



TARENO

Global Water Solutions Fund

FUND MANAGER REVIEW – JULY 2022



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July 2022 - Climbing a wall of worry

July marked an impressive recovery for stock markets as investors shrugged off the still persisting headwinds over strong corporate earnings. There was some selling pressure early in the month as investors started to price-in a rate hike of 100Bp in the US as inflation is still not close to retreating. In the end, the FED only delivered a 75Bp hike which led investors to believe that the central bank may not need to be as aggressive as some had feared. Stocks started to rally, and corporate earnings offered additional support as the majority of reports managed to beat analysts' estimates. As corporate results came in no worse than expected, equity markets probably have been helped by some short covering as well.

The Tareno Global Water Solutions Fund achieved a performance of +13.75% (R1 Euro).

Pretty solid earnings over all

Quarterly reports were favorable in general with many companies beating expectations against persisting headwinds (energy prices, raw materials, labor, supply chain, Covid, geopolitics). Impressively management is for the most part executing well in such a demanding environment.

Some examples:

Georg Fischer delivered results above expectations despite headwinds from lockdowns in China and supply chain disruptions. Piping Systems, which accounts for more than 50% of sales, delivered double-digit top line growth and the EBIT-Margin already reached its 2025 target of 14.4%. Demand for pipes was mentioned to particularly strong in semiconductor as well as battery plants and water treatment.

Alfa Laval's order intake reached SEK 14.4MM, which was 12% above estimates. Management cited broad-based strength across the group and double-digit beats across all 3 divisions (Energy, Food&Water and Marine).

Franklin Electric printed a stellar report with organic growth at 27%, led by pricing actions and strong end market demand across all product lines (groundwater pumping, surface pumping, dewatering equipment, and water treatment). The guidance for the full year was raised significantly. Franklin Electric is a beneficiary of high commodity prices as they supply groundwater pumps for agriculture or dewatering pumps for the mining industry. The stock was a significant contributor to the results with a performance of +27%.

Earnings season is now almost behind us for our universe, we are only awaiting results from a group of US water utilities in early August.

It happens on your doorstep

Temperatures in Basel reached some 38 degrees last week and rainfall has been way below average for the month of July. Some regions across Switzerland already started to implement restrictions on water consumption. According to federal hydrologists, Switzerland has sufficient water reserves. Only in the case of small local groundwater deposits and springs does the Office for the Environment anticipate bottlenecks. This looks different for example in the UK. It has been a year with below average rainfall so far and July saw record high temperatures. The government already took measures to cut domestic water consumption by banning the use of hosepipes for example. In view of climate change, it remains a top priority for the water industry to further reduce leakage. Despite overall



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leakage in the UK sitting at its lowest level on record, the system still loses enough water every day to fill 1'245 Olympic-size swimming pools. Utilities will make more use of advanced technology like artificial intelligence, acoustic monitoring, and satellite signals to address the problem.

We increased our position in **Xylem** during the month. The company, among other things is a key provider of leakage detection technology.

Best regards,

Stefan Schütz



Stefan Schütz has been managing the Tareno Global Water Solutions Fund since July 2021. In addition, he is responsible for fundamental equity research in the investment team. Stefan Schütz started his career in the financial industry in 1997 at Bank CIC before joining the Tareno Investment Team shortly after the launch of the Tareno Global Water Solutions Fund in November 2007. Stefan Schütz is a Certified International Investment Analyst (CIIA).