

# Q1 2020 GBP

KBI Global Investors

## KBIGI Water Strategy



### Summary Details

Assets under Mgmt.	£848.7m
Inception Date	03 Mar 2006
Benchmark	MSCI ACWI Index NR
Number of Stocks	47

### Risk Characteristics

Beta (10 Yrs)	1.03
Information Ratio (10 Yrs)	0.05

Portfolio Statistics	Strategy	Index
Current Dividend Yield	2.9%	2.9%
Price to Earnings (forward)	12.3x	14.0x
Price to Book	2.6x	1.8x
Weighted Avg Market Cap.	\$9.4bn	\$159.1bn

Source: KBI Global Investors as of 31/03/20. The risk characteristics are calculated using monthly gross returns over a 10 year period relative to the Index as at the 31/03/20. 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)	-19.8	-19.8	-12.6	-0.5	5.6	8.4
Benchmark	-16.0	-16.0	-6.7	1.8	6.6	8.0

Source: KBI Global Investors, Datastream as of 31/03/20.

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	36.7
Water Technology	33.3
Water/Wastewater Utility	30.0

#### Geographical Breakdown

Region	%
North America	53.4
Europe	26.3
Emerging Markets	12.2
Japan	7.7
Pacific Basin ex Japan	0.4

#### Top 10 Holdings

Stock	Country	%
United Utilities Group Plc	UK	6.4
Kurita Water Industries Limited	Japan	6.1
Veolia Environnement SA	France	5.1
Xylem Inc	US	4.5
Pentair PLC	US	4.5
Essential Utilities Inc	US	4.2
Valmont Industries Inc	US	4.1
Roper Technologies Inc	US	3.5
Pennon Group Plc	UK	3.3
Fortune Brands Home & Security Inc	US	3.1

Source of all data: KBI Global Investors. Data as of 31/03/20

## Investment Team

Key People	Title	Investment Experience
CIO		
Noel O'Halloran	Chief Investment Officer	32yrs
Portfolio Management Team		
Catherine Cahill	Senior Portfolio Manager	20yrs
Matt Sheldon	Senior Portfolio Manager	18yrs
Martin Conroy	Portfolio Manager	16yrs
Eoin Fahy	Head of Responsible Investing, Chief Economist	32yrs
Trading		
Ultan O'Kane	Trader	14yrs

## 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"> <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

The KBI Water strategy entered 2020 with a balanced and well diversified portfolio with a bias towards infrastructure spending and utility services, areas we feel will prove more resilient given the late stage we are at in the economic cycle, and also because of their essential nature, with very little or any exposure to the main categories of structural risk like travel, out of home discretionary and oil. The impact of the coronavirus on the global economy and world financial markets so far this year was unforeseen and unprecedented in the speed of this impact and its severity. As bottom up focused, fundamental long-term investors, we have spent a lot of time in recent weeks analysing the portfolio at the stock level across a number of different metrics from balance sheet strength to liquidity requirements to sensitivity analysis on end markets, and stress testing earnings based on the tougher environment we see coming down the tracks.

We have spoken to a number of management teams in portfolio companies to get a better sense of what they are seeing on the ground, what actions they are taking and their thoughts on their end markets going forward. We have trimmed or sold completely out of positions where we have felt that fundamentals have changed or earnings power has been impaired.

While we have seen significant declines in valuations, we anticipate minimal intrinsic value destruction for our companies as they emerge the other side of this. We continue to have conviction around companies with strong backlogs serving infrastructure end markets, consulting engineers and manufactures of various essential water equipment. With this in mind, we believe that the earnings in the portfolio should be fairly resilient in any downturn, particularly relative to the market, and should provide some support on the other side of the recession

## Disclaimer

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