Advancing UN Sustainable Development Goal #6 “Water Security” by 2030

Prepared for

Water Action Hub
Investors Tackle the Impact of Water Scarcity on Their Portfolios

Dutch pension manager PGM and U.S. bond shop Breckinridge Capital Advisors are confronting corporate water risk.

Commentary: Wall Street and water — getting a grip on a slippery risk

By PENSIONS & INVESTMENTS · November 8, 2018 1:00 PM · Updated 10:00 AM

Why investors need to be alert to water risk

Water crises are a top global risk

Water: The New Screen for Investment Risk

Focus on potential water shortages is part of investors’ interest in ‘sustainable’ investing.
WATER RISK

Water scarcity is one of the defining issues of the 21st century. For companies, investors, governments, and communities around the world, understanding where—and how—water issues can create risks is critically important.

OVERALL WATER RISK MAP

Aqueduct’s free online mapping tool creates customized water risk maps of the world, and lets users compare risk scores across the locations that matter most to them.

This map combines data from Aqueduct’s twelve different indicators to create a comprehensive view of where water risks are greatest around the world. Each of Aqueduct’s indicators is mapped, and each map tells a piece of the complete story of water risk. From water stress to drought severity to access to drinking water. By combining data from all of these sources, Aqueduct presents complex water issues with unprecedented clarity.

Explore the tool online
WRI.org/Aqueduct
COMPETITION FOR WATER RESOURCES:
A CEILING ON ECONOMIC GROWTH

- Climate change and rising demand for freshwater puts greater pressure on existing water supplies and introduces extra uncertainty for companies that are dependent on freshwater.

- On average, 41% of assets owned by companies which are constituents of MSCI ACWI are located in regions of high water stress.

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Sources: US Energy Information Administration, FAO
Top 5 risk drivers

- Increased water scarcity (218)
- Flooding (204)
- Drought (197)
- Increased water stress (184)
- Climate change (164)

Top 5 risks

- Higher operating costs (1357)
- Supply chain disruption (762)
- Water supply disruption (443)
- Constraint to growth (269)
- Brand damage (169)
Equarius Risk Analytics LLC,
University of Michigan, Ann Arbor
(Index Data Provider)

- Respected water risk data services firm
- Top quality academic and professional credentials
- 100+ years in water risk and financial risk analytics
- Differentiated Analytical Expertise
- Developer of waterBeta™, an idiosyncratic factor investment strategy
- Integration of machine learning models for risk exposures
- Strong partnerships in FinTech and corporate water risk networks

LIMEYARD Ltd. Zurich (Benchmark Index Provider)

- Experienced team with strong partnerships
- Vienna Stock Exchange (real-time calc. & dissemination)
- Deloitte Switzerland (regulation & compliance)
- Compassites (cloud hosting & management)
- End-of-day & real-time calculation
- Fully compliant set-up:
  - IOSCO Principles for Financial Benchmarks EU Benchmark Regulation
  - Compliant processes ISAE-3000 certified risk control framework
• World’s first benchmark index family capturing core portfolio risk in securities from water exposures
• Capture excess short term non-systemic price volatility
• Integrating geographically granular risk exposures in corporate productivity, efficiency and cost
• Weighing intangibles risk from water using unstructured data
• Targeting $145 Trillion global AUM by 2025 all of which is exposed to financial water risk
• Serving financial institutions, asset managers, investors, SWFs, Central Banks, insurance & risk

Investor benefits
• Participate in the focus on the companies’ excess volatility risk from water events
• Rules-based and transparent
• Factor investment strategy – portfolio risk diversification
• World’s first non-thematic fund family capturing sustainable, long-term alpha by mitigating financial water risk
• Capturing global capital flows seeking sustainable long-term alpha, ESG, SRI, financial outperformance
• First fund family advancing UN’s Sustainable Development Goal #6 (sustainable management of water)
• Housed and distributed ex Luxembourg, world’s hub of sustainable finance into all eligible global markets
• Fund and share classes for qualified, institutional and retail investors
• Targeting $145 Trillion global AUM by 2025 all of which is exposed to financial water risk
• Strong collaborations: United Nations, CDP, PNRI, World Resources Institute, LuxFLAG
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