

# Q3 2023 EUR

KBI Global Investors

## KBIGI Water Strategy



### Summary Details

Assets under Mgmt.	€3.0bn
Inception Date	04 Mar 2006
Benchmark	MSCI ACWI Index NR
Number of Stocks	45
Revenue Alignment SDG Score	79.1%

### Risk Characteristics

Beta (10 Yrs)	1.05	
Information Ratio (10 Yrs)	0.01	
Portfolio Statistics	Strategy	Index
Current Dividend Yield	2.3%	2.1%
Price to Earnings (forward)	16.9x	16.2x
Price to Book	2.5x	2.8x
Weighted Avg Market Cap.	\$17.8bn	\$383.2bn

Source: KBI Global Investors as of 30/09/23. 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 30/09/23. 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 Assets under Advisement 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 12/31/2022 (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 (€)

	3Mths	YTD	1Yr	3Yrs	5Yrs	10Yrs
Fund (Gross)	-3.2	4.8	11.5	14.5	9.8	10.3
Benchmark	-0.5	10.9	11.8	10.6	8.5	10.2

Source: KBI Global Investors, Datastream as of 30/09/23.

KBI calculate both composite returns and benchmark returns. Returns are gross of fees in EUR. 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	%
Water Technologies	34.8
Utilities	33.6
Infrastructure	31.6

#### Geographical Breakdown

Region	%
North America	57.9
Europe	30.4
Emerging Markets	8.4
Japan	3.3

#### Top 10 Holdings

Stock	Country	%
Veolia Environnement SA	France	6.3
Xylem Inc	US	5.4
Essential Utilities Inc	US	5.3
United Utilities Group Plc	UK	4.6
Aecom	US	4.3
Roper Technologies Inc	US	4.0
American Water Works Company Inc	US	3.9
Halma PLC	UK	3.7
Idex Corp	US	3.7
Ecolab Inc	US	3.1

Source of all data: KBI Global Investors. Data as of 30/09/23

## 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	Industry Experience
Catherine Cahill	Lead Portfolio Manager	23yrs
Matt Sheldon	Lead Portfolio Manager	21yrs
Martin Conroy	Co Portfolio Manager	20yrs
Investment Team	Title	Investment Experience
Noel O'Halloran	Chief Investment Officer	36yrs
Colm O'Connor	Head of Portfolio Management NR Team	21yrs
Treasa Ni Chonghaile	Senior Portfolio Manager	24yrs
Andros Florides	Senior Portfolio Manager	28yrs
Eoin Fahy	Head of Responsible Investing	35yrs
Ben Cooke	Investment Analyst	7yrs
Jeanne Chow Collins	ESG & Engagement Analyst	23yrs
Robert Fullam	Investment Analyst	9yrs

## Overview

The strategy remains balanced and well diversified both from an end market and geographic perspective. We are comfortable with our exposures and the potential earnings risk in the portfolio, given the potential for economic weakness over the coming year. Earnings believability is something we are very focused on, and we have a preference for companies where we feel demand may prove more resilient, either due to their exposure to Infrastructure stimulus spending in the US, large backlogs, or due to their break-and-fix orientation. We also like companies that we would expect to be beneficiaries of peaking inflation and improvements in supply chains.

We also have a preference for more defensive-type business models like regulated utilities, which tend to be monopolies, or non-regulated utilities that operate long-term concession type agreements. Companies that we own in the Technology space tend to be high quality with a high percentage of their revenues coming from recurring revenue activities and strong balance sheets. Our exposure to more cyclical end markets like industrial is low and we have been diligent about diversifying our exposure to private construction markets, doing this by owning a number of different market leading, high-quality names that tend to be more repair and replacement oriented as opposed to new build, with strong balance sheets, and in some cases offsetting growth drivers.

We remain focused on earnings risk and downside protection as we opportunistically take advantage of the recent market volatility. In the past, the earnings growth of the portfolio has been higher than that of the broad equity market, and we expect this to continue.

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