



Timely thematic topic:

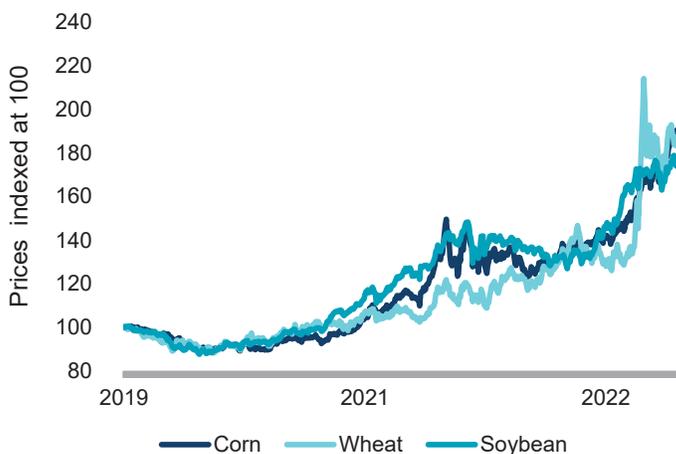
3 Catalysts for the water sector

Catalyst #1: Food insecurity

Heightened focus on resiliency due to Ukraine/Russia conflict and worsening droughts driving increased investment in water infrastructure and equipment

- Food prices have soared following the commencement of the Ukraine/Russia war as those countries account for nearly 20-30% of global wheat and corn supply¹
 - Amplifying the crisis, farmers can't fill the production shortfall due to the worsening drought in major producing regions across the world
 - 61% of total acreage in the US is in drought²
- Food insecurity expected to persist for decades as result of growing demand, extreme weather events (i.e. droughts), increased water scarcity, and plateauing productivity
 - 70% of water use is from agriculture³
 - Worldwide demand for fresh water has tripled during the last century and is now doubling every 21 years

Commodity prices



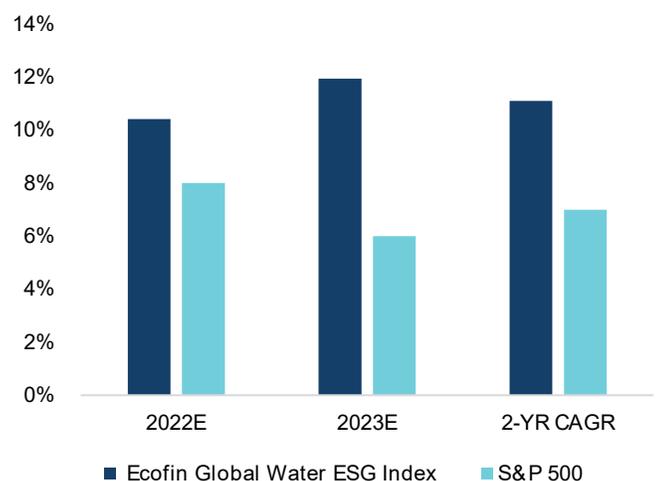
As of 3/31/2022. Source: Bloomberg

Catalyst #2: Strong earnings outlook

Earnings in water sector have remained resilient despite the challenging economy and volatile market, with earnings growth remaining well above the broad market

- Strong water fundamentals driving above-market growth of ~15%, outpacing S&P 500 earnings forecasts
- Secular trends remain intact to support long-term investment in water infrastructure and technology, including:
 - Government support (i.e. US Infrastructure bill)
 - Corporate sustainability commitments (Net Zero Water)
 - Climate resiliency spend (i.e. FEMA recovery efforts)

Near-term portfolio earnings growth



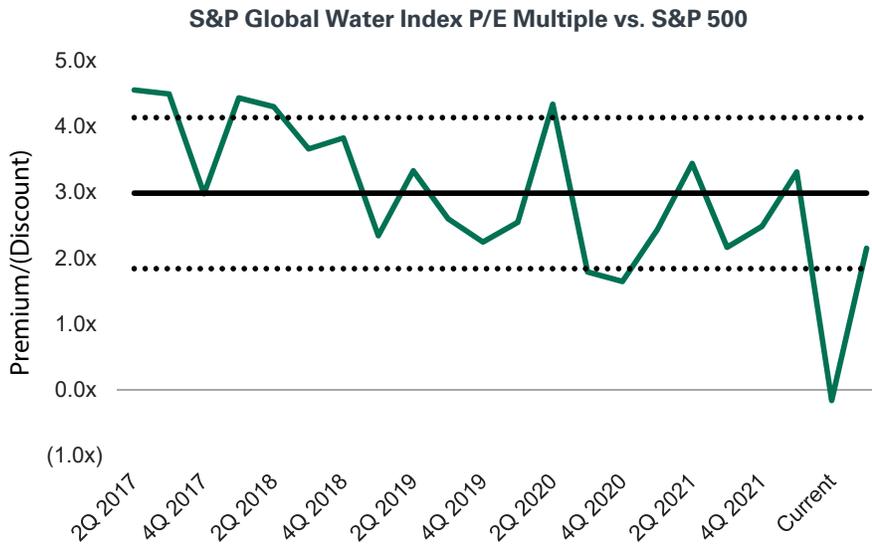
As of 3/31/2022. Source: Bloomberg and Goldman Sachs

¹Bloomberg.com. ²Forbes.com. ³World Bank.

Catalyst #3: Compelling valuations

Water sector valuation below historic norm on absolute and relative basis compared to broad equity markets

- Secular tailwinds and strong earnings growth expectations mentioned on page 2 provide valuation support for water equities once broader equity market volatility subsides
- Expect a number of portfolio holdings to benefit from stable growth outlooks as global economic growth slows in 2H 2022 into 2023



As of 3/31/2022. Source: Bloomberg

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