July 21, 2017

Water Opportunities Separately Managed Account Program (FS SMAP)  
June 2017 Update

The Water Opportunities Separately Managed Account Program continued to perform positively in the second quarter ended June 30, 2017.

We believe increased domestic regulatory scrutiny stemming from the tragic failing water infrastructure in Flint Michigan along with numerous other water reliability disruptions has created a significant opportunity for increased capital spending and consolidation among municipal water utilities. Globally, water utilities are benefitting from population growth, urbanization, and industrialization. An estimated $900 billion in capital spending is needed in the next decade driven by deteriorating water infrastructure, increasingly stringent water quality regulations, demand from growing urbanization and the need for efficiency. In our opinion, these factors coupled with growing awareness of the significant long term scarcity trends in water make for a compelling rationale to invest now. Municipalities and utilities are now on the radar screen of homeowners and politicians. Unlike other sectors, subject to disruption, we see our “space” outperforming due to long term positive visibility.

For this quarter, we would like to highlight Xylem, Inc. as it is one of our largest positions:

Xylem (XYL) is a leading global water technology company committed to developing innovative technology solutions to the world’s water challenges. The Company’s products and services move, treat, analyze, monitor and return water to the environment in public utility, industrial, residential and commercial building services, and agricultural settings. We believe Xylem can achieve above average growth through its diverse product offering and broad geographic markets. The company’s product penetration in the public utility will be most interesting to watch as the recent acquisition of Sensus, a global leader in metering, provides additional exposure to this market.

If you have any questions, please feel free to contact us.

Paul Elliot, CFA  
Dan Tulis, CFA

James Elliot, CFA  
Paul Doran

Certain statements contained herein may contain “forward-looking statements” within the meaning of the Private Securities and Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of your account to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, risks and uncertainties associated with the performance of bank and other financial institutions spending in the nation and worldwide, and general economic factors. This report is not a recommendation to either buy or sell any securities mentioned. Past performance is not a guarantee of future results.