returns over a 10 year period relative to the Index as at the 31/12/18. 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)	-9.9	-5.7	-5.7	10.7	7.6	10.1
Benchmark	-10.3	0.6	0.6	7.8	9.4	9.4

Source: KBI Global Investors, Datastream as of 31/12/18.

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	38.4
Water Technology	31.2
Water/Wastewater Utility	30.4

Geographical Breakdown

Region	%
North America	54.1
Europe	22.4
Emerging Markets	19.1
Japan	4.1
Pacific Basin ex Japan	0.3

Top 10 Holdings

Stock	Country	%
Stantec Inc	Canada	4.3
Veolia Environnement SA	France	4.2
United Utilities Group Plc	UK	4.1
Xylem Inc	US	4.1
Kurita Water Industries Limited	Japan	4.1
Coway Co Limited	South Korea	3.2
Valmont Industries Inc	US	3.1
Danaher Corporation	US	3.1
Pico Holdings Inc	US	3.1
Aqua America Inc	US	3.0

Source of all data: KBI Global Investors. Data as of 31/12/18

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	17yrs
Martin Conroy	Investment Analyst	15yrs
Eoin Fahy	Investment Strategist	30yrs
Trading		
Ultan O'Kane	Trader	13yrs

Contact Details

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

Overview

We entered 2018 with an optimistic outlook, premised on a favourable backdrop to water investing from both a fundamental and valuation perspective. As we enter 2019, our conviction in the fundamentals remains strong and the starting point valuation is near the historic lows of the strategy, on both an absolute and relative basis.

While 2018 was both difficult and frustrating from an investment perspective, the Water thesis and multi-year opportunity that it represents have not changed. We continue to have conviction that we are still in the early innings of what we term 'Wave 3'. Government and policy-oriented spending on water infrastructure is picking up globally and still has a number of years to run in terms of playing out. The portfolio is well balanced across segments, end markets and geographies, with lots of shots on goal via exposure to good quality companies, many with leading market shares in the niche end markets that they serve. Companies themselves are in good shape, after learning the lessons of past down cycles and restructuring their manufacturing footprint, shrinking or exiting their more cyclical and underperforming businesses and focusing on higher margin, more recurring type business streams with an emphasis on getting closer and making themselves indispensable to their customers.

While not wanting to dismiss market concerns that we are long into the current economic cycle, and growth would appear to be slowing, we think that cyclical risks are limited as it pertains to the portfolio. Much of the portfolio is geared towards non-cyclical, regulatory-driven and break-and-fix end markets, and while we have some exposure to cyclical end markets, most of our cyclical exposures are in long cycles that are still near the bottom, having peaked at some point in the last five years.

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