

WATER OPPORTUNITIES

SEPARATELY MANAGED ACCOUNT PROGRAM

ELCO
MANAGEMENT CO.,
LLC

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ELCO believes there exists a growing investment opportunity in one of the world's indispensable resources, water. The globe's growing economies and urbanization have brought with it major challenges for this limited resource and is quickly becoming a pressing issue.

- Essential Resource
- Supply and Demand Imbalance
- Attractive Business Model
- Significant Capital Needs
- Positive Pricing Power
- Socially Responsible Investing

Information:

Strategy: Water Utilities & Water related opportunities (Long only)
Management fee: 1.5%
Performance fee: 15%
Minimum subscription: \$300,000
Subscriptions: Daily
Redemptions: Daily
Custodian Bank: Pershing

The objective is to generate above average total return by investing in regulated water utilities that benefit from above average returns on equity and have very stable and predictable cash flows. The manager also plans to invest in other aspects of the water sector such as infrastructure, technology, services, treatment, and resources as part of the strategy.

Contact:

ELCO Management Co., LLC
info@elcomanagement.com
212-333-9618

Description

ELCO Water Opportunities separately managed account program plans to invest (long only) in regulated water utilities and other water related assets. The objective is to generate above average total return (10-15%) with no leverage.

Why Water Utilities?

- Utilities are regulated monopolies with significant downside protection and a history of generating long term low double digit returns despite minimal investor attention.
- Top line revenue growth is supported by sales of an essential resource with consistent pricing power and regulated returns on the sector's significant capital investment needs.
- Highly visible inflation protected cash flows support consistent dividend growth
- Preapproved returns on invested capital and the associated increase in rates are primarily driven by required environmental compliance and the replacement of aging critical infrastructure.
- Industry sources indicate that current water distribution systems are 50-100 years old in many parts of the world.

Why Now?

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.

The Collaboration

This separately managed account program is a joint venture between ELCO Management Co., LLC (ELCO) and Water Asset Management LLC (WAM). It is a proprietary investment strategy in which WAM is the sub-advisor and ELCO the manager. ELCO has a long and distinguished background analyzing and investing in the "Energy Value Chain" with specific expertise in energy infrastructure and utilities. ELCO was founded in 1995 by Paul Elliot, CFA with the launch of the ELCO Energy Fund, a long-only investment vehicle which targeted utilities benefitting from deregulation. The ELCO Select Fund was launched in 2002, a long/short product diversely invested throughout the "Energy Value Chain". ELCO also manages long only separately managed accounts strictly invested in Master Limited Partnerships, which are among the largest companies involved in U.S. infrastructure projects which include water treatment and disposal. WAM portfolio managers are highly experienced in the water industry with over a decade long successful track record. The Water Asset Management's investment team is comprised of experienced water industry professionals focused exclusively on identifying investable trends in the global water sector. The team has successfully deployed capital in both public and private equity investments in the following sectors: regulated utilities, water resources, infrastructure, treatment and test/measurement. Many of the team and its advisors have a long professional relationship developed through working on investment transactions that in some cases predate the formation of the Firm. All fees and expenses are shared.