



TARENO

Global Water Solutions Fund



Performance Report
April 2019



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Encouraging economic data from China and the US and a solid start to the corporate reporting season ensured that the investment environment remained welcoming in April. Industrial data and construction spending, both important indicators for water companies, surprised positively in the US. The good mood was also boosted by hope of an amicable resolution to the trade dispute. With analysts having already voiced low expectations in the run-up to the reporting season, companies largely reported in-line with consensus. A communality that can be detected is that many companies are talking about a lowering of visibility into their customers capex plans, for example in health care, where Waters missed guidance after clients pushed investments out to the second half of the year. The general expectation of a much stronger second half of the year is another common expectation among many companies we are following.

The Tareno Global Water Solutions Fund achieved a performance of 2.87% (R1 EUR), pushing the year to date performance up to 19.58%. A solid result that comes as a positive surprise, given the turmoil markets faced at the end of 2018.

Looking at the four verticals, cyclical, secular drivers remain intact of industrials. The Industrial channel has been a critical engine of growth for the water infrastructure space in recent years, and the latest data suggest this will continue. The National Association of Manufacturers' outlook survey rebounded in 1Q (to 59.7 vs. 59.1 in 4Q) and remains well above the "50" level that signifies an expanding market. Ditto for the PMI, which rebounded to 55.3 in April. Names with strong industrial exposure include Xylem, Ecolab, and Tetra Tech. Municipal is on-track as well, with the Fed's pause creating another window for water and wastewater-systems to secure financing for infrastructure projects. Construction is slightly slowing down, after being a major driver over the last couple of years. Nevertheless, companies like Watts Water or Georg Fisher still thrive on the back of strong investments in remodeling. Agriculture is still slow, as soft commodity prices remain muted. It appears that the recovery is once again being pushed to the right, with relevant stocks likely to be range bound as a result.

Some adjustments were made to the portfolio, basically in order to increase exposure to Europe. With the positive underlying capex trend fading in health care, names with the relevant exposure were reduced accordingly. We initiated new positions in Sulzer, Rotork, Alfa Laval and Toro.

Best regards

Stefan Schütz



Stefan Schütz leads the equity research team consisting of 6 analysts, and is responsible for the European and US industry sector. He has over 20 years of experience in equity research and asset management. Stefan Schütz started his career in the finance industry in 1997 at Bank CIC. He joined the Tareno Investment Team shortly after the inception of the Tareno Global Water Solutions Fund in November 2007. Stefan Schütz is Certified International Investment Analyst (CIIA).