



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 acquiror. 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 their 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.

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.

200 Park Avenue
Suite 1700
New York, NY 10166
212.603.7585
646-403-4860 (fax)
msantos@elcomanagement.com

