



# SAM Sustainable Water Fund

July 2009

Member of **ROBECO**

# Agenda

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- About SAM
- Water Global Trends
- Water in China
- Process & Portfolio
- Appendix

# SAM at a Glance

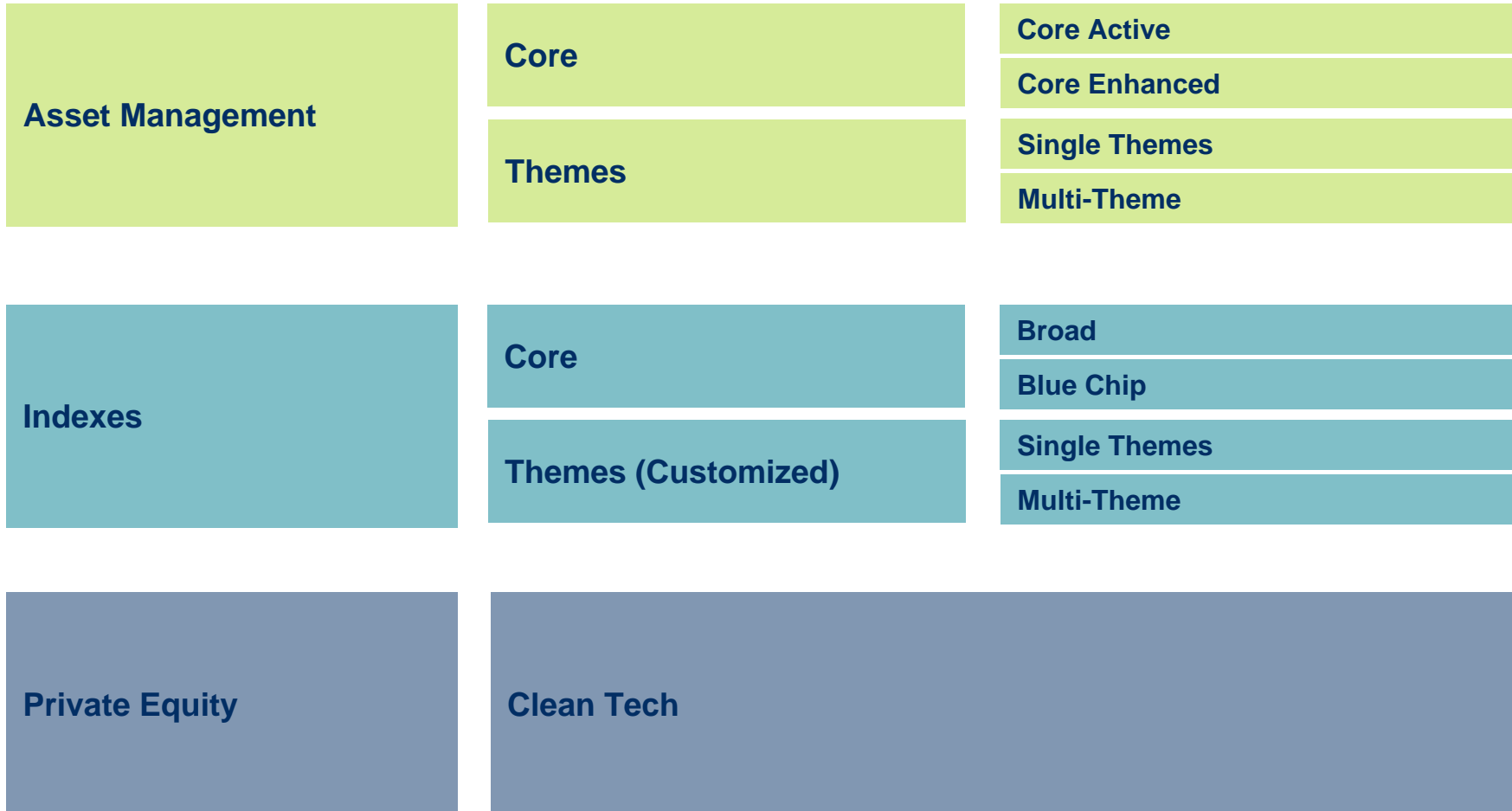
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- Investment company founded in 1995
- Powering Dow Jones Sustainability Indices since 1999
- Headquarters in Zurich, Switzerland
- Catering a global client base
- Over 90 employees
- EUR 7.0 billion assets under management and advice (as per 31.03.2009)
- Member of Robeco (part of AAA rated Rabobank Group)



# SAM Capabilities

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# SAM Asset Management Offering

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Core	Core Active	Global Active
		Europe Active
Themes	Core Enhanced	Global
		Europe
	Single Themes	Water
		Energy
		Materials
		Healthy Living
	Climate	
Multi-Theme	Multi-Theme	

- SAM offers the above active asset management capabilities as mutual funds, institutional funds and as individual mandates
- Additionally, Fixed Income and Balanced strategies are available through partnerships

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# Investment Case

Limited supply collides with rising demand



## Water is a scarce resource

Quantity  
issue

Quality  
issue

Allocation  
issue

- Resource management
- Water and wastewater treatment
- Infrastructure build-up and maintenance

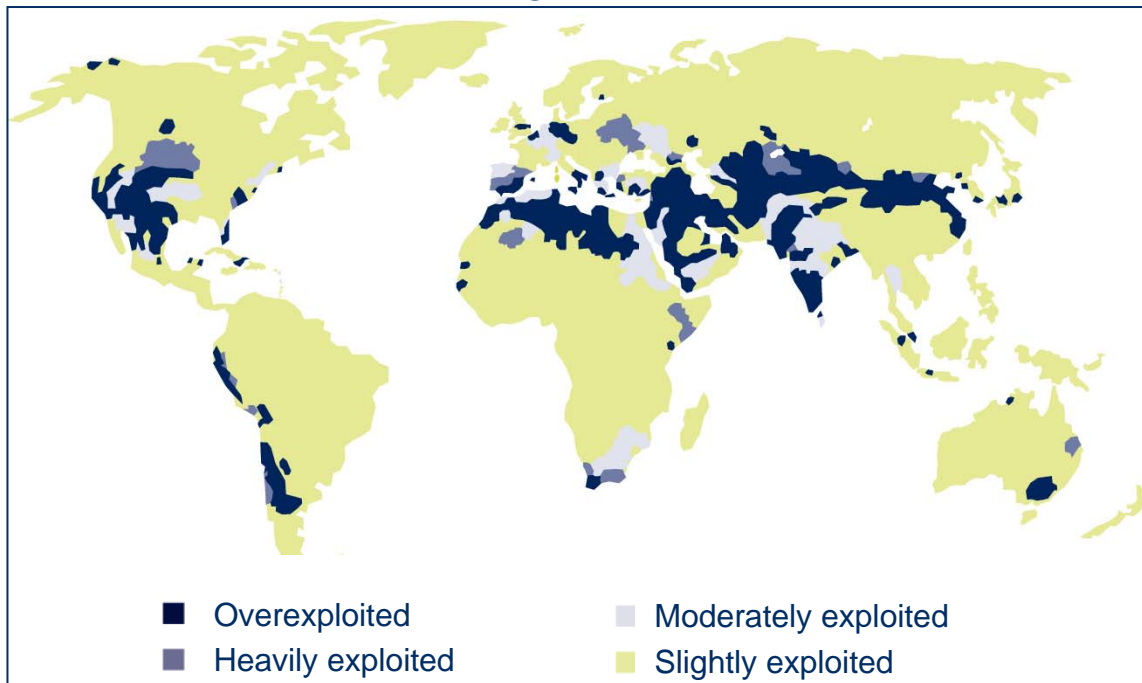
Investment opportunities

# Global Trend: Demographic Change



Population growth, urbanization, and migration induce water scarcity

## Water exploitation per region



## Opportunities

- Purification technologies
- Efficient irrigation
- Water re-use
- Desalination

# Renewable Water Resources per Capita

Limited supply collides with rising demand

Country	Region	Per capita availability 2007	Scarcity %
Guyana	Americas	320'812m <sup>3</sup> /head	0%
Congo, Rep.	Africa	208'057m <sup>3</sup> /head	0%
Brazil	Americas	44'167m <sup>3</sup> /head	0%
Australia	Australia	24'212m <sup>3</sup> /head	35%
United States	Americas	10'351m <sup>3</sup> /head	27%
<b>WORLD</b>		<b>8'436m<sup>3</sup>/head</b>	<b>16%</b>
Switzerland	Europe	7'257m <sup>3</sup> /head	0%
United Kingdom	Europe	2'442m <sup>3</sup> /head	10%
China	Asia	2'169m <sup>3</sup> /head	20%
India	Asia	1'733m <sup>3</sup> /head	20%
Yemen, Rep.	Asia	191m <sup>3</sup> /head	100%
Libya	Africa	171m <sup>3</sup> /head	100%
Singapore	Asia	139m <sup>3</sup> /head	100%
Qatar	Asia	0m <sup>3</sup> /head	100%

## Impacts

- Falling groundwater tables
- Rivers stop flowing
- Power stations stop production
- Industrial production stops
- Agriculture production is harmed
- Livestock is harmed

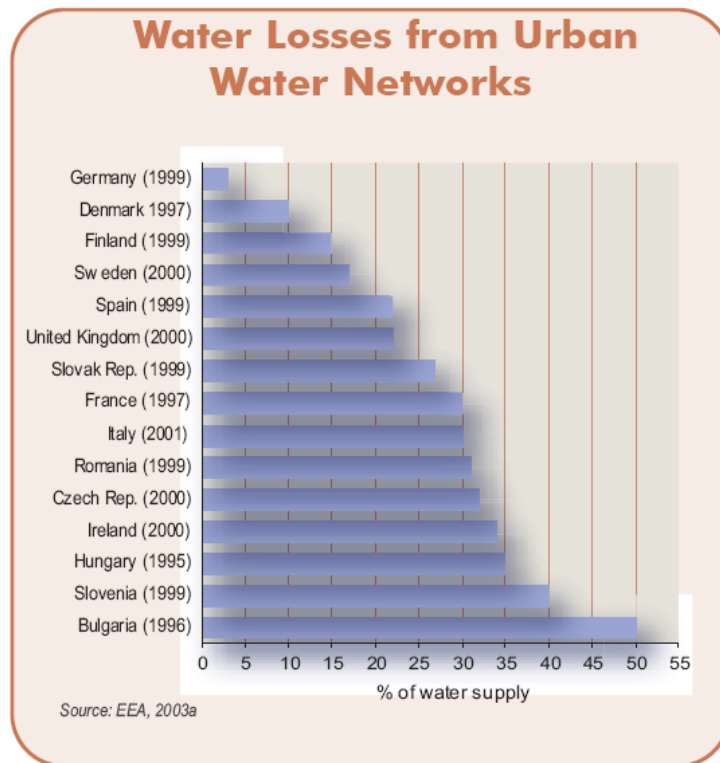
**Water Stress** (Water availability per capita below 1700 m<sup>3</sup>)

**Water Scarcity** (Water availability per capita below 1000 m<sup>3</sup>)

# Global Trend: Aging Infrastructure



Aging infrastructure requires maintenance, replacement and monitoring



## Opportunities

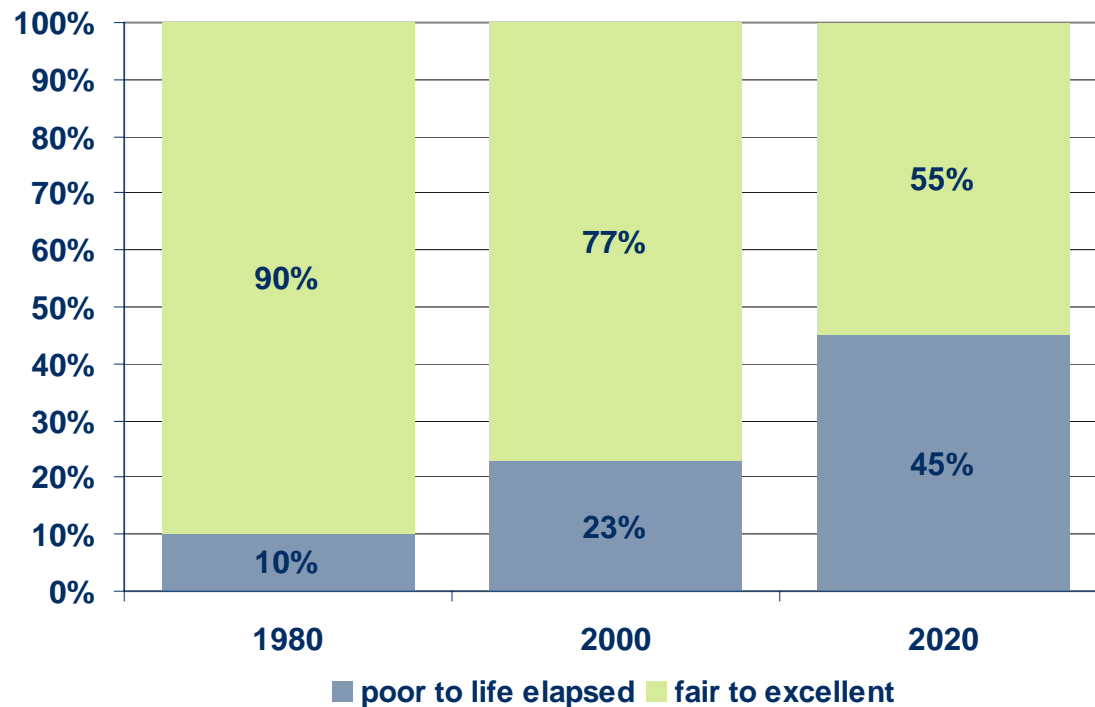
- Pipes and pumps
- Renovation solutions
- Monitoring equipment
- Engineering services

# Global Trend: Aging Infrastructure



Aging infrastructure requires maintenance, replacement and monitoring

## The state of the US water distribution networks



### Opportunities

- Pipes and pumps
- Renovation solutions
- Monitoring equipment
- Engineering services

# Global Trend: Rapid Needs of New Infrastructure



Shanghai: Huangpu river

- Today 50% of the world population live in cities
- By 2030, an additional 1.8 billion people will have moved to cities
- The equivalent of 4 cities the size of Shanghai, must be built every year for the next 20 years !



## Opportunities for



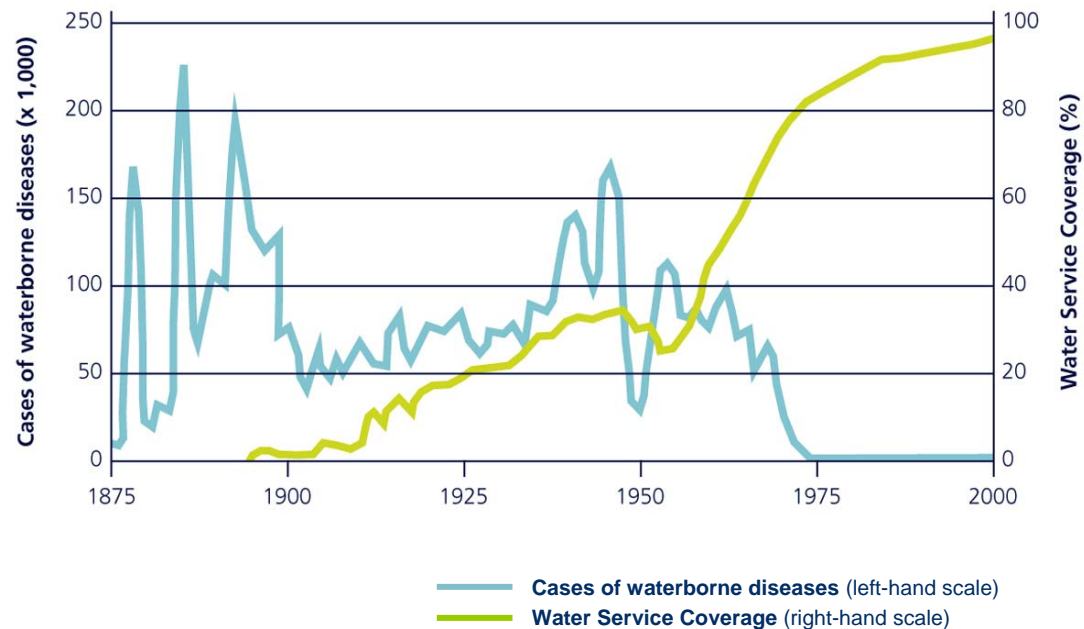
- Water engineering firms
- Water construction companies
- Manufacturers of pipes / valves / pumps
- Water meters manufacturers
- Private water utilities
- Suppliers of water utilities

# Global Trend: Water Quality



Severe water quality issues in both developed and emerging markets

## *Water service coverage versus water borne diseases in Japan*



### Opportunities

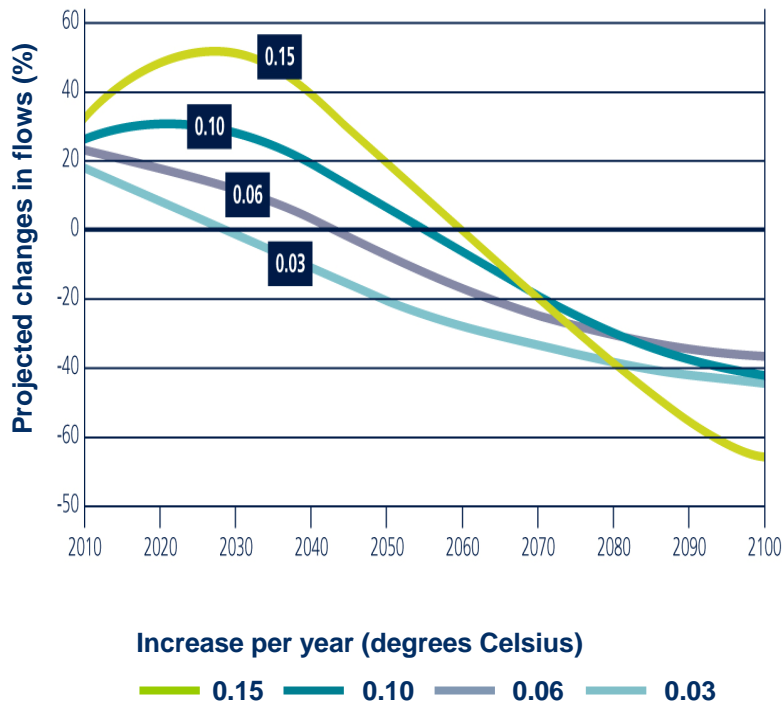
- Drinking water purification
- Sanitation
- Analysis and monitoring

# Global Trend: Climate Change



Rainfall variability, changed river runoff and severe weather events intensify water stress

## Projected changes in flows (%) of river Indus (4 temperature scenarios)



## Opportunities

- Resource management
- Dam construction
- Efficient irrigation

# Increasing Rainfall Variability: Needs for Larger Reservoirs and IWM

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- Climate change will increase variability of rainfall, i.e. more droughts and more storms
- Larger water buffer capacity needed to account for more frequent droughts
- However increased temperature = more evaporation, hence reservoir efficiency will decrease
- Integrated Water Management needed to minimize storm sewer water overflow due to frequent storms



## Opportunities for



- Consulting engineers
- Water reservoir construction firms
- Technologies decreasing evaporation
- Sewer overflow engineering firms

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# Water in China

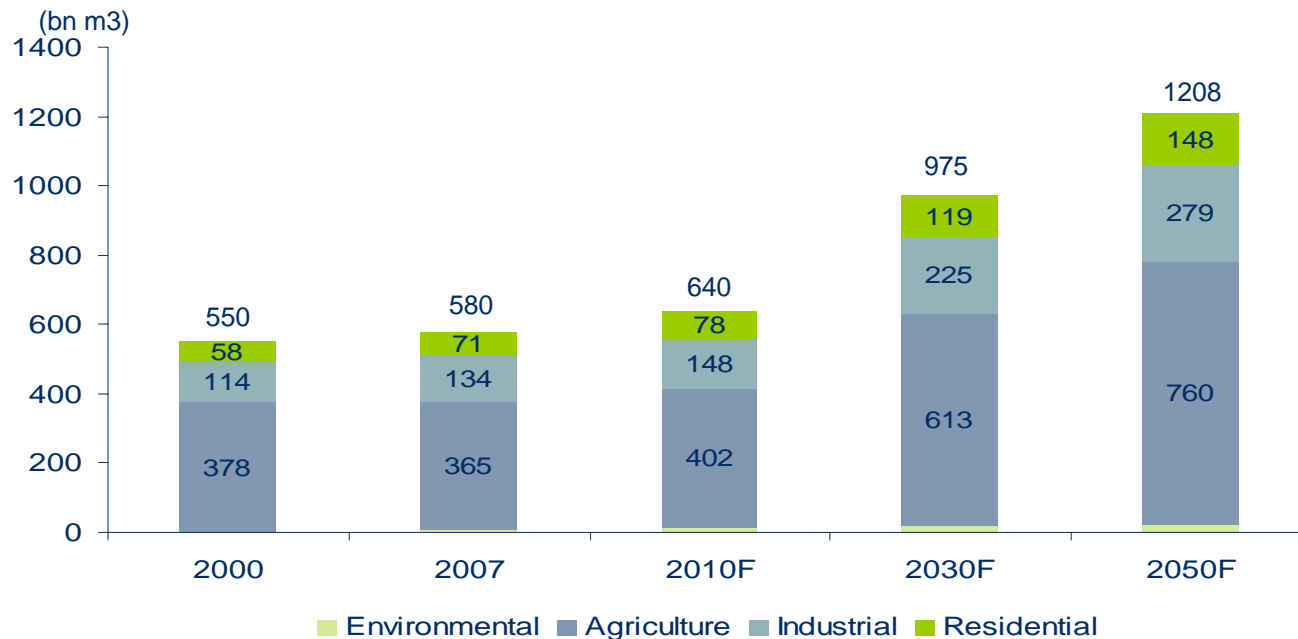


- More than 50% of China's Water resources are considered as grade 4 or higher, meaning not drinkable (government statistics)
- 323mio. people in rural areas drink unsafe water
- SEPA\* estimates that water shortages and inefficient use costs 8-10% of China's GDP without health costs
- Renewable water reserves is approx. 900 m<sup>3</sup> p. capita in northern China.
- China's water consumptions per unit of GDP is about 5.5 time of the global average

# Water Shortage in China



## Water Demand



- Water use will almost double from 2000 to 2050
- Strongest percentage growth in Industrial sector
- 1.3 mln suffer from effects of droughts in North China (Ningxia Hui) at this point in time

# Water Consumption in China: beef consumption increases?

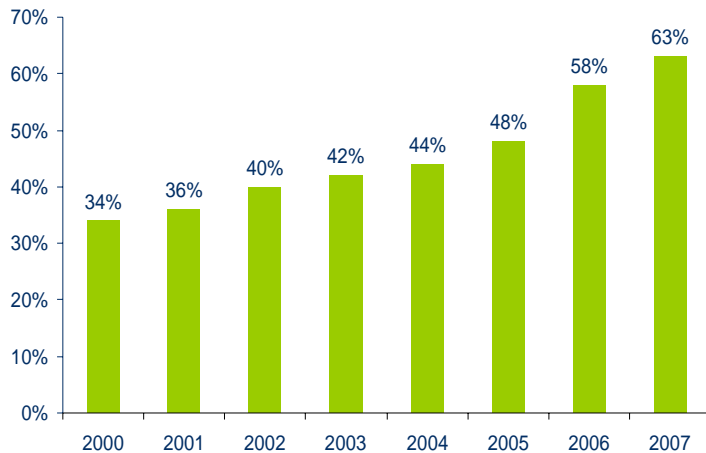


Product	Water productivity			
	Kilograms per cubic metre	Dollars per cubic metre	Proteln grams per cubic metre	Kilocalories per cubic metre
<b>Cereal</b>				
Wheat (\$0.2 per kilogram)	0.2-1.2	0.04-0.24	50-150	660-4'000
Rice (\$0.31 per kilogram)	0.15-1.6	0.05-0.18	12-50	500-2'000
Maize (\$0.11 per kilogram)	0.30-2.00	0.03-0.22	30-200	1'000-7'000
<b>Legumes</b>				
Lentils (\$0.3 per kilogram)	0.3-1.0	0.09-0.30	90-150	1'060-3'500
Fava beans (\$0.3 per kilogram)	0.3-0.8	0.09-0.24	100-150	1'260-3'360
Groundnut (\$0.8 per kilogram)	0.1-0.4	0.08-0.32	30-120	800-3'200
<b>Vegetables</b>				
Potatoes (\$0.1 per kilogram)	3-7	0.3-0.7	50-120	3'000-7'000
Tomatos (\$0.15 per kilogram)	5-20	0.75-3.0	50-200	1'000-4'000
Onions (\$0.1 per kilogram)	3-10	0.3-1.0	20-67	1'200-4'000
<b>Fruits</b>				
Apples (\$0.8 per kilogram)	1.0-5.0	0.8-4.0	Negligible	520-2'600
Olives (\$1.0 per kilogram)	1.0-3.0	1.0-3.0	10-30	1'150-3'450
Dates (\$2.0 per kilogram)	0.4-0.8	0.8-1.6	8-16	1'120-2'240
<b>Others</b>				
Beef (\$3.0 per kilogram)	0.03-0.1	0.09-0.3	10-30	60-210
Fish (aquaculture)	0.05-1.0	0.07-1.35	17-340	85-1'750

# Impact on Water Quality: Need of Advanced Treatment and Analytics



## Urban Sewage Treatment Ratio



- With increased temperatures and sunlight, cyanobacteria will bloom more often
- Cyanobacteria release moldy smelling compounds, and generate powerful toxins
- Over the last decade, an increase in bloom frequency has been observed worldwide
- China is a region which suffers from blooms



## Opportunities for



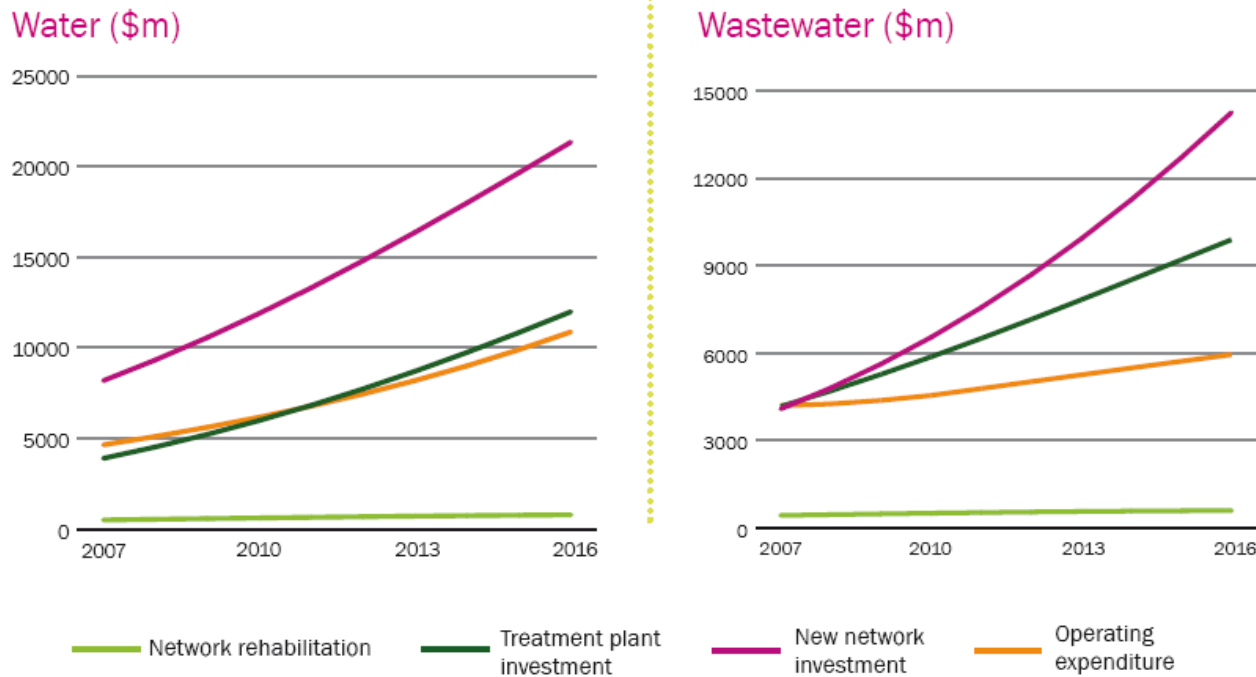
- Advanced treatment systems
- Advanced sensor and analytics

# Water in China: Investments



Increasing Investment

## Municipal water & wastewater expenditure 2007-2016



- Various parts of the value chain of water profit from investments

# Water in China: Who Pays the Bill?



Water prices in USD are generally rising

Water prices in USD for 1m3 based on 15m3 demand per month		Drinking Water	Waste Water	Combinded
Mumbai	India	0.09	0.00	0.09
Shanghai	China	0.14	0.11	0.24
Hangzhou	China	0.18	0.07	0.24
Guangzhou	China	0.17	0.08	0.26
Chonqing	China	0.28	0.09	0.37
Tianjin	China	0.34	0.11	0.45
Beijing	China	0.37	0.12	0.49
Johannesburg	South Afraica	0.29	0.23	0.52
Hong Kong	China	0.40	0.13	0.53
Sao Paulo	Brazil	0.73	0.73	1.45
<b>World average 259 cities</b>	<b>WORLD</b>	<b>1.12</b>	<b>0.65</b>	<b>1.77</b>
San Francisco	USA	1.10	1.85	2.95
Sydney	Australia	1.46	2.00	3.45
London	Europe	2.29	1.48	3.77
Zurich	Europe	2.43	2.78	5.20
Berlin	Europe	3.12	3.49	6.61

# Agenda

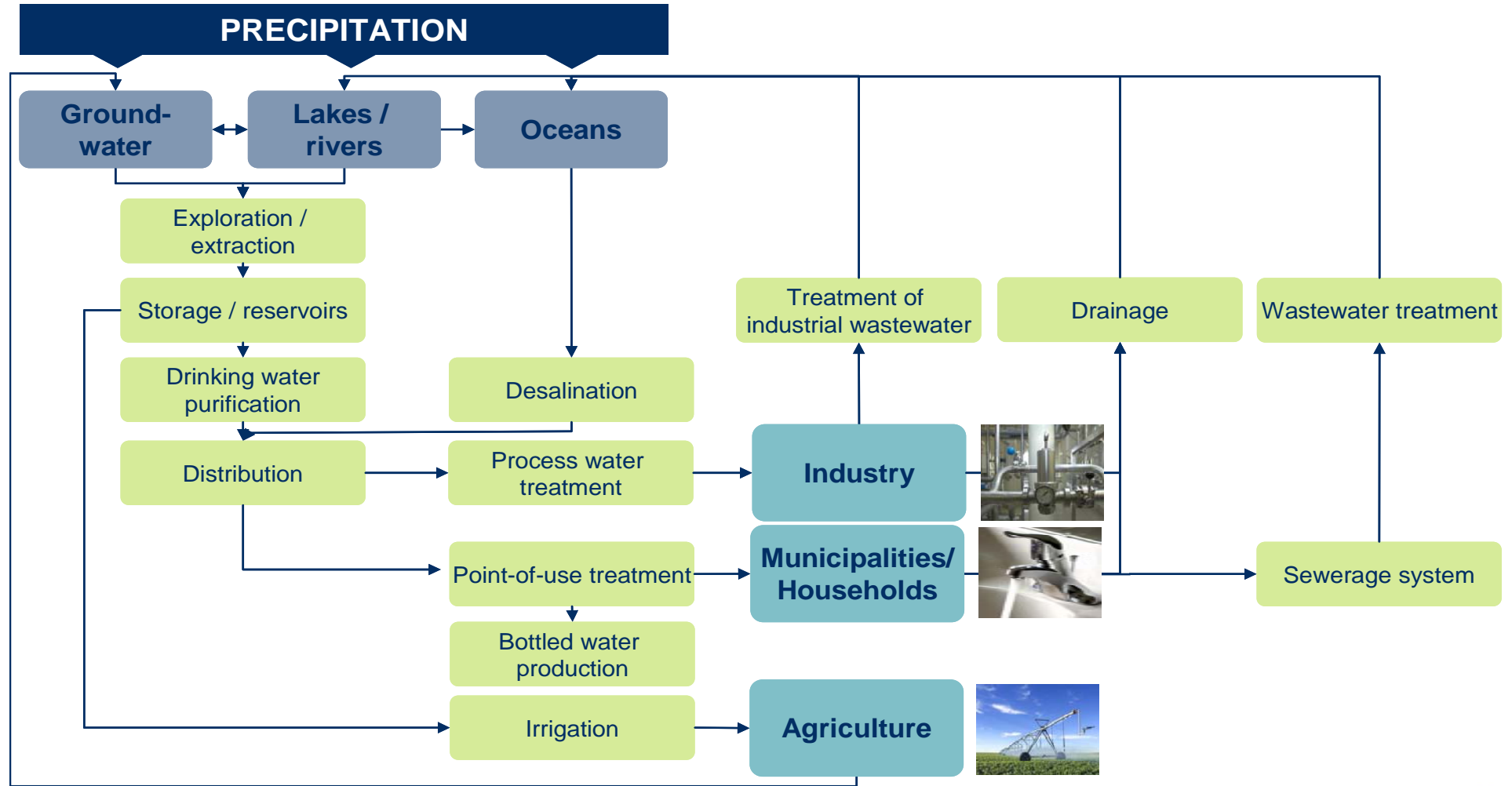
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# Investment Universe



SAM covers the entire water value chain



# Investment Universe Construction



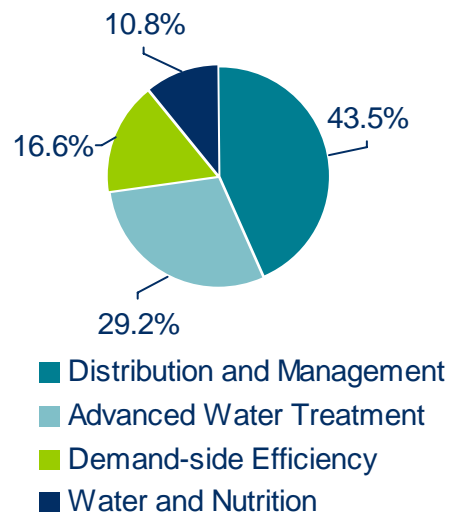
<b>Distribution and management</b>	<b>Advanced water treatment</b>
<ul style="list-style-type: none"><li>• Utilities</li></ul>	<ul style="list-style-type: none"><li>• Drinking water purification</li></ul>
<ul style="list-style-type: none"><li>• Pipes and pumps</li></ul>	<ul style="list-style-type: none"><li>• Wastewater treatment</li></ul>
<ul style="list-style-type: none"><li>• Resource management and engineering</li></ul>	<ul style="list-style-type: none"><li>• Analytics and monitoring</li></ul>
<b>Water and nutrition</b>	<b>Demand-side efficiency</b>
<ul style="list-style-type: none"><li>• Organic food</li></ul>	<ul style="list-style-type: none"><li>• Efficient household installations</li></ul>
<ul style="list-style-type: none"><li>• Irrigation</li></ul>	<ul style="list-style-type: none"><li>• Chemicals and additives</li></ul>
<ul style="list-style-type: none"><li>• Bottled water</li></ul>	<ul style="list-style-type: none"><li>• Metering</li></ul>

# SAM Sustainable Water Fund

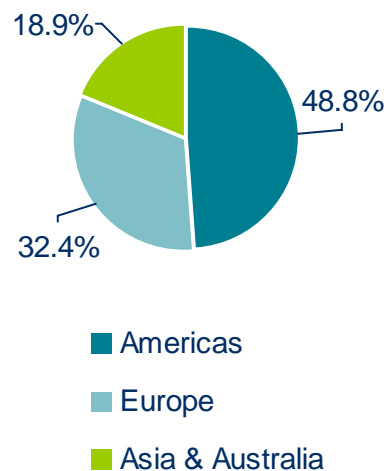
## Portfolio Characteristics (B-Shares, in USD, as of June 30, 2009)

Key Data: SAM Sustainable Water Fund	
Inception Date	September 28, 2001
Total Fund Volume in USD (in m)	1'235
Total Strategy Volume in USD (in m)	n.a
Number of Holdings	68

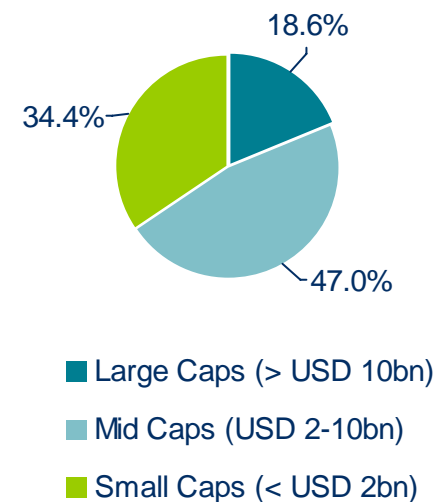
### Exposure by Clusters (excluding cash)



### Exposure by Regions (Company Domicile, excluding cash)

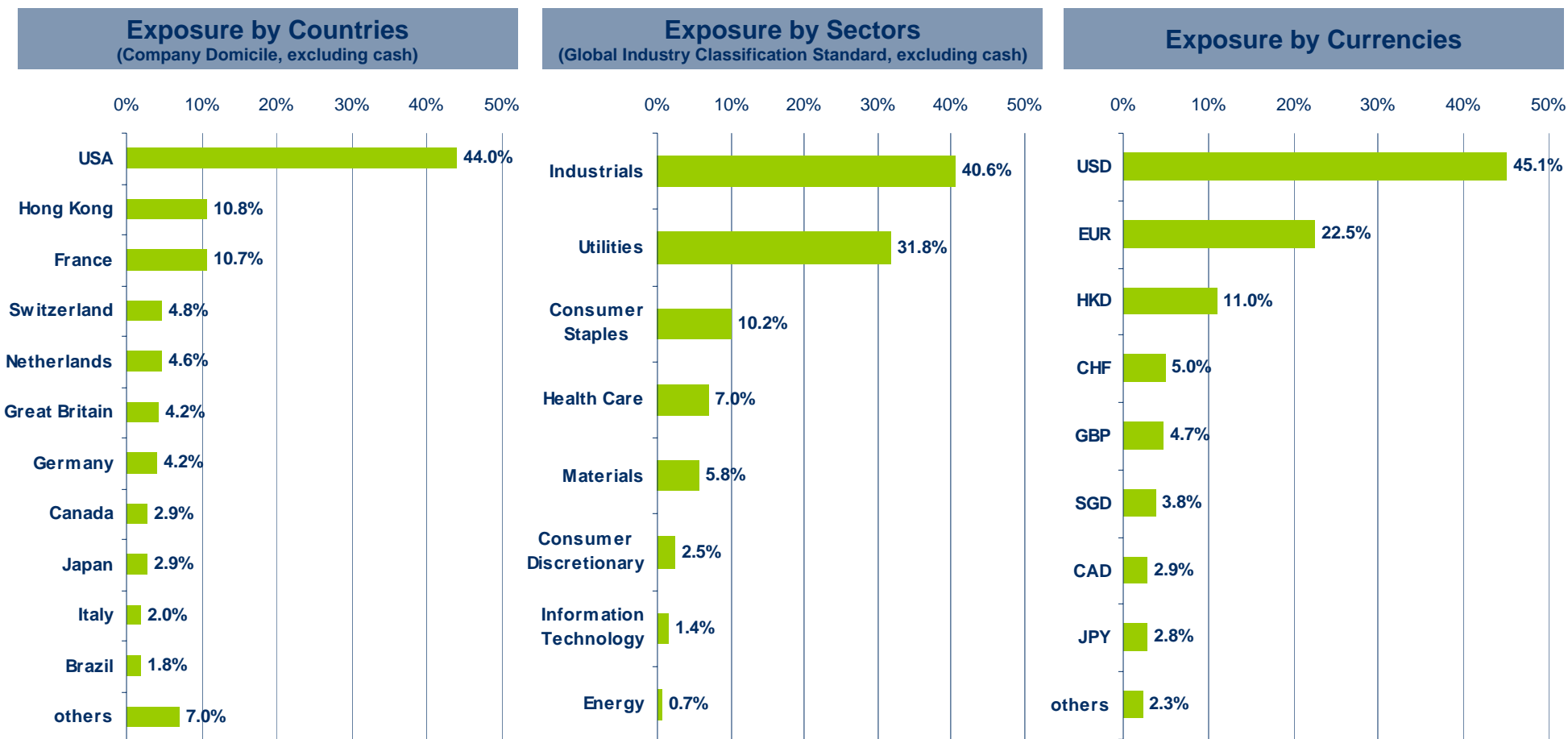


### Exposure by Market Capitalization



# SAM Sustainable Water Fund

Portfolio Exposures (B-Shares, in USD, as of June 30, 2009)



# SAM Sustainable Water Fund

## Portfolio Top Holdings (B-Shares, in USD, as of June 30, 2009)

Company	Country *	Cluster	Current Weight
Suez Environnement SA	France	Distribution and Management	5.71%
Thermo Fisher Scientific Inc	USA	Advanced Water Treatment	5.02%
ITT Corp	USA	Advanced Water Treatment	4.93%
Danaher Corp	USA	Advanced Water Treatment	4.72%
Chaoda Modern Agriculture Holdings Ltd	Hong Kong	Water and Nutrition	4.42%
Veolia Environnement	France	Distribution and Management	4.40%
Guangdong Investment Ltd	Hong Kong	Distribution and Management	4.00%
Pall Corp	USA	Advanced Water Treatment	3.75%
Roper Industries Inc	USA	Demand-side Efficiency	3.51%
American Water Works Co Inc	USA	Distribution and Management	3.49%
<b>Total</b>			<b>43.94%</b>

\* Company Domicile

# Company Portrait: Danaher



As of May 31, 2009  
Market Cap: USD 19'236m

As of December 31, 2008  
Sales: USD 12'697m  
Net Profit: USD 1'317m  
Employees: 50'300

Source: Bloomberg



## Company Description

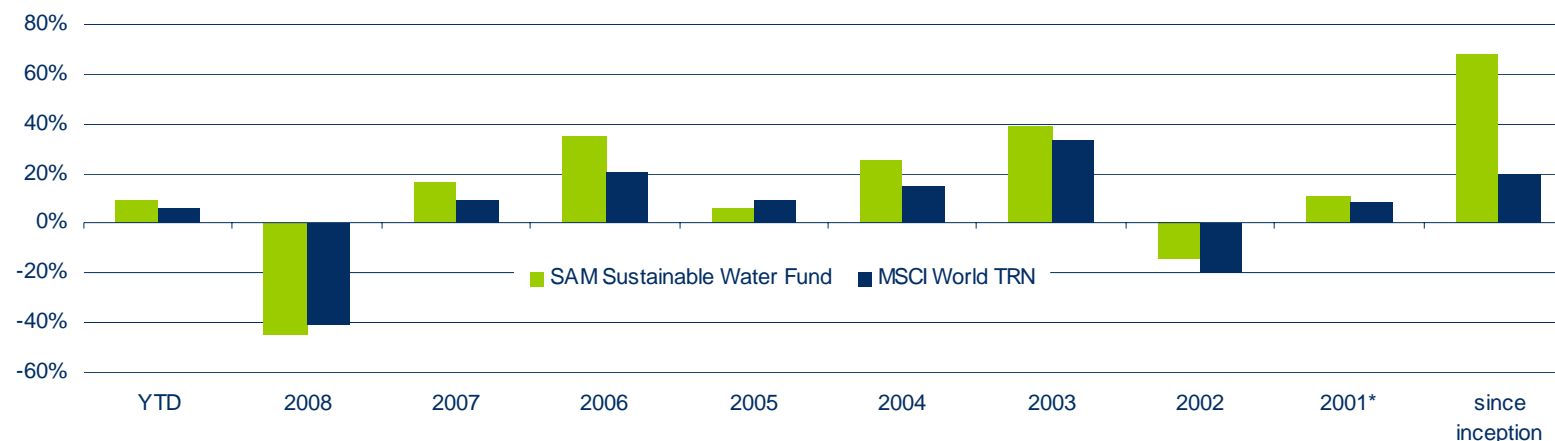
- Danaher, a leading industrial company supplying innovative products, services and technologies with significant market positions.
- Danaher is a leading supplier of water monitoring equipment and water test.
- Additionally it has a leading position in water treatment equipment based on UV-light technology.

## Analyst's opinion:

- Danaher is the clear leader in lean manufacturing and as such has a proven track record to in making the numerous acquisitions highly profitable.
- Our visits to the Company's manufacturing sites in for example China, we are convinced that the company places high importance on employee safety and employee development."

# SAM Sustainable Water Fund

## Portfolio Performance (B-Shares, in USD, as of June 30, 2009)



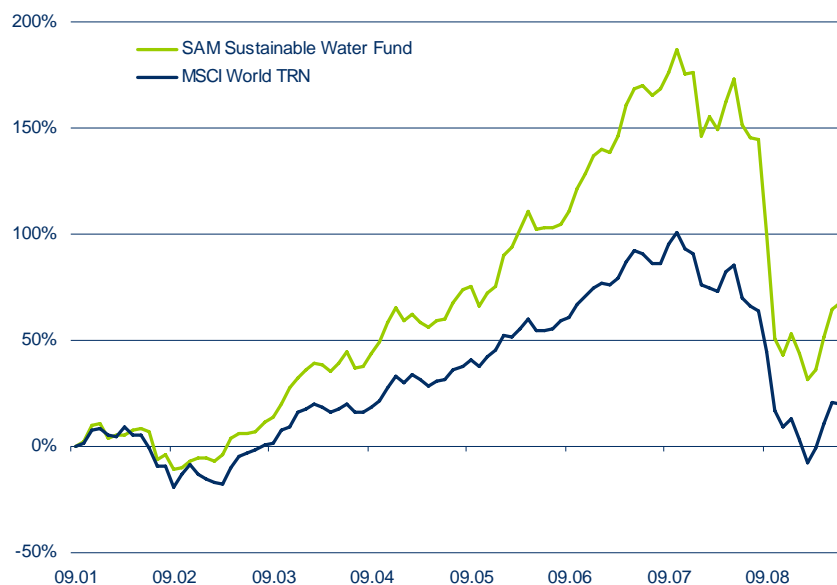
	YTD	2008	2007	2006	2005	2004	2003	2002	2001*	since inception
<b>SAM Sustainable Water Fund</b>	9.43%	-44.50%	16.50%	34.92%	6.31%	25.24%	39.07%	-14.06%	10.46%	67.79%
<b>MSCI World TRN</b>	6.35%	-40.71%	9.04%	20.07%	9.49%	14.72%	33.11%	-19.89%	8.59%	20.06%
<b>Excess Return</b>	3.08%	-3.78%	7.47%	14.86%	-3.18%	10.52%	5.96%	5.82%	1.87%	47.74%

\* 28.09.2001 – 31.12.2001

# SAM Sustainable Water Fund

Portfolio Performance (B-Shares, in USD, as of June 30, 2009)

## Performance versus MSCI World - since inception



## Performance & Risk Characteristics

Absolute Risk (since inception)	18.41%
Absolute Risk MSCI World TRN (since inception)	16.43%
Tracking Error (since inception)	8.39%
Information Ratio	0.62
Sharpe Ratio (since inception)	0.37
Beta versus MSCI World TRN	1.00
Coefficient of Determination ( $R^2$ )	0.89

# SAM Sustainable Water Fund

Portfolio Valuation (B-Shares, in USD, as of June 30, 2009)

	SAM Sustainable Water Fund	MSCI World
Price Earnings Ratio 2009 (E)	13.30x	17.14x
Long-Term Earnings Growth (E)	10.32%	7.92%
PEG Ratio 2009	1.29x	2.16x

Historical Valuation	PE End of Year	PE Following Year	Long Term Earnings Growth
31.12.2008	11.94	11.34	11.50%
31.12.2007	19.15	16.27	16.62%
31.12.2006	20.53	17.72	12.76%
31.12.2005	20.35	17.71	12.68%
31.12.2004	21.27	16.61	10.75%
31.12.2003	23.63	17.91	10.90%

# Investment Strategy

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## Theme View:

- The earnings expectations are still demanding for late cyclical companies while the forecasts for early cyclical firms are moderate
- Companies increasingly see stimulus money in their order flows, however valuations have already priced it in
- Debt ratio and credit ratings of utilities has to be monitored, refinancing of debt and equity placing are common
- China has to increase the investments in water treatment by 19% p.a. till 2010 to achieve the goals of the present five-year plan

## Portfolio Implications:

- Late cyclical companies are still underweight such as industrial capital expenditures related firms
- Share prices of engineering companies increased due to the stimulus programs and some valuations became less attractive, therefore engineering companies are underweight
- Debt ratio and interest rates has to be considered in the calculation of fair values and the stock selection
- The fund is overweight in companies which will benefit from the growth of the Chinese water market.

# Investment Team

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One of the most experienced water teams in the financial industry

## Portfolio Management Team

### Dieter Kueffer, CFA

- Portfolio manager of the SAM Sustainable Water Fund since launch in 2001
- In portfolio management since 1989
- Joined SAM in 2001

### Pieter Busscher

- Deputy portfolio manager of the SAM Sustainable Water Fund since 2009
- In portfolio management since 2007
- Joined SAM in 2007

## Research Team

### Daniel Wild, PhD

- Coordinator Water Research
- PhD in Environmental Engineering
- In the water field since 1993
- Joined SAM in 2006

### Carl-Johan Francke

- Co-Head SAM Research
- Master of Science in Environmental Physics & Aquatic Systems
- Analyst experience since 2000
- Joined SAM in 2000

### Marc-Olivier Buffle, PhD

- PhD in Water Treatment Chemistry
- In the water field since 1995
- Joined SAM in 2008

### Urs Schön

- Master of Science in Environmental Sciences
- Analyst experience since 2000
- Joined SAM in 2000

# Conclusion

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- Long-term global trends are driving the demand for water related products and services
- High growth rates in Asia, especially China and India
- Emerging markets are gaining importance
- SAM's Water Team is highly experienced
- Overall valuation remains attractive, particularly considering growth



# Disclaimer

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