TARENO
INDEPENDENT WEALTH & ASSET MANAGER

Tareno Global Water Solutions Fund

Monthly Report August 2026

Investment Needs Meet Demand

Better-than-expected corporate results supported equity markets in August. At the same time, the ongoing conflict with Iran kept energy prices high and shipping through the Strait of Hormuz severely restricted. The resulting inflation concerns added to upward pressure on long-term interest rates. European equities were broadly flat, the S&P 500 gained a further 2.6%, and Japanese and Korean markets recovered from their July correction. In this mixed environment, stock selection mattered more than the direction of the wider market.

Water thematic overview

Two developments in August illustrated how investment needs arise in very different parts of the water sector. On 28 August, **Smart Water Magazine** focused on the financing of global sanitation. Around 3.4 billion people still lack safely managed sanitation, even though the World Health Organization estimates that every dollar invested generates an economic benefit of about USD 5.50. Yet fewer than 13% of countries have sufficient financial and human resources to implement their own water plans. The challenge is therefore not only to provide capital, but to structure projects that can attract it. At two wastewater plants in Makkah (Saudi-Arabia), systems for reusing treated water account for about 30% of total levelised costs. By contrast, a three-lot privatization package in Brazil worth around USD 1.2 billion was cancelled after only one lot received a bid and the required guarantees were not provided. The message for investors is clear: demand is substantial, but capital will only flow when revenues, risks and guarantees are set out convincingly.

The second development was linked to drought. **Thames Water** reported on 24 August that it now uses more than 75,000 acoustic sensors across its network, compared with 21,000 in 2025. Together with AI-supported satellite data, the technology helped the utility identify 88% more leaks than a year earlier. The network nevertheless continues to lose around 570 million litres of treated water each day. This combination of ageing infrastructure and water scarcity is accelerating the adoption of digital monitoring and supporting demand for the relevant technologies.

Company news

Potential consolidation among engineering consultancies remained in focus during August. In its Q2 call on 6 August, **WSP Global** confirmed that **Arcadis** had also rejected the second proposal submitted on 23 July. The unsolicited, conditional and non-binding proposal valued **Arcadis** at EUR 51.50 per share, with the consideration split roughly equally between cash and WSP shares; an earlier proposal of EUR 48.50 had also been rejected. A combination would make strategic sense by broadening both companies' geographic reach and capabilities. However, **Arcadis** argued that the terms still undervalued the company and highlighted the risks attached to the large share component, higher leverage at WSP and integration.

These concerns are understandable given that WSP only completed its CAD 4.6 billion acquisition of TRC in February. At the end of August, there was no agreement and no formal public offer. Both companies are held in the fund.

The proposed merger between American Water Works and Essential Utilities took another step forward. On 17 August, the companies announced that the antitrust waiting period had expired on 14 August. Approvals from Kentucky, Ohio and Virginia had already been received, and an agreement in principle had been reached in Texas. Later in the month, the parties reached a settlement in Pennsylvania that still requires approval from the state regulator. The transaction is still expected to close by the end of the first quarter of 2027.

Cybersecurity also moved higher up the agenda in August. After coordinated attacks targeted more than 30 community water systems in Minnesota, the American Water Works Association (AWWA) called for greater vigilance. Senators Amy Klobuchar and Adam Schiff unveiled the Water Cyber Shield Act. The bill would give the Environmental Protection Agency clearer oversight powers and provide additional federal funding to protect local drinking water and wastewater systems. For suppliers of monitoring and control technology, cybersecurity is increasingly becoming a standard component of infrastructure investment.

Earnings snapshot

The reporting season featured strong results from North American water infrastructure companies.

Mueller Water Products delivered a record quarter, with its adjusted EBITDA margin rising 440 basis points to 27.1%, supported by resilient municipal repair and replacement demand. Advanced Drainage Systems increased first-quarter sales by 21% to just over USD 1 billion. Within non-residential construction, commercial buildings, warehouses and data centres remained particularly robust. Watts Water reported record second-quarter sales of USD 763 million. Data centre sales more than tripled year on year and represented 8% of group sales in the first half. WSP Global reported net revenues of CAD 4.27 billion (+22.9%), adjusted EBITDA of CAD 815 million (+28.8%) and a record backlog of CAD 20.1 billion. Management subsequently raised its financial outlook for 2026.

In Latin America, SABESP increased adjusted revenue from water and wastewater services by 6.7%. Higher service and treatment-supply costs nevertheless weighed on margins. First-half investment rose 15.6% to BRL 7.5 billion as the company continued to accelerate the expansion of service coverage. In Europe, Geberit reported first-half net sales of CHF 1.711 bln, up 2.8% in Swiss francs and 5.9% in local currencies. EBITDA increased by 3.0%, while earnings per share rose 10.9% on a currency-adjusted basis.

Three themes ran through the reporting season: resilient municipal demand, a growing contribution from data centres and generally disciplined margin management despite higher tariff and material costs.

Fund performance

The Tareno Global Water Solutions Fund returned -0.79% in August for the W-EUR share class. European holdings made a clearly positive contribution, while the Japanese positions and SABESP detracted.

Arcadis, GEA Group and Georg Fischer were the three largest positive contributors, each adding just over a quarter of a percentage point to fund performance. Arcadis reported organic order intake growth of 13.5% in the second quarter and a record backlog of EUR 4.0 bln. Continued takeover speculation involving WSP Global provided additional support for the shares. GEA raised its full-year sales and margin guidance and announced a share buyback programme of up to EUR 500 million. Georg Fischer was supported by the half-year results published in July, including strong order intake in semiconductors and water infrastructure. There was little additional company-specific news in August.

SABESP was the largest detractor. Despite continued progress in expanding service coverage, second-quarter margins came under pressure and net debt increased markedly. Kurita Water Industries also declined. Sales and orders rose strongly, but additional costs on a large facility project reduced profitability in the Electronics Industry segment. Gorman-Rupp lost ground in August despite reporting record revenue and earnings at the end of July. Ebara, Organo and Takuma also weakened.

With little new negative company news across the Japanese holdings, sector rotation and positioning in the yen appear to have been the main drivers.

Sustainability highlight

The physical effects of climate risk received greater attention in August. Responsible Investor reported that Union Investment, Allianz Global Investors and Deka Investment were engaging portfolio companies on their response to very low water levels on the Rhine. The river is a key European trade route for chemicals, fuels, steel inputs and grain between the Netherlands and Switzerland. When water levels fall, barges must carry smaller loads; in extreme cases, traffic can stop on individual sections.

For water investors, this is relevant because it treats water availability as a direct financial risk to industrial supply chains. The discussions go beyond traditional emissions targets and focus on practical adaptation, including transport routes, cooling water and alternative sources of supply. European companies still differ considerably in the quality of their disclosure and preparedness in this area.

Portfolio activity

The portfolio was adjusted selectively in August. The position in **Wienerberger** was reduced because weakness in its main European construction markets is lasting longer than expected at the start of the year. **IDEX** and **Pentair** were increased; both companies have established pump and control technologies and serve water markets with attractive long-term growth. A new position was initiated in **Per Aarsleff**. The Danish infrastructure specialist's Pipe Technologies segment focuses on trenchless rehabilitation of water and sewer networks. In February, Aarsleff also acquired a 49.5% stake in Canadian specialist **LiquiForce Services**, strengthening its access to the North American market. The fund remains focused on companies with visible order backlogs and structurally supported demand.

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.