

Q1 2015 EUR KBI Water Strategy



Summary Details		
Assets under Mgmt.	€1.2bn	
Inception Date	05 Dec 2000	
Benchmark	S-Network Global Water Index NR	
Number of Stocks	44	
Risk Characteristics		
Beta (10 Yrs)	1.02	
Information Ratio (10 Yrs)	-0.03	
Portfolio Statistics	Strategy	Index
Current Dividend Yield	2.1%	2.3%
Price to Earnings (forward)	17.2x	16.7x
Price to Book	2.6x	2.2x
Weighted Avg Market Cap.	\$5.6bn	\$88.1bn

Source: Kleinwort Benson Investors as of 31/03/15. The risk characteristics are calculated using monthly gross returns over a 10 year period relative to the MSCI World Index. The AUM listed above is Water Strategy AUM. The portfolio statistics are calculated relative to the MSCI World Index.

Investment Thesis

There are compelling investment opportunities in companies providing solutions to resource scarcity across water, food energy driven by five long term trends.

Inadequate supply of water, cleaner energy and arable land for farming

Increasing demand for resources, driven by population growth, industrialisation and urbanisation

Increasing regulation and government support

Increasing investment in infrastructure to facilitate provision and management resources

Increasing investment in technology to optimise inputs and facilitate the more efficient use of resources

Strategy Overview

The Kleinwort Benson Investors' Water Strategy is a long-only, high-conviction global equity portfolio investing in 40-50 global companies providing solutions to water scarcity. The strategy has been investing in companies active across all parts of the water cycle including Water and Wastewater Utilities, Water Infrastructure and Water Technology since 2000.

The Water Strategy provides exposure to a number of dominant and persistent themes:

- Global growth
- Natural resource scarcity
- Infrastructure spending
- Emerging market growth
- Mergers and acquisitions

Water brings new sources of alpha to a global equity allocation. Specialist active management is the best way to capture this alpha, carefully qualifying a universe of stocks to ensure exposure to the water theme and then identifying companies with strong fundamentals, leading products, and attractive valuations.

Annualised Performance (€)

	3Mths	YTD	1Yr	3Yrs	5Yrs	10Yrs
Fund (Gross)	12.4	12.4	21.4	20.5	15.5	11.2
Benchmark	11.9	11.9	25.2	20.1	13.9	11.4

Source: Kleinwort Benson Investors, Datastream as of 31/03/15.

Returns are gross of fees in euro. Returns up to 30/04/08 are based on a Belgian Fund which followed the Water Strategy and was managed by KBI. Returns from 01/05/08 are actual returns from the KBI Water Strategy. Benchmark returns assume the reinvestment of dividends after the deduction of withholding taxes. The S-Network Global Water Indexes? are calculated, distributed and marketed by S-Network Global Indexes, LLC which have been licensed for use. All content of the S-Network Global Water Indexes? © 2011 are the intellectual property of S-Network Global Indexes, LLC.

Portfolio Positioning Sector Breakdown

Sector	%
Water Infrastructure	50.8
Water/Wastewater Utility	26.8
Water Technology	22.4

Geographical Breakdown

Region	%
North America	70.9
Europe	14.8
Emerging Markets	8.1
Japan	4.7
Pacific Basin ex Japan	1.5

Top 10 Holdings

Stock	Country	%
HD Supply Holdings Inc	US	7.9
EnerCare Inc	Canada	5.9
Rexnord Holdings Inc	US	4.9
Pentair PLC	US	4.4
Calgon Carbon Corporation	US	4.2
American Water Works Company Inc	US	3.9
Tetra Tech Inc	US	3.8
Ebara Corporation	Japan	3.6
Danaher Corporation	US	3.5
Pico Holdings Inc	US	3.2

Source of all data: Kleinwort Benson Investors. Data as of 31/03/15

Investment Team

Key People	Title	Investment Experience
CIO		
Noel O'Halloran	Chief Investment Officer	28yrs
Portfolio Management Team		
Catherine Ryan	Portfolio Manager - Water	15yrs
Matt Sheldon	Portfolio Manager - Water	13yrs
Martin Conroy	Investment Analyst - Water	11yrs
Eoin Fahy	Investment Strategist	28yrs
Trading		
Ultan O'Kane	Trader	9yrs

Investment Process

Our investment process is designed to use our specialist skills to precisely define each theme, construct a proprietary investment universe and then build a concentrated, high conviction portfolio designed to outperform the broad market and passive alternatives.

Investment Universe Definition
<ul style="list-style-type: none">Precisely defined opportunity set for investment to ensure exposure to drivers of resource scarcityCompanies for inclusion: Pure Plays and Market Leaders
Sector Weighting
<ul style="list-style-type: none">Focus on bottom up fundamentals and valuation with an overlay of top down influences
Stock Selection
<ul style="list-style-type: none">Focus on stocks with exposure to key themes driving earnings growth, strong fundamentals, competitive advantages, strong management and attractive valuation

Q1 Overview

Following a good run of out-performance in February and March, we have reduced or fully sold our positions in a small number of stocks after excellent recent performance (Wolseley, Advanced Drainage Systems, Veolia). We still think there is more upside than downside potential for the portfolio as a whole and this is closely monitored to ensure the best possible risk/reward outlook. At a high level, we believe there will be mid-teens percent earnings growth in the portfolio for 2015. The end markets we expected to perform well at the beginning of 2015 have done well and we expect these markets to continue to outperform the broader market. With the exception of the few companies we own with material ties to the upstream energy industry, we feel particularly good about the earnings growth and visibility in the portfolio, particularly given the data points we're seeing regarding key end markets. The portfolio continues to be structured to benefit from continued cyclical growth in Water Infrastructure companies' earnings.

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