TARENO
INDEPENDENT WEALTH & ASSET MANAGER

Tareno Global Water Solutions Fund
Monthly Report May 2026

Between the lines: what May's results reveal

May brought a welcome change in mood across financial markets. Resilient corporate earnings, easing inflation signals, and a calmer geopolitical backdrop combined to lift investor confidence, while falling energy prices provided additional relief. Optimism returned — though it remained selectively distributed, with leadership concentrated in a handful of companies riding the artificial intelligence wave. For the broader market, the picture was more uneven. Against this backdrop, the Tareno Global Water Solutions Fund returned -1.75% (W-EUR Tranche) for the month. Water infrastructure equities, which tend to move to their own rhythm, driven by regulation, replacement cycles, and utility spending, did not fully participate in the month's risk-on recovery.

Our month in water: Funding, Regulation and the Cost of Compliance

May opened with a pointed question hanging over the entire water sector: who pays, and how much? The American Water Works Association released its landmark *Beyond the Replacement Era* report, the most comprehensive assessment of US drinking water infrastructure needs to date. The findings were sobering. Over the next 25 years, the total investment requirement is projected at between USD 2.1 and 2.4 trillion in today's money, a figure that dwarfs earlier estimates because it goes well beyond simply replacing buried pipes. Utilities now face a compounding set of pressures: regulatory compliance, climate resilience, cybersecurity, and the need to treat increasingly complex water sources. Federal funding covers just 3.9% of public water spending, far below the support afforded to other infrastructure sectors. The gap falls on local utilities and, ultimately, on household bills.

Mid-month, the EPA proposed amendments to its rules on PFAS, the class of persistent chemical contaminants now subject to federal drinking water limits. One proposal would preserve existing limits for the two most-studied compounds while offering utilities the option of a two-year extension to 2031. A second would rescind rules for several lesser-studied PFAS variants entirely. For utilities already planning treatment upgrades, the changes introduce fresh uncertainty. For suppliers of filtration and treatment technology, the extended timeline delays but does not eliminate the underlying capex cycle. In Texas, meanwhile, the Nueces River Authority awarded a major contract to IDE Technologies for a 100 million gallon-per-day desalination plant at Corpus Christi, a signal that cities under acute water stress are no longer waiting for demand management to solve their supply problem. Taken together, these developments reinforce the long-term structural case for water infrastructure investment, even as the near-term regulatory calendar grows more complex.

Cross-Portfolio Synthesis

May's earnings season was a useful stress test. For most of the fund's holdings, the underlying business continued to perform well. The disconnect between operating results and share price performance was, in several cases, striking and instructive. The month's best performers were companies where company-specific execution drove the return. Takuma, the Japanese environmental and energy infrastructure group, stood out with record orders an net income, supported by strong domestic demand in its Environment and Energy division.

Guidance for further profit growth and a record dividend drew renewed investor attention. **Andritz** delivered strong order intake and expanding backlog momentum. **Halma** grew organically and expanded margins, with particular strength in water analysis and environmental monitoring. **Aalberts** recovered on improving free cash flow and early signs of stabilisation across its precision water systems businesses.

Among those reporting formally, **United Utilities** presented its full-year results alongside a strategic update that surprised to the upside. The UK regulated water company raised its AMP8 capital expenditure programme — AMP8 refers to the current five-year regulatory investment cycle in England and Wales — by GBP 2.5 billion to GBP 11.5 billion in total, funded partly through a GBP 800 million equity placing. Underlying earnings per share rose 42% year-on-year, and the regulated asset base grew to GBP 16.5 billion. Management guided to a regulatory return of 10 to 11% over the AMP8 period, outperforming the allowed return by at least 200 basis points. The numbers reflect both the scale of renewal needed across UK water networks and an increasingly supportive framework from regulator Ofwat.

Veolia reported Q1 revenue of €11.4 billion, up just over 2% organically, with EBITDA margin expanding to 15.5%. Its Water Technologies division grew 4.3% excluding delays linked to Middle East tensions. The pending acquisition of **Clean Earth**, a US hazardous waste and PFAS treatment business, received antitrust clearance ahead of an expected mid-2026 close, adding capabilities that sit squarely in the growth lane of US contamination remediation. The engineering and consulting names told a different story. **Stantec** reported Q1 net revenues up 9% year-on-year, a record contract backlog of CAD 9 billion, and 14% organic growth in its water segment.

WSP Global raised full-year guidance after growing Q1 net revenues nearly 11% and building a record backlog of CAD 19.7 billion. **Tetra Tech** also raised guidance, with water infrastructure revenues up 16% and record operating cash flow. None of that prevented sharp share price declines of 14% to 16% across all three names. The trigger was not the results themselves but a broader sector reassessment: investors began pricing in the potential long-term impact of agentic AI on engineering and consulting business models. The derating was swift and indiscriminate. WSP noted it is investing USD 100 to 200 million in AI and digital capabilities over the cycle to stay ahead of precisely this shift. Whether the market's reaction proves prescient or premature, the fundamentals of these businesses — backlogs, margins, water revenue growth — remained intact.

SABESP reported a strong quarter operationally, with adjusted EBITDA up 26% and net income up 32%. The stock fell 17% nonetheless, weighed down by the company's decision not to proceed with the acquisition of **Copasa**, the Minas Gerais state water utility. Investors had been pricing in consolidation optionality, and its removal triggered a reassessment compounded by political and regulatory uncertainty around the broader transaction.

Sustainability

The investment community's relationship with water as a financially material risk edged toward greater coherence in May. Responsible Investor reported a new initiative to standardise water risk guidance for institutional investors — a step that matters because the absence of a common framework has long made it difficult to compare water-related exposures across portfolios or engage companies consistently. The same period highlighted the concentration of blue bonds — debt instruments earmarked for water and ocean-related projects — in emerging markets, pointing to both an opportunity and a gap in

developed-market sustainable water finance. For investors in listed water companies, better-standardised risk guidance should, over time, support more accurate pricing of water-related factors across equity and fixed income markets alike. The direction of travel remains constructive.

Portfolio Positioning

The prospective agreement between the United States and Iran, and the expected reopening of the Strait of Hormuz, marks a meaningful improvement in the geopolitical backdrop. As conditions normalise, this is broadly supportive for both equities and bonds — though equity markets have remained notably resilient throughout the crisis and may have already partially priced in a favourable resolution. We continue to watch affordability pressures carefully: higher prices are feeding through to the real economy, and the housing-related segments of the water universe remain particularly sensitive to interest rates. As summer approaches, thinner liquidity may add to short-term volatility. In this environment, diversification across geographies and business models remains our guiding principle, with resilience of earnings streams the quality we prize most.

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.

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