July 26, 2019

Water Opportunities Separately Managed Account Program (WO SMAP)
June 2019 Update

During the quarter, another state (Texas) passed legislation to allow regulated water companies to pay a fair market value for the purchase of water and waste water systems. The net effect is to enhance the regulated return of the acquirer. We believe the desperate need for water infrastructure upgrades will provide a backlog of acquisition targets in the regulated water utility space.

Our focus on water investments continues to get more notice. We believe that 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 and they’re suppliers 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.

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

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