TARENO
INDEPENDENT WEALTH &
ASSET MANAGER

Tareno Global Water Solutions Fund

Monthly Report June 2026

Strong Signals for the Water Sector

In June, financial markets were caught between stubborn inflation, geopolitical risk and surprisingly resilient corporate earnings. Central banks in the United States, Europe and Japan signalled that the fight against rising prices is far from over. At the same time, easing energy prices and solid economic data allowed the early nervousness to subside. Equities recovered into month-end on the back of renewed investor confidence, but volatility was clearly on the rise.

Water Becomes a Location Factor

June delivered a striking signal of just how far water has moved up the financial agenda: it appeared in the prospectus of the largest IPO in history. SpaceX, which now also houses the AI business xAI, strengthened the water-related risk language in its listing documents in early June. The amended text states that water availability has become a critical consideration in the site selection, development and operation of data centres, a sentence that was absent from the original filing in late May. The theme plays a dual role: the same documents present the company's own water treatment and reuse as a competitive advantage. Water is no longer a footnote but a location factor. Behind this sits a tangible order of magnitude: industry estimates suggest that water usage by US data centres could nearly double in the coming years. The shift to liquid cooling of densely packed AI servers, in which coolant is circulated directly past the chips, is one of many aspects here.

In Washington, meanwhile, an important deadline is approaching. At the end of September, the water programmes of the IIJA infrastructure act expire; since 2022 they had roughly quadrupled annual federal funding for drinking-water and wastewater projects. The administration's budget proposal additionally envisages cuts to the State Revolving Funds (SRF). Congress has already rebuffed the initiative in the prior year though. For investors, the underlying picture nonetheless remains intact: the investment need is structural and long-term, but funding and regulatory questions increasingly determine the pace at which projects are actually delivered.

Company News

The quiet weeks between earnings seasons gave several portfolio companies room for strategy. **Advanced Drainage Systems**, a specialist in stormwater and wastewater management, used its mid-June Investor Day to set out an ambitious five-year plan: by fiscal 2030, revenue is targeted above USD 4 billion and adjusted EBITDA beyond USD 1.2 billion, with organic growth of more than 8% per year. The EBITDA margin is intended to remain above 30%, a remarkable level for a company once seen as a simple pipe manufacturer that has, over a decade, moved consistently into engineered water-management solutions.

Core&Main added a prominent name to its board: Susan Hardwick, former CEO of American Water, the largest listed US water utility.

For a distributor whose customers are chiefly municipal waterworks, this appointment brings the customer perspective directly into the top decision-making body. The company also opened five new branches in the quarter, with eight to ten planned for the full year. A record. Elsewhere, the calendar was filled with routine investor engagement: **Gorman-Rupp** presented at a small-cap conference, **GEA Group** at an industrial-technology event, and Italian utility **ACEA** published a new investor presentation.

Earnings Snapshot

Two portfolio companies reported during June, and their results traced the familiar contours of today's water market. **Core&Main**, the US distributor of water infrastructure products, posted first-quarter sales of USD 1.91 billion, essentially flat year-on-year. The interesting part lay beneath the surface: municipal demand remained stable and dependable, fire protection grew 17% on data-centre and multifamily construction, while the residential market stayed soft. Gross margin improved by 50 basis points to 27.2%, and full-year guidance was reaffirmed. Notably, management pushed back on fears of a funding cliff, pointing out that the bulk of US water investment is financed at state and municipal level and remains robust.

The strongest figures came from **Halma**. The UK safety and environmental-technology group closed its financial year with organic revenue growth of 16% and its 23rd consecutive year of profit growth; the dividend was raised for the 47th year running. Its Environmental & Analysis division, home to the water-analysis and monitoring businesses, grew organically by 34%.

Fund Performance

The Tareno Global Water Solutions Fund returned +4.63% in June (W-EUR tranche). The advance was led by precisely those holdings that benefit from the data-centre theme: Watts Water, a provider of valve, drainage and cooling-water solutions, rose sharply following an analyst upgrade that explicitly cited growing demand for data-centre cooling; pump manufacturer Gorman-Rupp was likewise among the strongest contributors. Their pumps used in fire suppression and liquid cooling, face ongoing demand. On the other side, Halma gave back ground despite record results. The market had evidently priced in much of the strong performance, and the outlook implied a more moderate pace of growth. Canadian engineering houses WSP and Stantec also weighed on the month's return.

Sustainability in Focus

Last month, this report noted that blue bonds, debt instruments whose proceeds are earmarked for water and ocean projects, had so far been found mainly in emerging markets. June delivered the counterexample: water-technology group **Xylem** issued the first-ever blue bond from a US corporate. The scarcity of sustainability-labelled bonds in the American market helped the debut secure favourable terms. Investors are already calling it a "blue-mium". The transaction is more than a curiosity: it shows that dedicated water-financing instruments can attract enough institutional demand even in developed markets to lower a water company's cost of capital. If the pricing advantage proves durable, other listed water companies with large capital programmes have an obvious incentive to follow.

Portfolio Positioning

June's developments reinforce our balanced portfolio approach. One notable feature at present is the absence of passive inflows into water ETFs. We are in an environment in which selective stock-picking, particularly outside the US-centric ETF universe, can add value. Structural demand from data centres is developing independently of the municipal investment cycle and supports our industrial and technology holdings. We will be watching closely the follow-on funding of the expiring US infrastructure programmes as well as European wastewater regulation. Both factors that determine less the direction than the pace of the investment cycle. As earnings-season is due to kick-off soon, volatility will stay elevated. Which is not a bad thing, since it creates opportunities in both ways.

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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