

Environmental Investment Strategies



Environmental Issues on the Agenda



Investors are taking the lead to help save the planet

'Half world to face drought by year 2100'

By Ed Crooks, Energy Editor
... 30 or so years after 1950 to about 25 per cent today. Because the definition of "drought" varies from place to place, its effects will also differ. ... Pope, head of the ...

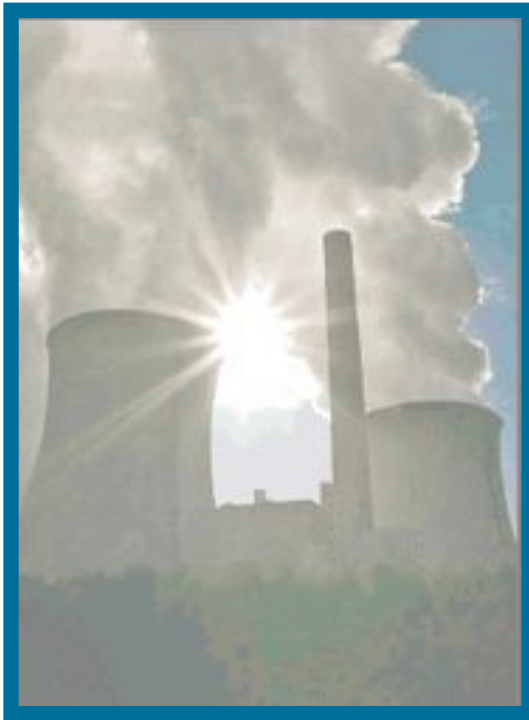


How soon will we be forced to pay a high price for water?



The Environmental Case

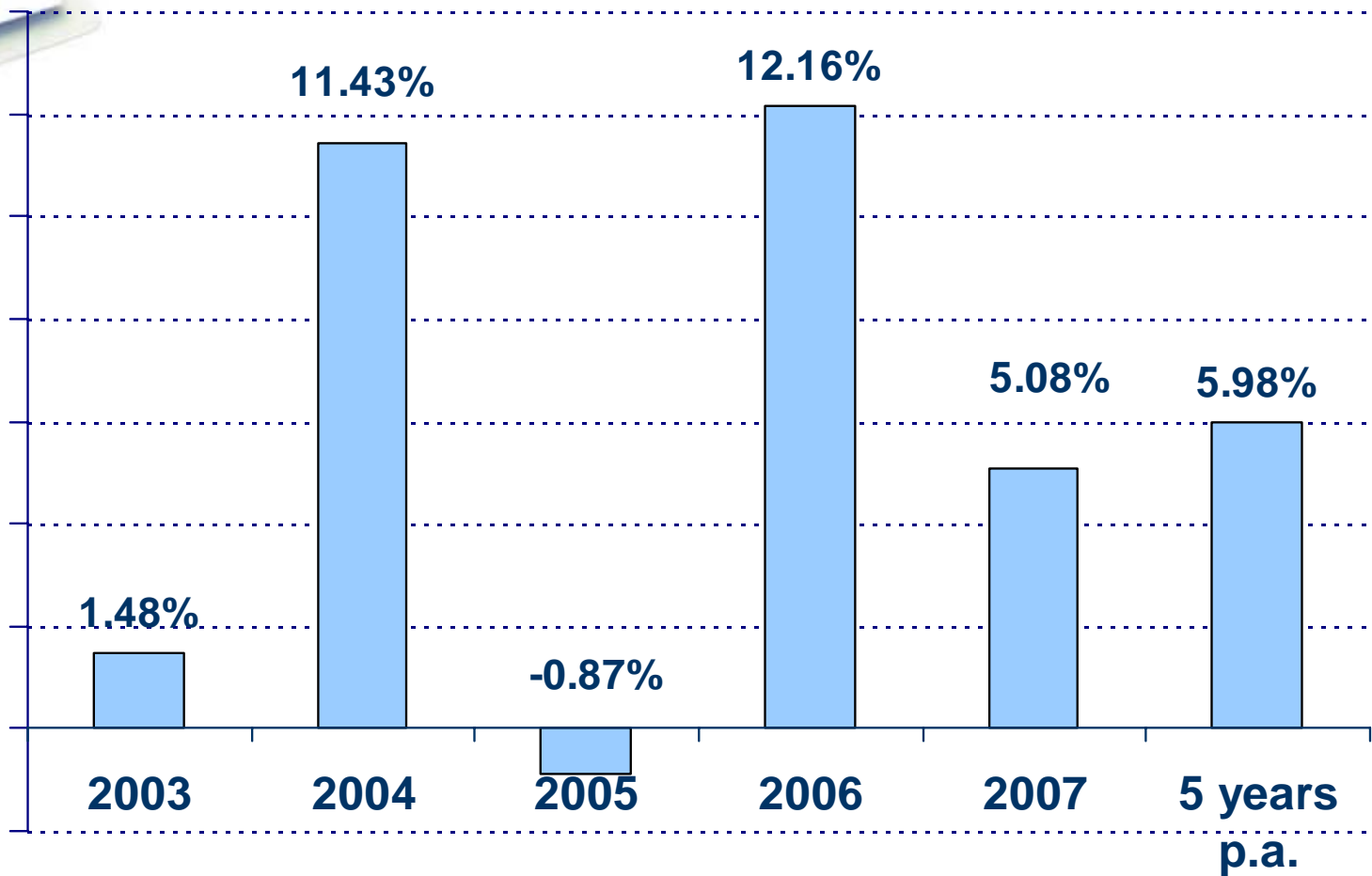
The future of the planet depends on increased investment in both the Water and Alternative Energy industries.



To do nothing is not an option.

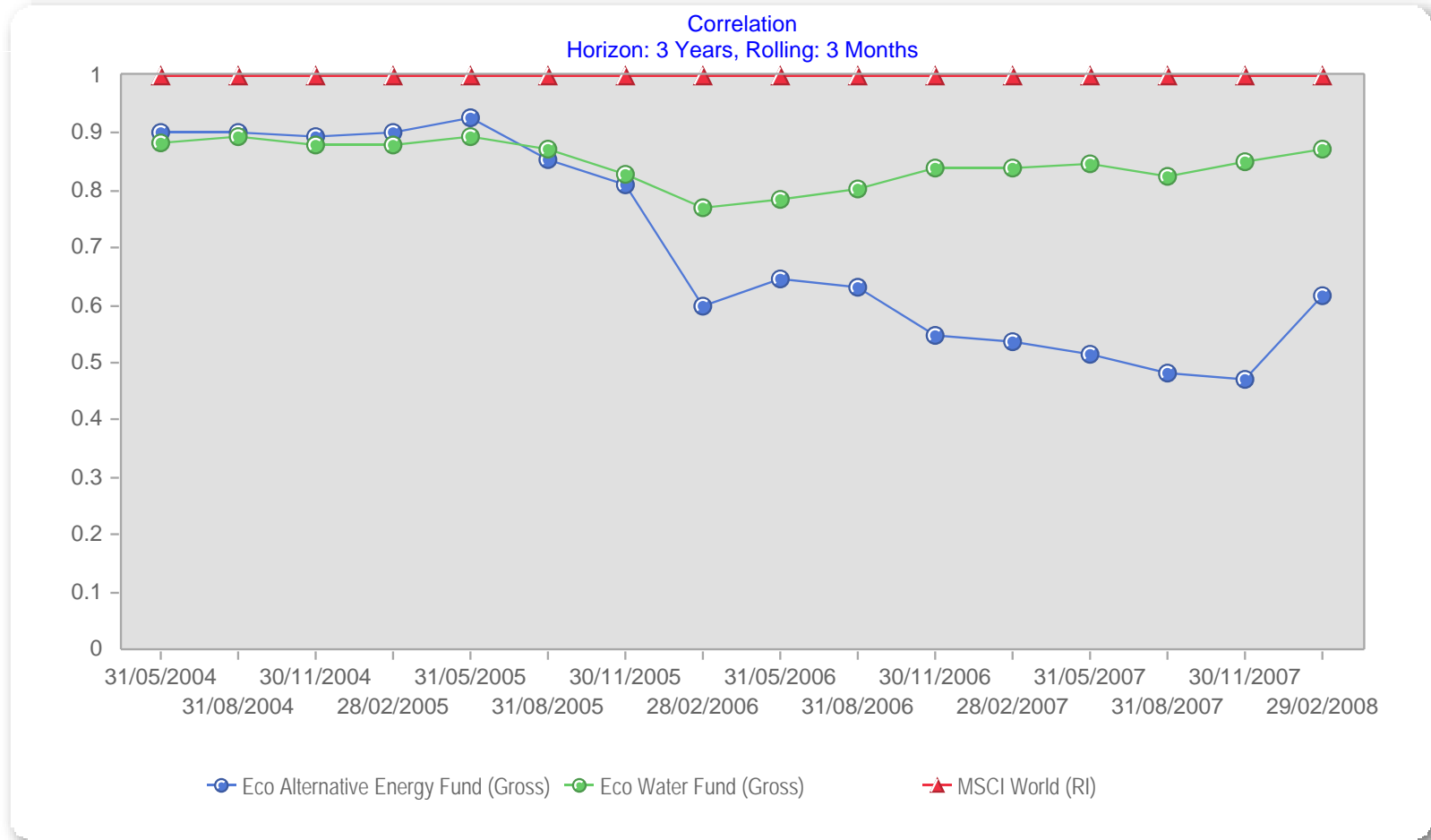


The Investment Case Water – Relative Performance





The Investment Case Correlation with Global Equities





Investment Thesis

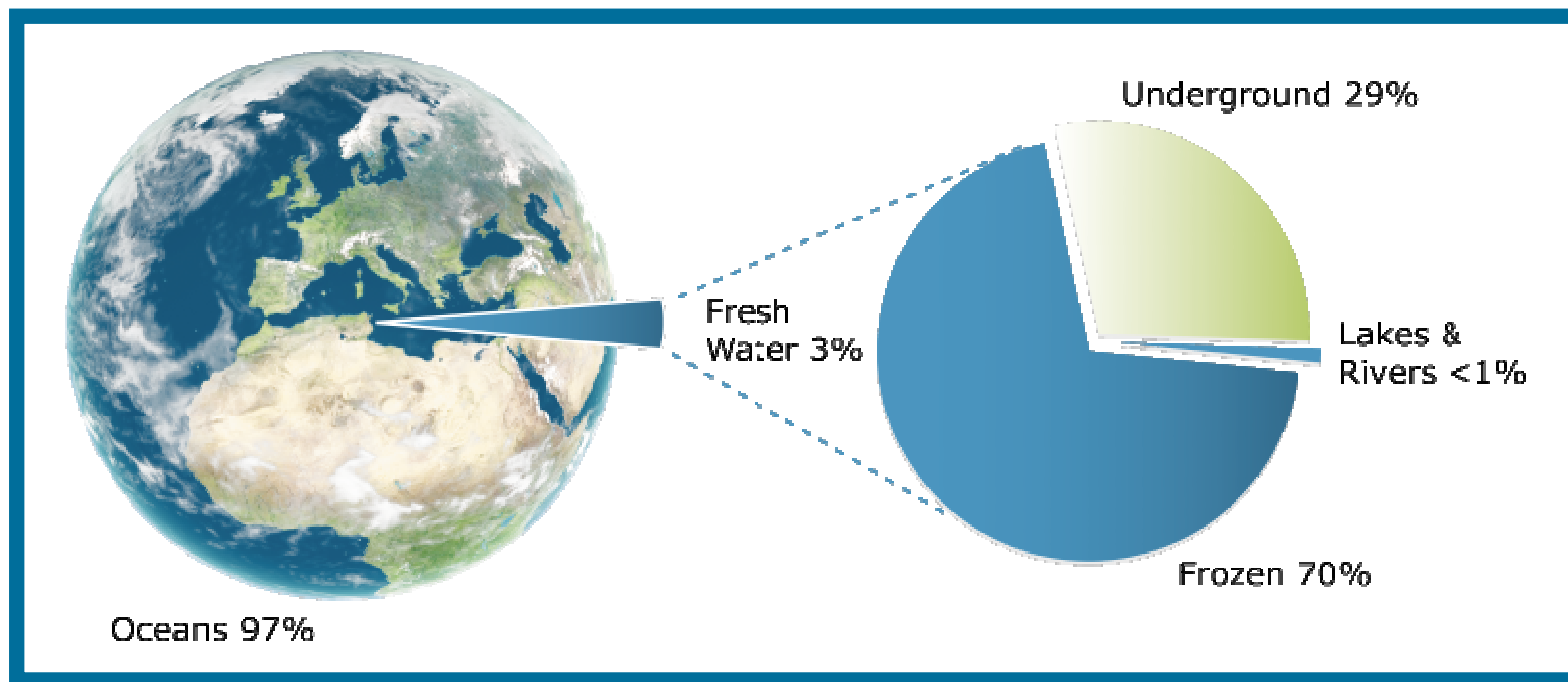
- Supply is finite
- Demand for water increasing worldwide
- Outdated or non-existent infrastructure
- Regulatory Drivers
- Water services in significant demand via outsourcing
- Consolidation





Investment Driver Water Supply: Finite

Less than 1% of all water is available for human consumption



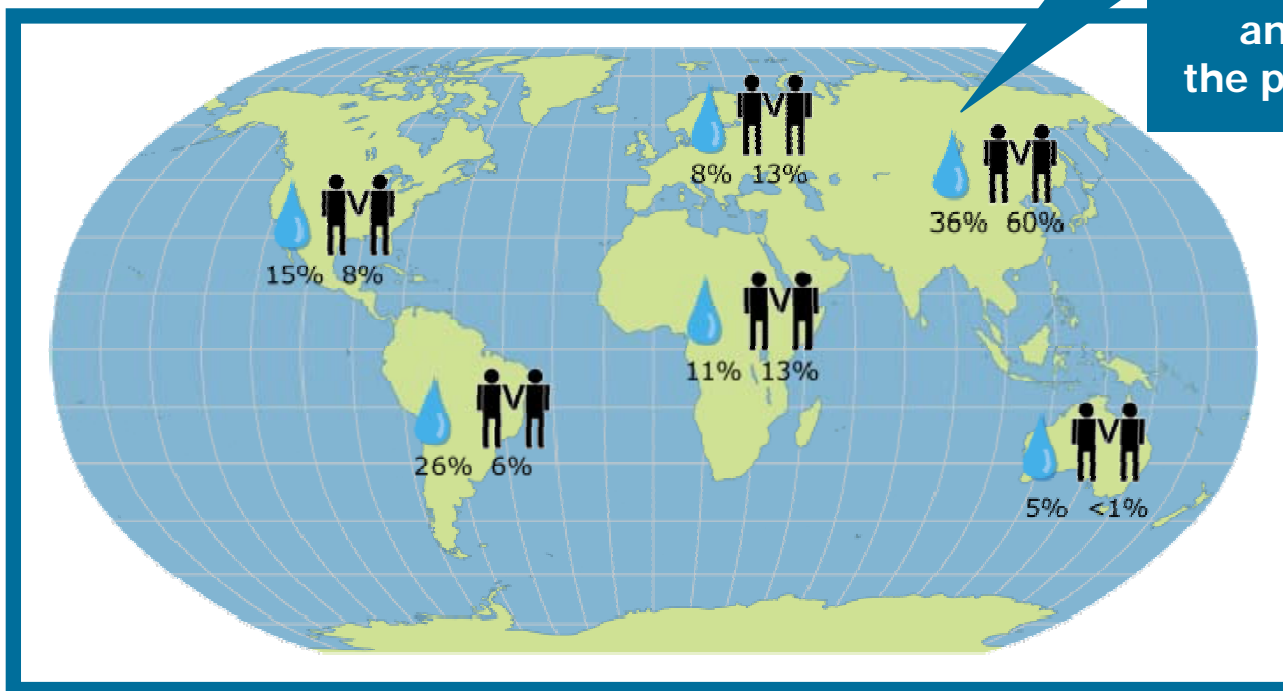
There is no substitute for water that is why
it is the 'Blue Gold' of this century



Investment Driver

Water Supply: Regional Imbalances

Asia has 36% of the world's water supply and 60% of the population





How many people have.....

-No sufficient access to fresh water?

1.1 billion

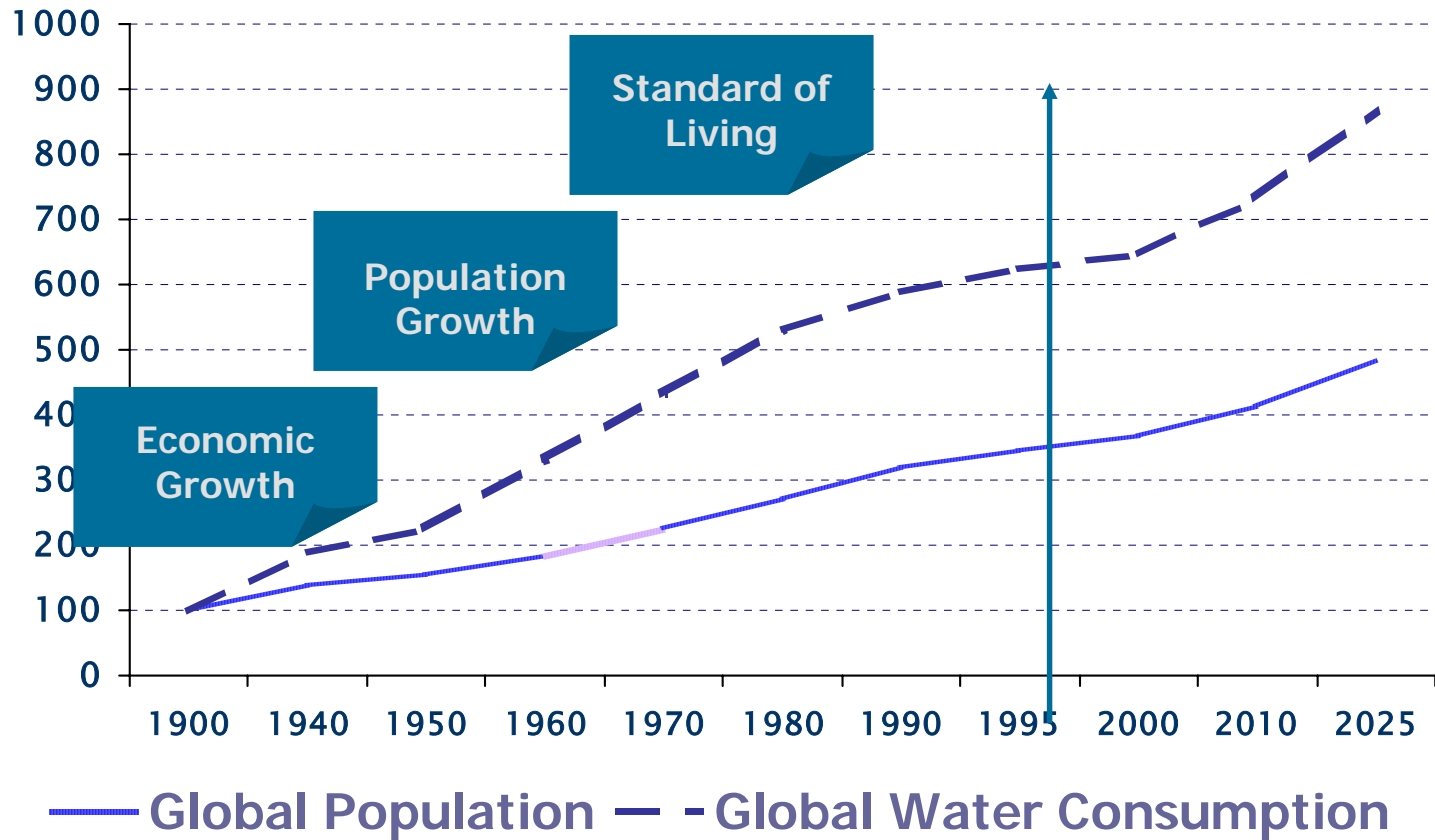
- No sufficient access to proper sanitation and are vulnerable to water-borne diseases?

2.4 billion





Investment Driver Water Demand Rising





Investment Driver Infrastructure – USA example

- Leakage 5-20%
- In some areas, piping dating to the late 1880s is still in service
- EPA Spending Projections \$277 billion by 2019
- Largest investment required in the pipes and valves used to transfer water and wastewater



Source: epa.gov/safewater/needssurvey.html. 29 January 2008



Investment Driver Infrastructure - China

Exhibit 12: Editorial cartoon in China Daily newspaper



Source: China Daily June 11-12, 2005 edition; Zhang Yaoming.



Investment Driver Infrastructure – China example

- \$130 billion investment in waste water treatment by 2010
- 2/3rds of all cities have water shortages
- Over 50% rivers and aquifers are polluted
- 61% of the 669 cities have no urban sewage systems
- China loses \$25 billion annually in industrial output due to water shortages





Investment Driver Regulatory framework

- Intensifying global regulation
- Water Framework Directive in Europe
- Recently-passed US Water Resources Development Act
- New national standards for drinking water quality in China





Investment Driver Consolidation / Outsourcing

- 54,000 community water systems in the USA
- Highly Fragmented and localized nature
- Outsourcing an attractive option
- Further consolidation expected

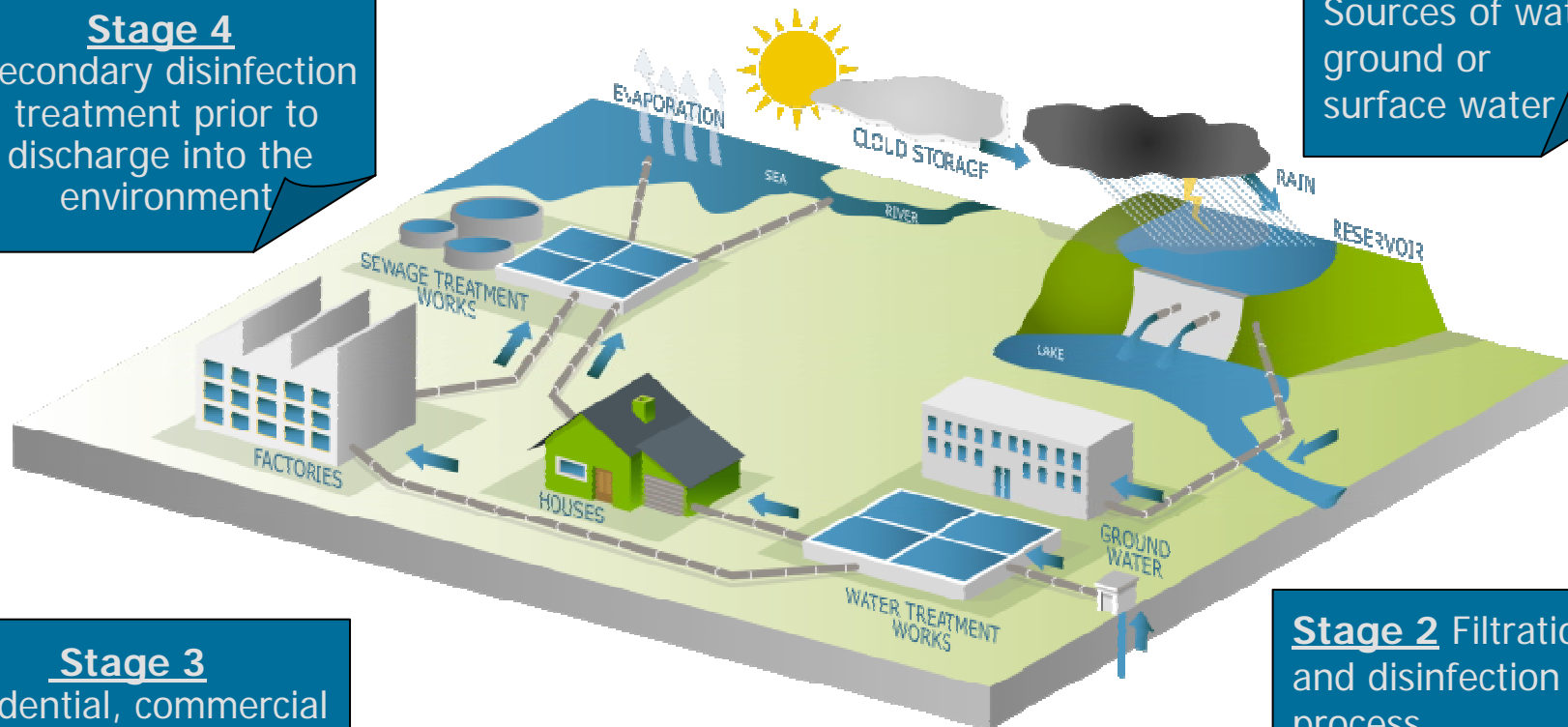


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What Do We Mean By Investing In Water?

Stage 4
Secondary disinfection treatment prior to discharge into the environment



Stage 1
Sources of water:
ground or
surface water

Stage 2 Filtration
and disinfection
process

Stage 3
Residential, commercial
and industrial
water use



The Water Thesis

- Unique Commodity
- Fundamental secular growth characteristics
- Strong consistent returns





- Climate change and natural resource shortages will impact on our investments
- Be proactive in the face of the challenge and capitalise on the opportunities it presents





IAPF

Annual Investment

Conference

2008

