

# Tortoise QuickTake

## Sustainable Infrastructure Podcast

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March 22, 2019

**Welcome to the Tortoise QuickTake podcast. Thank you for joining us. Today, Tortoise provides a timely update on trending topics in the market.**

Welcome to the Tortoise podcast series on the water sector. I'm Evan Lang, Co-Portfolio Manager of Tortoise's Sustainable Global Water Strategy.

Thanks for joining us on World Water Day! You may be asking yourself what is World Water Day? It is an annual UN observance day that highlights the importance of fresh water and advocates for the sustainable management of the world's most precious resource. The mission is critical as a global water crisis is unfolding today with billions of people across the globe living without clean water and basic sanitation.

This year's theme for World Water Day is "Leaving no one behind." The theme is very fitting as it's a direct adaptation of UN's Sustainable Goal 6, which targets the availability and sustainable management of water for all people by 2030.

In conjunction with World Water Day, the UN published its annual Water Development Report. As always, the report includes a number of eye-opening facts. Let me highlight a few that jumped off the page:

- 3 out of ten people do not have access to safe drinking water
- Two-thirds of all people experience severe water scarcity during at least one month per year
- 6 out of ten people do not have access to safely managed sanitation services

Looking forward, the UN projects stress levels will only increase as supply is limited and demand is ever increasing due to population growth, socio-economic development and industrial usage. Climate change is expected to intensify the unfolding water crisis.

One study shows that current annual investment levels need to increase threefold to \$114 billion in order to meet Sustainable Development Goal 6. If you extend that annual investment out to 2030, nearly \$1.5 trillion will be needed. It's also important to note that the study did not include investments for continuous operation and maintenance costs, nor investments needed to meet other targets of SDG6, including ambient water quality, water use efficiency and means of implementation.

The problem is that there is simply not enough capital currently available to make that investment. To fill this void, we believe private sector capital, including investments in publicly listed securities, will play a critical role, directing investment to infrastructure- and technology-based solutions.

This is where Tortoise can step in. Our passion is to make an impact through our investments in essential assets by providing capital to organizations that are vital to the economy and make a positive contribution to our society and environment. We believe our active and passively managed water strategies do just that by aligning the capital needed to forging a better future for the world's most precious commodity and ensuring that no one is left behind.

Let's take a look at a couple of examples of the positive impact our investments are having on society today.

- We will start with an example in emerging markets by shining a light on the incredible impact Tetra Tech made in Liberia where piped drinking water has not flowed in most of the county's secondary cities for a quarter century following civil conflict that began in the late 1980s. At the time of conflict, these water systems were destroyed or fell into despair, and residents became reliant on unreliable or contaminated water sources. Then, Tetra Tech stepped in with the implementation of the Liberia Municipal Water Project, which aimed to provide improved water access to 90% of the population in three county capitals, with the infrastructure managed by locally based entities. Beginning in 2011, Tetra Tech worked closely with the Liberia Water and Sewer Corporation and local stakeholders to plan, construct, operate and manage the new-build water infrastructure. When construction was completed in 2018, an estimated 30,000 people gained access to clean, piped water for the first time in 30 years. The project marked an outstanding accomplishment not only in providing water access, but also providing economic opportunity in the region.
- Next, we will shift our focus to Xylem's role in creating a sustainable water future in a developed economy, California. In the years between 2011 and 2015, California experienced its worst drought on record since 1835, and many suffered the realities of a severe water shortage. Luckily, the drought ended, but the state remains focused on securing a better water future. To do this, the state is turning to water reuse as a sustainable and economic solution. Xylem sprung to the opportunity when Los Angeles commissioned the company to deliver a water reuse system to increase the supply to local communities. Upon completion in 2017, the system treats wastewater from more than 130,000 residents and 100 businesses, providing 12 million gallons per day of highly purified water for beneficial use. The project was a resounding success with the use of advanced technology, providing the community with a drought resistant water source at a lower life-cycle cost than developing a new water supply. Water reuse has been such a success in the region that L.A. is now targeting reusing 100% of its water supply by 2035.

We believe our investments in companies like Tetra Tech and Xylem not only generate a positive impact to society and the environment, but also may deliver competitive returns for investors.

Let's take a closer look at this by reviewing the performance of water as an asset class. We will start with the long-term view. The water sector, as measured by the S&P Global Water Index, generated a compounded return of 10.3% from the inception through March 15, 2019 of the index in 2001. During this time, the broader equity markets, as measured by the MSCI World Index and S&P 500, returned 7.2% and 7.5%, respectively. If you narrow your time frame to the past year, the water sector has returned 6.1% while the MSCI World Index and S&P 500 returned 1.4% and 4.8%, respectively.

As the global water crisis unfolds, we will remain focused and energized to fulfill our "Making an Impact" mission by working together to invest in a future in which no one is left behind.

We hope you enjoy your World Water Day. We look forward to speaking with you again soon,

**Thank you for joining us. And stay tuned for our next cast. Have topics you want covered or other feedback to share? Write us at [info@tortoiseadvisors.com](mailto:info@tortoiseadvisors.com).**

**The S&P Global Water Index** provides liquid and tradable exposure to 50 companies from around the world that are involved in water related businesses. To create diversified exposure across the global water market, the 50 constituents are distributed equally between two distinct clusters of water related businesses: Water Utilities & Infrastructure and Water Equipment & Materials.

**The MSCI World Index** is a market cap weighted stock market index of 1,649 stocks from companies throughout the world. A related index, the MSCI All Country World Index (ACWI), incorporated both developed and emerging countries. MSCI also produces a Frontier Markets index, including another 31 markets.

**The S&P 500<sup>®</sup> Index** is a market-value weighted index of equity securities.

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