

Q4 2019 GBP

KBI Global Investors

KBIGI Water Strategy



Summary Details

Assets under Mgmt.	£1.0bn
Inception Date	03 Mar 2006
Benchmark	MSCI ACWI Index NR
Number of Stocks	46

Risk Characteristics

Beta (10 Yrs)	0.99
Information Ratio (10 Yrs)	0.15

Portfolio Statistics

	Strategy	Index
Current Dividend Yield	2.4%	2.4%
Price to Earnings (forward)	15.8x	16.3x
Price to Book	3.1x	2.2x
Weighted Avg Market Cap.	\$10.6bn	\$163.7bn

Source: KBI Global Investors as of 31/12/19. The risk characteristics are calculated using monthly gross returns over a 10 year period relative to the Index as at the 31/12/19. 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 (£)

	3Mths	YTD	1Yr	3Yrs	5Yrs	10Yrs
Fund (Gross)	1.7	20.7	20.7	9.9	11.3	11.9
Benchmark	1.3	21.7	21.7	9.9	12.0	11.0

Source: KBI Global Investors, Datastream as of 31/12/19.

Returns are gross of fees in GBP. 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 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	37.8
Water Technology	35.4
Water/Wastewater Utility	26.8

Geographical Breakdown

Region	%
North America	52.3
Europe	27.3
Emerging Markets	13.1
Japan	6.9
Pacific Basin ex Japan	0.4

Top 10 Holdings

Stock	Country	%
Kurita Water Industries Limited	Japan	5.6
Veolia Environnement SA	France	5.5
Xylem Inc	US	4.9
United Utilities Group Plc	UK	4.4
Valmont Industries Inc	US	4.4
Pentair PLC	US	4.2
Stantec Inc	Canada	3.8
Woongjin Coway Co Limited	South Korea	3.7
Mueller Water Products Inc	US	3.5
Aqua America Inc	US	3.5

Source of all data: KBI Global Investors. Data as of 31/12/19

Investment Team

Key People	Title	Investment Experience
CIO		
Noel O'Halloran	Chief Investment Officer	32yrs
Portfolio Management Team		
Catherine Cahill	Senior Portfolio Manager	19yrs
Matt Sheldon	Senior Portfolio Manager	18yrs
Martin Conroy	Investment Analyst	16yrs
Eoin Fahy	Head of Responsible Investing, Chief Economist	31yrs
Trading		
Ultan O'Kane	Trader	14yrs

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
Web: 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

- 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

Overview

As we enter 2020, we are satisfied by the end market exposures and earnings growth potential of our strategy, and believe the thesis for investing in Water remains firmly intact i.e. that the companies we are investing in can grow earnings faster than the broader market over time. While admittedly it will be difficult to replicate the absolute returns of 2019, earnings growth will be important in driving further upside from here. The strategy invests in a number of companies that are under-owned and under-researched, off the radar, some with specific catalysts, and others where improving end markets will highlight their earnings power and drive potentially significant upside from current levels.

We have identified the following key trends in the Water space as we enter the new decade:

- Smart Water: the electrification of plumbing and water works and the use of AI to transfer information to the user to enable better decision making.
- Climate Crisis: will continue to accelerate and become more relevant, driving cities and companies to think about the security and sustainability of their water supply.
- Infrastructure boom: we have seen the engineering and consulting work being done on large projects at our companies. The next phase is the highly capital-intensive construction phase, which will play out over multiple years.
- India and Africa: these regions have the potential to emerge, much like China did, to become bigger players in the global water industry given their significant needs.

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