



# Investing in the future of water

The investment case for clean water is easy to understand: we are still all going to be drinking and using water for millennia to come, but we don't have enough clean water where it is needed and billions of litres of water are lost daily through inefficiencies and weak infrastructure such as leaky pipes. However, the practicalities of allocating to this theme are complex as we cannot invest in the commodity directly.

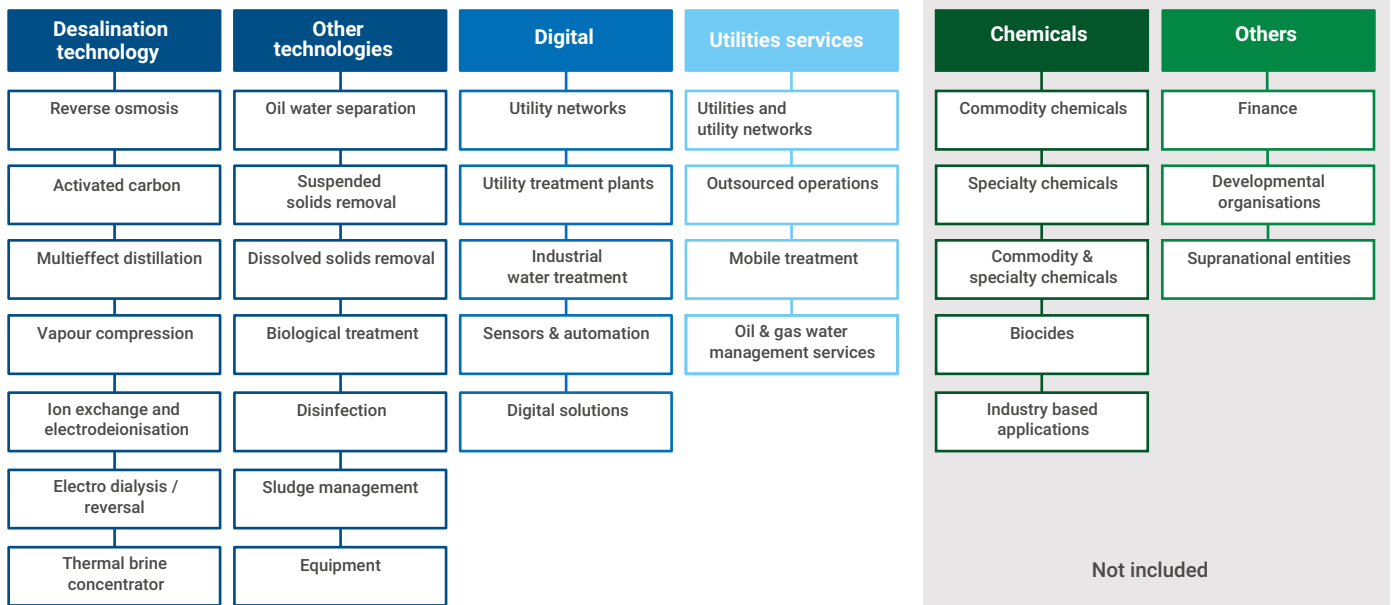
At LGIM, we believe the answer lies in focusing on water technology and digital solutions. We favour investing across this theme through systematic proprietary indexation based on expert bottom-up research with Global Water Intelligence, a provider of cutting-edge business information and research on the water industry. We seek to identify:

- Water technology and digital services focused on water
- Examples in the first category include providers of dissolved solid removal, disinfection, sludge management, and biological treatment
- In the second category, examples include sensors that detect leaks, smart water meters, cloud platforms to optimise water consumption, distribution network data management, and control systems
- Utilities earning at least 90% of their revenues from water, which excludes conglomerates with only marginal exposure to water
- Engineering companies earning at least 50% of their revenues from water

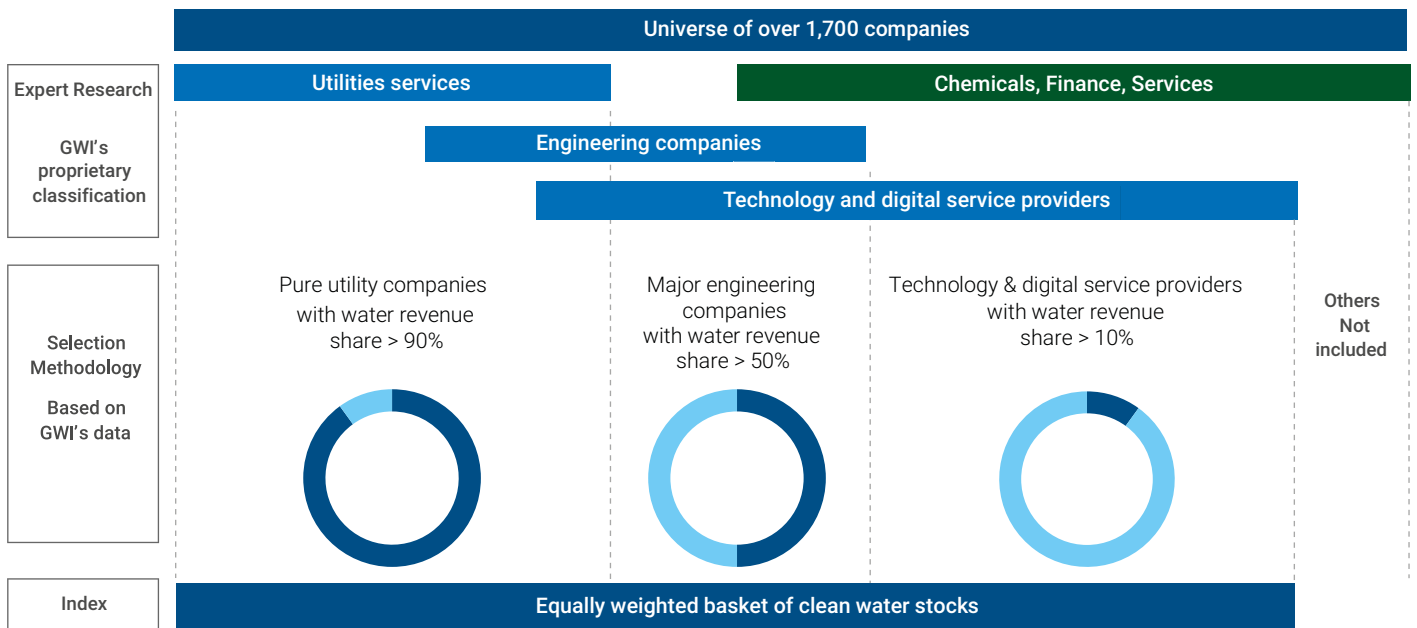
We believe this emphasis on water technology and smart water management differentiates our strategy from competitors; it also fits our thematic approach of seeking double-digit growth trends, technology that is yielding efficiencies, and disruptors challenging incumbents. We also expect the utility exposure to offer some defensive characteristics to the portfolio.

## Company classification

A unique approach backed by experts



## A robust selection methodology



For illustrative purposes only

## Capturing the future of water in a thematic portfolio

The clean water theme spans traditional sectors and geographies, so we believe we need to work with a research specialist – Global Water Intelligence – to identify both the full global value chain and the individual companies most closely involved.

So what kinds of companies does our active research identify? We highlight some case studies of recent innovation in the theme below, but would emphasise that our aim is to offer exposure to the purest providers of clean water technology and solutions through an equally weighted systematic index rather than to pick preferred stocks within the theme.

**Sulzer\*** is a Swiss company that specialises in pumping, agitation, mixing, separation and application technologies for fluids, with 180 production and service locations globally, including emerging markets. Sulzer’s pumps and related equipment have many applications in the water and wastewater space, including desalination, water intake, transportation and irrigation, municipal clean water and wastewater, flood control, industrial water treatment, and domestic and commercial wastewater.

The acquisition of Nordic Water, completed in February 2021, strengthened Sulzer’s position within the water treatment sector. More recently, the company has contributed to the transformation of a large wastewater treatment plant in Vienna into a self-sufficient, sustainable facility which produces 78GWh of electricity and 82GWh of heat from biogas, as well as processing up to 1,000 cubic meters of wastewater per minute, reducing the city’s carbon emissions by 40,000 tonnes annually.<sup>1</sup>

**Zurn Water Solutions\*** is a US-based engineering business that started out as a manufacturer of valves and plumbing products. Zurn’s products enhance water safety, quality, flow control and conservation, with applications including plumbing, water distribution, drainage and control, fire protection and repairs.

The company’s strategy is to gain market share and enter global partnerships to participate in end markets with sustainable growth characteristics. Examples of this include a joint expansion with BWA South, which since June 2021 has become the sales representative for Zurn’s portfolio of commercial plumbing products, and the recently created PRO Partner Program, through which certified plumbing and installation contractors can access resources, training, and tools, and can connect with building owners and facility managers to provide them with advice – and, of course, work with Zurn’s products.

We hope this demonstrates the depth of research undertaken in designing our clean water theme and some of the exciting businesses within our own ‘future of water’ portfolio.



### Key risk

The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested.

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\*For illustrative purposes only. Reference to this and any other security is on a historical basis and does not mean that the security is currently held or will be held within an LGIM portfolio. Such references do not constitute a recommendation to buy or sell any security.

<sup>1</sup>Source: Sulzer, March 2021

## Contact us

For further information about LGIM, please visit [lgim.com](http://lgim.com) or contact your usual LGIM representative



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