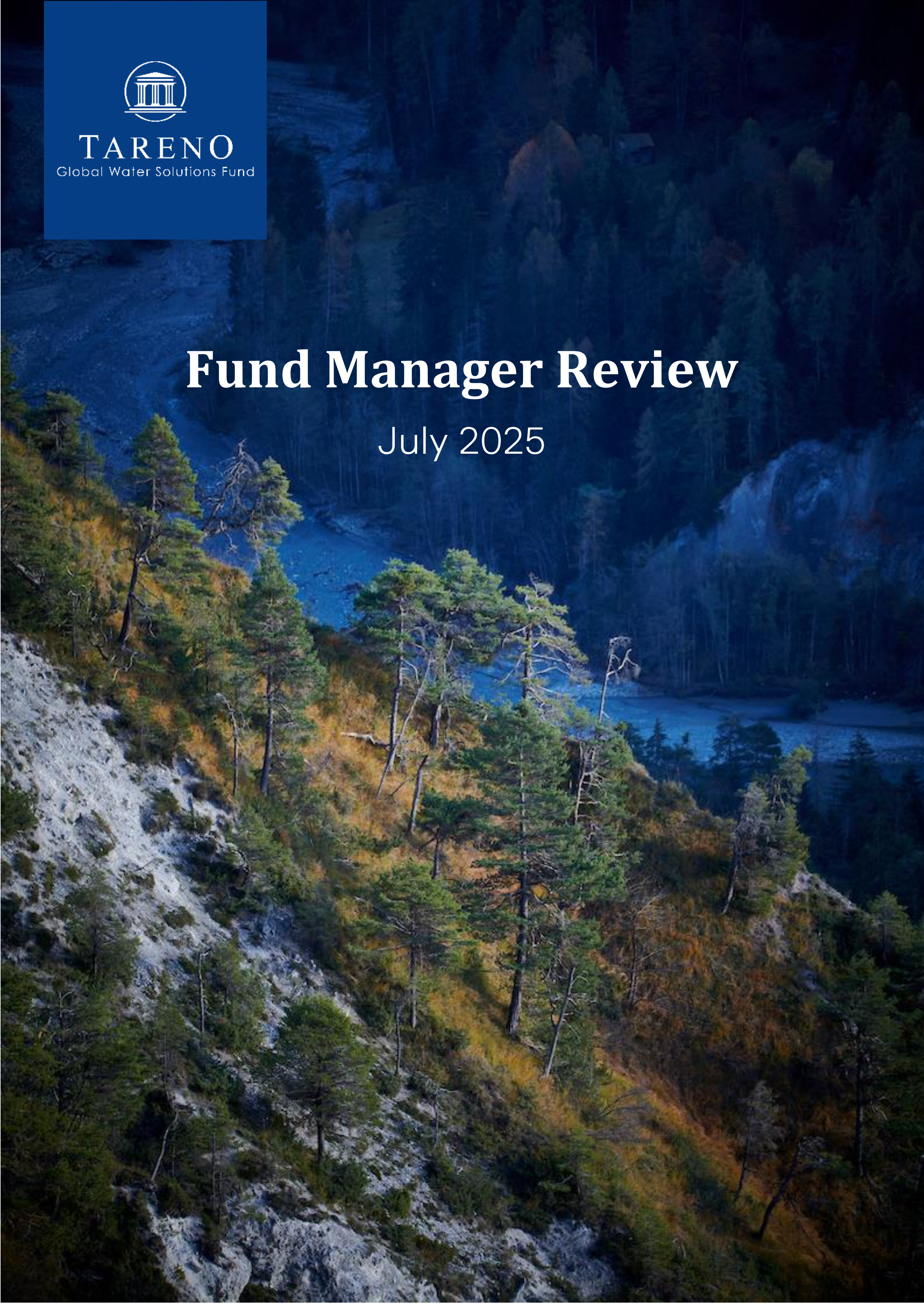
TARENO
Global Water Solutions Fund

Fund Manager Review

July 2025



Tareno Global Water Solutions Fund – July 2025 Investor Newsletter

Keeping it flowing: key sector updates and market movers

Regulatory Tides: Governments Set the Flow

July brought a wave of policy developments reflecting rising urgency around water security. In the U.S., bipartisan support is growing for clean water initiatives. The reintroduced Healthy H2O Act would fund water testing and treatment in rural areas, especially targeting PFAS, lead, and nitrates. Meanwhile, the proposed PFAS National Drinking Water Standard Act may set federal limits for these "forever chemicals."

In Canada, the launch of a National Water Agency, backed by a C$650 million Freshwater Action Plan, marks a significant shift. The new body aims to streamline policy and boost climate resilience and restoration.

Across Europe, the EU's post-2027 budget framework highlights water resilience, with infrastructure and efficiency measures in focus. In the UK, regulator Ofwat proposed a £24 million enforcement package against South West Water for repeated sewage spills – part of a broader regulatory clampdown that's driving overdue investment in compliance and infrastructure.

Industry Update: Strong Currents in Company Results

The water sector held steady through macroeconomic headwinds, with multiple fund holdings reporting strong Q2 results.

Xylem impressed with a 6% organic revenue increase and 16% EPS growth, driven by robust demand and streamlined operations. It raised full-year guidance, signaling long-term momentum.

Mueller Industries posted a record quarter: sales rose 14% and EPS hit $2.22. Management cited strong pricing and underscored the strategic role of its water infrastructure platform.

Webuild saw a 22% revenue surge, propelled by megatrends like urbanization and energy transition. Notably, it progressed on Latin America's largest wastewater treatment facility – a flagship of scale and relevance.

Veralto combined 6.4% revenue growth with double-digit EPS gains, further backing its innovation strategy with a €20 million investment in a water tech venture fund.

In Switzerland, Sulzer reported a solid H1 with 6.3% sales growth and EBITDA margins up to 14.4%. Its Flow Equipment division, which includes water, saw 10% growth. The "Sulzer Excellence" strategy continues to pay dividends.

Others also held their course. A. O. Smith managed EPS growth despite flat sales, thanks partly to a 19% boost in India. Pentair balanced inflation and tariff pressures with a 9% Pool segment rebound – a seasonal reminder that water has its own business cycles.

Technology, Innovation and Adaptation

Innovation continues to define the sector. In the UK, Southern Water began deploying AI-powered predictive maintenance on 3,500 wastewater pumps. The goal: prevent breakdowns and reduce overflows with real-time monitoring and machine learning.

In the U.S., New York City launched a **Water Tech Incubator**, inviting startups to test infrastructure innovations in live municipal systems – a powerful example of public-private partnership.

The **International Water Association** and **International Society for Trenchless Technology** formed a strategic alliance to promote trenchless pipe replacement methods. These solutions reduce excavation, lower costs, and minimise disruption – a compelling proposition for aging infrastructure worldwide.

Climate and ESG: Water's Role in a Warmer World

With another summer of extreme heat and drought, climate resilience has moved to the forefront. The EU continued to advance its **Water Resilience Strategy**, supporting reuse, expanded storage, and efficiency upgrades.

Utilities are doing their part. In England, **Yorkshire Water** reported a 10% drop in usage following hosepipe bans. Ireland's **Uisce Éireann** unveiled its **2050 Strategic Plan**, prioritising long-term, sustainable infrastructure development.

Environmental investments are picking up. **Severn Trent** allocated £24 million to upgrade its Worcester plant, significantly cutting phosphorus discharges. **South West Water** is investing £20 million in overflow improvements as part of a regulatory settlement.

Globally, **Veolia** secured a contract to build Brazil's most advanced industrial wastewater reuse facility – a timely response to growing water stress and an example of how international operators are exporting climate resilience solutions.

In Closing

From regulatory reform and company performance to climate-focused innovation, July reaffirmed why water remains both a fundamental necessity and a long-term investment opportunity. The sector continues to offer resilient returns, strategic relevance, and growing impact.

Thank you for your trust in the Tareno Global Water Solutions Fund. We'll keep monitoring the flow – and the value it brings.

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).

Imprint

Tareno AG
Gartenstrasse 56
CH-4052 Basel
+41 61 282 28 00

Tareno AG
Claridenstrasse 34
CH-8002 Zürich
+41 44 283 28 00

info@tareno.ch
www.tareno.ch

Responsible

Stefan Schütz
Fund Manager
s.schuetz@tareno.ch

Disclaimer

Bilder: Marijke Vosmeer, Luzia Hunziker, Jürg Kaufmann, Istock, Unsplash