TARENO
INDEPENDENT WEALTH & ASSET MANAGER

Tareno Global Water Solutions Fund

Monthly Report January 2026

Keeping it flowing: Navigating regulation, innovation, and leadership change

January opened the year with a strong sense of direction for the global water sector. Policy decisions, technological momentum, and company-specific developments all pointed to one underlying theme: water infrastructure remains a strategic priority, even in a complex macroeconomic and geopolitical environment.

From policy to portfolio

The developments observed in January reinforce the core investment thesis of the Tareno Global Water Solutions Fund. Regulatory frameworks in both the US and Europe continue to translate into multi-year visibility for infrastructure spending, particularly in municipal water treatment, flood protection, and environmental remediation. At the same time, structural growth drivers, most notably the expansion of data centres and artificial intelligence, are reshaping industrial water demand rather than reducing it.

For the portfolio, this environment favours companies with exposure to essential infrastructure, advanced treatment technologies, and specialised engineering and consulting services. Importantly, these demand drivers are largely independent of short-term economic fluctuations, supporting resilient cash flows and long-term value creation.

Portfolio activity during the month

During January, we remained disciplined in portfolio management. As volatility increased and selected holdings moved ahead of underlying fundamentals, we selectively trimmed exposure where valuations became less compelling.

In this context, we reduced positions in **Watts Water**, **Mueller Industries**, **Andritz** and **ACEA**. The four companies continue to benefit from strong structural demand but share price performance had temporarily outpaced near-term fundamentals. Trimming these positions reflects our ongoing focus on risk management and valuation discipline, while preserving exposure to the long-term investment case. Elsewhere in the portfolio, we maintained core positions and selectively added where market volatility created attractive entry points.

Earnings reported during the month painted a differentiated picture across the water sector. **A. O. Smith** highlighted margin pressure from rising steel costs and softer demand in China, partly offset by resilient commercial activity in North America. In contrast, **Tetra Tech** delivered a particularly strong set of results, with expanding margins, improving backlog quality and raised full-year guidance, supported by accelerating international activity and resilient state and municipal demand.

January also marked an important leadership transition at Tetra Tech. Dan Batrack, the longest-serving CEO among our long-standing portfolio holdings, will step down after nearly two decades at the helm. His tenure is marked by an outstanding track record, characterised by consistent earnings growth and substantial long-term value creation for shareholders across multiple market cycles. The appointment of Roger Argus, a long-tenured internal successor, is viewed as a sign of continuity in a people-driven business, with Batrack remaining closely involved as Executive Chairman.

Elsewhere, **Sika** and **Geberit** pointed to ongoing margin pressure from cost inflation and a still-muted construction environment, while **Hawkins** confirmed continued structural momentum in water treatment driven by acquisitions and pricing. Overall, the reporting season reinforced our portfolio positioning towards regulated infrastructure, consulting and water treatment activities, while more cyclical end markets remain selectively and actively managed.

Balancing opportunity and risk in a volatile market

While the medium- to long-term outlook for the water sector remains constructive, we remain mindful of several risks. Differences in regulatory timing between regions can affect project visibility, particularly for PFAS-related investments. Earnings season historically brings elevated volatility, even for companies with solid fundamentals, and large infrastructure projects inherently carry execution and timing risks.

We continue to manage these factors through diversification across geographies and sub-sectors, active position sizing, and a disciplined focus on balance sheet strength and cash flow visibility.

Fund performance and outlook

The Tareno Global Water Solutions Fund delivered a performance of **+4.99% during the reporting period (W-EUR share class)**, with strength across all regions. As volatility increased in large-cap US equities, particularly within technology, investor interest began to rotate toward small- and mid-cap companies and toward markets outside the US, notably Europe and Japan, both of which performed well during the month.

Infrastructure- and industrial-oriented holdings were the strongest contributors. Pumps, piping, and environmental consulting companies stood out, with **Mueller Industries, Ebara, Gorman-Rupp, and Kurita Water** among the top contributors in January.

Looking ahead, February will see earnings season in full swing. Fundamentals across the portfolio remain solid and valuations attractive, but recent experience has shown that even small surprises can lead to pronounced market reactions. Against this backdrop, we expect an opportunity-rich environment for active portfolio management and remain focused on long-term value creation rather than short-term noise.

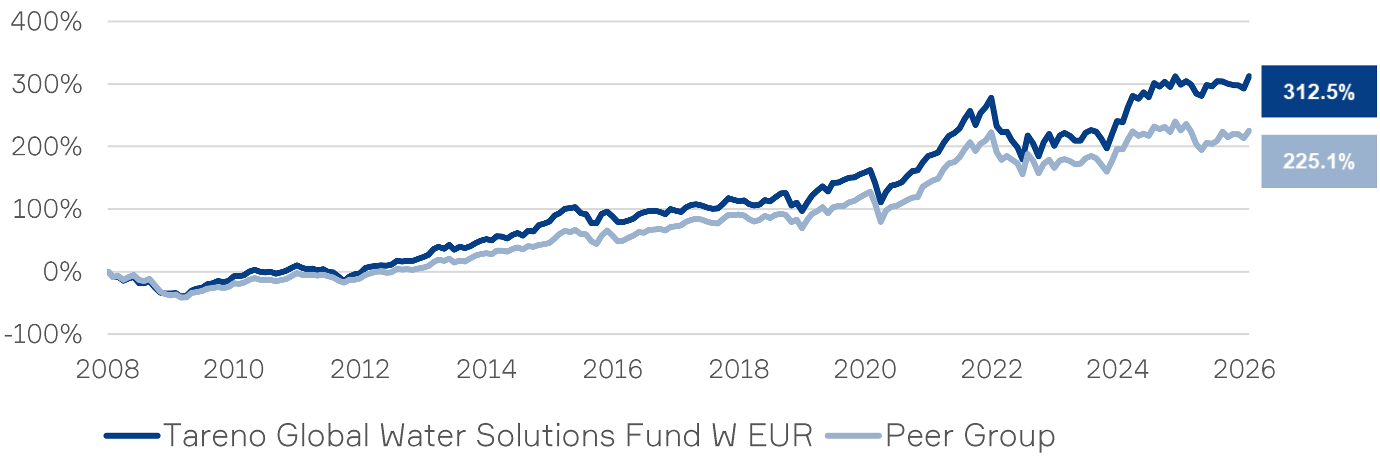
Learn more: [Website Tareno Water Fund]

Stefan Schütz

Fund Manager, Tareno AG

Stefan Schütz joined Tareno's investment team in 2007 shortly after the launch of the Tareno Global Water Solutions Fund. He has been fund manager since July 2021 and is also responsible for fundamental equity research within the investment team. The Certified International Investment Analyst (CIIA) has been working in the financial industry since 1997.

Total return since fund inception up to 31.01.2026



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