

Month 26, 2020

Welcome to the Ecofin QuickTake podcast. Thank you for joining us.

Haley Hoeven: Thanks for joining us today. I'm Haley Hoeven and I'm part of the strategic development group here at TortoiseEcofin. With World Water Day on Monday, we thought it would be a great opportunity to join forces with WaterEquity, a fellow Kansas City-based impact investment manager, who was also recently named to the ImpactAssets 50 Manager list to discuss how both of our firms are working to solve the water crisis by addressing SDG 6, which desires clean water and sanitation for all.

I'm joined today by Nick Holmes of Ecofin and Paul O'Connell of WaterEquity to provide some firsthand accounts of how investment in the water sector can be so impactful. Nick and Paul, to start, would you mind introducing yourselves and telling us a little bit more about Ecofin and WaterEquity?

Nick Holmes: Sure. Thanks, Haley. This is Nick Holmes. I've been with TortoiseEcofin for about 12 years and currently serve as a portfolio manager on our water dedicated strategies on the platform. At Ecofin, as Haley mentioned, we are a sustainable investment manager with strategies in renewable infrastructure, helping decarbonize the global power grid. We also have social infrastructure strategies that focus on education and healthcare sectors, and also focus on waste to energy, waste to value projects, which help promote the circular economy. Additionally, as I mentioned, one of our key investment platforms at Ecofin is our water and environment strategy, which we're obviously here to discuss today.

On the water and environment platform, we manage long-only global equity strategies and various product wrappers. The easiest way to think about our strategy is that we invest in companies that are building out the infrastructure or developing and deploying the technology to minimize the supply and demand gap for water globally. This includes infrastructure companies, such as utilities or equipment and service providers, developing water treatment applications, smart water systems, and other critical components of the water value chain.

We believe the companies we invest in are providing critical services to help achieve UN SDG 6 at the macro level and are excited about not only the attractive investment opportunities we see in the water sector today, but also the positive impact our strategies can have on so many around the world.

Haley Hoeven: Thanks, Nick. Paul, would you mind giving a quick introduction on what you do at WaterEquity, and what WaterEquity does as a firm?

Paul O'Connell: Absolutely, Haley. Thanks very much. It's a pleasure to be here and thanks both to you and Nick for pulling this together. At WaterEquity, we are the world's first asset manager that is solely dedicated on solving SDG 6, bringing water and sanitation globally with a particular emphasis on the base of the economic pyramid. We really do focus on trying to bring access to water and sanitation to those who are below the poverty line, but yet are able and willing to participate in the financing and the capital markets in order to be able to get access to water and sanitation.

I've been president of WaterEquity for a couple of years now. Before that, I was a traditional asset manager managing funds across the emerging markets. For me, there's no clearer way to generate improvement in the livelihoods of people than providing them with access to water and sanitation.

Haley Hoeven: So as you both hit on and as I mentioned before, Ecofin and WaterEquity are obviously both actively working towards achieving SDG 6, but we're coming at it from a couple of different angles. Given that WaterEquity's investments provide a bit more of a direct impact reaching those individuals and end users in need, whereas Ecofin's investments provide a more indirect impact through investments in listed companies that then provide the water infrastructure technology, etc., at a broader scale.

So as we've all discussed before, there are also some definite synergies between our strategies and the impact that we're able to generate. So Paul and Nick, I thought it would be interesting for both of you to not only provide a couple specific

impact examples, but also to talk about how our strategies really do go hand in hand and complement each other with regard to solving SDG 6. Paul, if you don't mind, let's go ahead and start with you.

Paul O'Connell: Sure, Haley. I think that's a very good way to put it. When you think of the whole ecosystem around water, it's something that needs to be provisioned at a large scale at one end and made available through infrastructure piping utilities and so on. But then also you have to think about the last mile, how does it actually get to the end user? And these are the kinds of questions we don't really spend too much time thinking about in the developed world, but in developing countries and emerging markets, it really is much more of a puzzle to pull all those parts together.

What I would say about WaterEquity, I think there are eight major global organizations working on the nonprofit side on water and sanitation. WaterEquity is unique in that it is working solely from a financial perspective.

In other words, we're not engaged in drilling wells or working on pipe work directly in the communities. Instead, our goal is to enable and facilitate those communities to do that themselves, to arrive at the best solutions that suit them in their local economies and in their local markets. And toward that end, we are essentially in the business of providing financing to those communities and to those individuals. In some sense, you could say that we're trying to create a capital market that at least historically has not existed and even today is only nascent. We're trying to create and grow a capital market that's going to allow money to flow from those markets, those capital markets that have the money to these kinds of important causes like SDG 6, and water is one of the clearest cases where that becomes possible. What's unique about it is that on the one hand, the communities we serve are able and willing to take on this capital and put us to work in water and sanitation. They have a demonstrated track record of being able to borrow and to use it to invest in infrastructure and to repay that financing.

And on the other side, the institutional communities that we're now engaging in this market, they are able to earn not only an attractive risk adjusted return, but they're able to do so while achieving very, very strong and pure social impact in SDG 6.

It may be helpful for me to sort of look at this or present this from the perspective of the international space station, as you might fly over an emerging market. Very briefly just zoom in from that space station down to see the impact that we cause. At the very top level, if you look across a country like Indonesia with 34 provinces, we work with some local institutions, one of which I could mention, KOMIDA, which is a microfinance institution that works in 10 of the 34 provinces in Indonesia. As a microfinance company, it works on what we call the joint liability group model, which means it works with groups of women, only women who agree to cooperate together as a joint liability group and cross-collateralized each other in borrowing money in order to be able to finance access to their own water or to sanitation.

The KOMIDA that I mentioned, it's quite a large entity. It's one of the largest, top four in Indonesia. It serves over half a billion members now today spread across 38,000 centers. But the average financing amount that KOMIDA provides is about \$250 to its co-op members. It doesn't seem like a lot, but it's all that you need in order to be able to put in water or a toilet in your homestead. We have lent to KOMIDA over a period of years one and a half million dollars, and that has allowed almost 43,000 people to get access to toilets and water.

But now I want to zoom in just one more level and let's actually see what that looks like at a very individual level. There's one family in Central Java that benefited from the loans that we were able to provide. It's a family of three. The husband is a fisherman, and Julaya is the wife who lives at home. She was spending approximately half of her salary each week on obtaining water from private vendors, about 50,000 Indonesian rupiahs each week to get water from vendors. That's about \$3 a week she was paying.

She was able to get access to a loan through the programs that we financed and was able then to put in a pipe into her home. And today she pays about \$2 a month for water from the utility. That's what her water bill is. So she's gone from paying \$12-13 a month down to \$2 a month for water. And now she has that money for whatever she needs it for, for saving, for investment, for working on a small business, what have you. That is the key insight in providing financing for families at the base of the pyramid. It unlocks time and resources for them in order to be able to lead fuller and better lives.

Haley Hoeven: So, Paul, at the beginning, you mentioned that without water infrastructure and the pipelines, some of this micro level impact may not be as scalable. So Nick, would you mind building on what Paul had described and providing maybe some more detail around Ecofin's strategy and impact, and also specifically more on how the Ecofin investments really help scalability of impact in the water space?

Nick Holmes: Sure, Haley. From a very high level, the companies within the Ecofin water portfolio, we feel have a tremendous impact on the communities that they serve. Just to give you a sense from the macro level, in 2020, our portfolio companies provided water and wastewater services to roughly two and a half billion people across the globe. The companies treated over 16 trillion gallons of wastewater and invested nearly 7 billion dollars in water infrastructure and technology.

Drilling down into how I think our strategy and our portfolio companies complement Paul's strategies, Paul has outlined in good detail that their loans provide support for water and sanitation infrastructure at the very micro level by providing capital to individuals, while our companies make that impact more from a macro level. I think it may be instructive to provide a couple of examples of how our companies impact communities. So as Paul mentioned, the individual in Indonesia that they provided a loan to that was able to tap into the main water distribution network in her community, and I want to stick with an example in Southeast Asia, this time in India, and one of our portfolio companies that operates infrastructure and technology within several districts across India.

As you may know, in India, water distribution networks experience water loss at extremely high rates, which causes intermittent supply, sometimes only a few hours a day of running water. So one of our portfolio companies is helping solve some of these challenges by deploying smart water meters across the water distribution network to better manage activity and manage water loss, which will ensure more consistent supply to end users of water, similar to the individuals that Paul and WaterEquity are making loans to.

The goal of the smart meter program that one of our portfolio companies has implemented recently is to reduce what is called non-revenue water or basically water that's lost by 50% on this specific distribution system over the next couple of years, which will allow better service to end users and individuals like the one that Paul has mentioned.

I think another example is also helpful, but this time on the wastewater treatment side. As Paul mentioned, WaterEquity also provides capital for sanitation infrastructure to individuals. Sticking with India, water contamination has been a significant health risk for many years in the country due to lack of wastewater treatment infrastructure. We have several portfolio companies that are partnering with local utilities to deploy advanced treatment technology, such as UV disinfection, to better treat wastewater before it's discharged back into the river or tributary, which is often the supply source for those individuals. That will benefit those consumers downstream to have treated the wastewater before it returns back to the supply source, which obviously individuals downstream will use.

I feel that the larger infrastructure and service investments that our companies provide at the macro level allow for individuals to benefit from the loans WaterEquity makes to tap into those larger water or wastewater networks specifically in emerging markets.

Haley Hoeven: Thanks, Nick. And thank you both for explaining that and showing how these two strategies really do fit together and open up the door to a broader and more scalable opportunity. I think it's really interesting for me to hear and hopefully for others as well. Hopefully we can work together more closely in the future and possibly bring an investment opportunity to life. So thank you both again, and thank you to those listening. We hope you enjoyed this discussion.

Thank you for joining us. And stay tuned for our next episode. Have topics you want covered or other feedback to share? Write us at info@ecofininvest.com.

Disclaimer: *Nothing contained in this communication constitutes tax, legal, or investment advice. Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation. This podcast contains certain statements that may include "forward-looking statements." All statements, other than statements of historical fact, included herein are "forward-looking statements." Although we believe that the expectations reflected in these forward-*

looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. Actual events could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors. You should not place undue reliance on these forward-looking statements. This podcast reflects our views and opinions as of the date herein, which are subject to change at any time based on market and other conditions. We disclaim any responsibility to update these views. These views should not be relied on as investment advice or an indication of trading intention. Discussion or analysis of any specific company-related news or investment sectors are meant primarily as a result of recent newsworthy events surrounding those companies or by way of providing updates on certain sectors of the market. Through our family of registered investment advisers, we provide investment advice to related funds and others that includes investment into those sectors or companies discussed in these podcasts. As a result, we stand to beneficially profit from any rise in value from many of the companies mentioned herein including companies within the investment sectors broadly discussed.