

Summary Details

Assets under Mgmt.	A\$3.3bn
Inception Date	04 Mar 2006
Benchmark	MSCI ACWI Index NR
Number of Stocks	52
Revenue Alignment SDG Score	74.0%

Risk Characteristics

Beta (10 Yrs)	1.06
Information Ratio (10 Yrs)	0.17

Portfolio Statistics	Strategy	Index
Current Dividend Yield	2.2%	2.2%
Price to Earnings (forward)	15.2x	14.5x
Price to Book	2.4x	2.5x
Weighted Avg Market Cap.	\$21.0bn	\$291.0bn

Source: KBI Global Investors as of 30/06/22. The risk characteristics are calculated independently by KBI Global Investors using monthly gross returns of the composite over a 10 year period relative to the Index as at the 30/06/22. Portfolio and Benchmark Statistics are from a representative account managed to the same strategy and the benchmark respectively. KBI Global Investors independently estimate these statistics for both the portfolio and the benchmark. The AUM listed above is Water Strategy AUM excluding AUA from Q1 2022. Weighted Avg. Mkt. Cap figures are in US Dollars. The Revenue Alignment SDG Score measures the portfolio contribution to the achievement of United Nations Sustainable Development Goals. Calculations are based on KBIGI's own methodology and are not independently verified as at 12/31/2021 (annually).

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

Annualised Performance (AUD\$)

	3Mths	YTD	1Yr	3Yrs	5Yrs	10Yrs
Fund (Gross)	-3.0	-16.1	-4.1	9.6	10.0	14.4
Benchmark	-7.9	-15.6	-8.0	6.9	9.4	13.2

Source: KBI Global Investors, Datastream as of 30/06/22.

KBI calculate both composite returns and benchmark returns. 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 30 to 60 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 investment team evaluates and integrates ESG into the analysis conducted to determine the fundamental value of the companies it invests in. The strategy is managed by a dedicated, specialist team of investment professionals in Boston, USA and Dublin, Ireland. The material risks associated with the composite include market risk and stock-specific event risk. Share prices can decline and there is a risk that the composite may under-perform its benchmark. 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 from where the strategy draws its securities. The benchmark is market-cap weighted. Sources of foreign exchange rates may be different between the composite and the benchmark; but not materially so. See disclaimers for further information.

Portfolio Positioning
Segment Breakdown

Sector	%
Infrastructure	36.5
Utilities	32.4
Water Technologies	31.1

Geographical Breakdown

Region	%
North America	58.7
Europe	28.7
Emerging Markets	10.2
Japan	2.0
Pacific Basin ex Japan	0.4

Top 10 Holdings

Stock	Country	%
Veolia Environnement Sa	France	6.1
United Utilities Group Plc	UK	5.7
Essential Utilities Inc	US	5.7
Danaher Corporation	US	5.7
Homeserve Plc	UK	3.6
American Water Works Company Inc	US	3.5
Ecolab Inc	US	3.2
Ferguson Plc	UK	3.0
Coway Co Limited	South Korea	2.8
Pentair Plc	US	2.7

Source of all data: KBI Global Investors. Data as of 30/06/22

Strategy Overview

The KBI Global Investors' Water Strategy is a long-only, high-conviction global equity portfolio investing in 30-60 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.

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

- Precisely defined opportunity set for investment to ensure exposure to drivers of resource scarcity
- Companies for inclusion: Pure Plays and Market Leaders

Weighting Sector

- Focus on bottom up fundamentals and valuation with an overlay of top down influences

Stock Selection

- Focus on stocks with exposure to key themes driving earnings growth, strong fundamentals, competitive advantages, strong management and attractive valuation

Investment Team

Water Portfolio Management Team	Role	Investment Experience
Catherine Cahill	Lead Portfolio Manager	22yrs
Matt Sheldon	Lead Portfolio Manager	20yrs
Martin Conroy	Co Portfolio Manager	18yrs
Investment Team	Title	Investment Experience
Noel O'Halloran	Chief Investment Officer	34yrs
Colm O'Connor	Senior Portfolio Manager	19yrs
Treasa Ni Chonghaile	Senior Portfolio Manager	23yrs
Andros Florides	Senior Portfolio Manager	27yrs
Eoin Fahy	Head of Responsible Investing	34yrs
Ben Cooke	Investment Analyst	6yrs
Ultan O'Kane	Trader	16yrs

Contact Details

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Overview

The KBI Water strategy remains balanced and well diversified both from an end market and geographic perspective. While many of our stocks are down significantly year to date, we are comfortable with our exposures and the potential earnings risk in the portfolio, as the prospect of an economic recession next year has become more consensus. Within Water specifically, there are some supportive dynamics and also some positive tailwinds to point out. Non-residential construction in water is accelerating, having lagged the housing recovery and bouncing off a depressed level. Within the Treatment and Analytics space, we own high quality companies with predominantly defensive end market exposure eg. healthcare and food and beverage, and with a high proportion of their sales coming from recurring type activities. Our agricultural market exposed names in the irrigation equipment space have a solid medium-term outlook given supply issues, drought concerns and food security initiatives. Within the Utility space, the UK and US Utilities represent defence with inflation protection in the UK models, while European utility Veolia stands to benefit from significant earnings accretion as it integrates acquired peer Suez. Finally, recent economic policy developments at a global level are favourable for infrastructure spending and municipal end markets, especially in the key US market, and our engineers stand to benefit as stimulus begins to flow early next year, providing a multi-year tailwind.

Balancing our optimism for water end markets in 2022, we think the broader market will be leaning into economic deceleration due to fiscal cliffs and monetary tightening, so we are attempting to navigate these dynamics in the portfolio. Where we do have above market equity risks, they are generally in very high quality, market share growing companies exposed to markets that we expect to accelerate or decelerate the least, such as US non-residential construction and government/utility spending (huge funding commitments are just starting to play out). Furthermore, despite the economic deceleration, we expect the supply chain resolutions and pricing catch up to help margins for the manufacturers into 2022. We are focused on earnings risk and downside protection as we opportunistically take advantage of the recent market volatility. We expect the long-term superior earnings growth experienced by the Water strategy to continue, with our expectations for earnings growth in 2022 and 2023 currently ahead of the market. While the strategy is no longer trading at a material discount versus the broader market, it remains attractively valued on an absolute level and relative to its history, with room for its historic premium to be regained.

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