



October 19, 2017

**Water Opportunities Separately Managed Account Program (WO SMAP)  
September 2017 Update**

The Water Opportunities Separately Managed Account Program continued to perform positively for the quarter ended September 30, 2017.

The worldwide water industry is experiencing revolutionary changes due to both demand factors and the increasing scarcity of inexpensive supply alternatives. This is prompting unprecedented investment opportunities in infrastructure, resource development, efficiency, water quality/quantity monitoring, privatization, industry consolidation and technological change. It has been estimated that by 2025 water will make up the lion's share of global infrastructure investment, with water expenditures topping \$1 trillion that year. This amount is nearly triple the amount needed for investment in electricity or transport.

**Why now and where?**

We believe domestic regulatory scrutiny stemming from the tragic failing infrastructure in Flint, MI along with numerous other water reliability disruptions, has created a significant opportunity in investing in regulated water utilities and their suppliers. It is our belief that to foster investments, the regulators are offering incentives by way of increased regulatory returns. Acquirers of these assets can now capitalize good will in the computation of the regulatory return. More and more states are moving in this direction.

Noteworthy, on a historical basis, water utility stocks correlated closely with electric utilities, however, we are starting to see what appears to be a recognition of the faster growth rate by the water utilities. The above, coupled with secured and growing dividends, enhance the investment merits.

In our opinion, these long term trends coupled with the scarcity value make water assets a compelling investment. We anticipate that municipalities owning water utility assets are now on the radar screens of homeowners and politicians. Unlike other sectors that are subject to disruption, we see this space providing long term positive visibility.

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

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