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Tareno Global Water Solutions Fund
Monthly Report April 2026

Water as an investment theme: sector trends and portfolio developments

April reminded investors how quickly markets can regain confidence even in an unsettled world. Global equities rebounded strongly from their March lows, led by the United States and the continuing momentum around artificial intelligence, while Europe and Japan also moved higher despite rising energy prices and geopolitical uncertainty. Beneath the market optimism, however, inflation concerns and higher bond yields continue to signal a more fragile macroeconomic backdrop. Two months into the Iran conflict, investors are increasingly balancing resilient corporate earnings against a world still shaped by elevated geopolitical risks.

The Tareno Global Water Solutions Fund returned +5.14% (W-EUR Tranche) over the reporting period, recovering nicely from the lows of the previous month.

Our month in water: Regulation, Funding and Industrial Demand

April's most important industry signal was the growing pressure on water infrastructure funding. AWWA's 2026 State of the Water Industry report highlighted ageing infrastructure and financing needs as the sector's biggest challenges, while noting that many utilities still struggle to fully cover operating costs through customer tariffs. For investors, this reinforces two important points: long-term demand for water infrastructure remains intact, but affordability constraints may slow the pace of project implementation.

In the United States, the EPA announced approximately USD 80 million in support for sewer overflow and stormwater reuse projects, particularly for financially constrained communities. While modest relative to overall infrastructure needs, the funding supports continued investment in wastewater treatment, network upgrades and water reuse systems.

Industrial water demand also remained an important theme during the month. Global Water Intelligence highlighted growing concerns around water availability for data centres, including temporary restrictions on new developments in parts of the United States. This reinforces the importance of water efficiency, reuse and monitoring technologies as industrial water demand continues to increase.

Cross-Portfolio Synthesis

Across the portfolio, earnings season continued to confirm that global investment in water infrastructure remains active. In the UK, **United Utilities** announced a GBP 2.5 billion investment programme to modernise water networks, while Brazil's **SABESP** outlined plans to invest approximately BRL 20 billion in 2026. In the United States, **California Water Service Group** and **Middlesex Water Company** also continued to increase infrastructure spending

This supports demand for engineering and infrastructure specialists such as **Tetra Tech** and **Arcadis**, as well as equipment manufacturers including **Gorman-Rupp** and **IDEX Corporation.**

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Recent results from Tetra Tech showed UK water-related revenue rising 12%, indicating that these investment programmes are already translating into higher business activity.

Technology also continues to become more important within the water sector. **Veolia** highlighted digital water management and efficiency solutions during its April strategy presentation, while **Xylem** announced a major long-term contract to help manage water infrastructure systems. **Itron** continued to grow its recurring software and analytics revenues, and **SABESP** is expanding the rollout of smart water meters to reduce water losses and improve network monitoring

These developments suggest that utilities are increasingly investing not only in physical infrastructure, but also in software, monitoring and efficiency solutions that can lower operating costs and improve network performance.

PFAS regulation also continued to emerge as an important theme across the portfolio. **Middlesex Water Company**, **California Water Service Group** and **Veolia** all referenced increased PFAS-related activity during the month. Utilities are investing in additional treatment systems to comply with tightening water-quality standards, while technology providers are benefiting from growing demand for filtration and treatment solutions.

Not all developments were positive. **Kemira** cited currency headwinds and disruption linked to tensions involving Iran, while **Sulzer** reported delays in some Middle Eastern projects. **A. O. Smith** continued to face weaker demand in China. At this stage, however, these issues appear manageable and mainly short term rather than a change to the long-term investment case.

Portfolio positioning

April's developments reinforced our view that a balanced portfolio approach remains appropriate in the current environment. The combination of more defensive water utilities and infrastructure operators alongside more cyclical industrial and technology businesses continues to provide resilience across different market environments.

We are now roughly halfway through the earnings season and, based on reported results so far, we currently see no indication that the positive momentum observed in April is fading materially. Nevertheless, the geopolitical backdrop remains fluid, particularly regarding energy prices, supply chains and currency movements. We therefore continue to monitor developments closely, including regulatory decisions in the US, financing developments in the UK water sector, and the pace of margin recovery for companies exposed to China and foreign exchange headwinds.

Learn more: Website Tareno Water Fund

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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.