



# Allianz Global Water strategy

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**Active is: Investing in sustainable water solutions for the future**

**For fund distributors and professional investors only**

**A strategy with the potential to generate environmental, social and financial alpha.**

## DIVE INTO SUSTAINABLE INVESTING

With water scarcity one of the top five risks globally, the Allianz Global Water strategy can be a suitable strategy for an investment portfolio with an active sustainability focus. The strategy seeks to provide positive environmental and social returns by investing in companies with products and services that help improve water resource management and access to clean water, and where operations meet ESG investment criteria.

### Integrating ESG in portfolio construction

ESG practice assessment plays an integral role in investment decision-making. Weak scores are reviewed for materiality and effect on the business and its operations. Poor practices or insufficient transparency is proactively addressed through engagement and proxy voting.

### Aligning with UN Sustainable Development Goals

Impact-focused investors are increasingly relying on the framework of the United Nation's 17 Sustainable Development Goals (SDGs) and the 169 targets, set forth in 2015 as a plan of action for the people, planet and global prosperity.

## Key takeaways

- 1 The Allianz Global Water strategy addresses the most pressing social and environmental issues by investing in companies that look to improve water supply, efficiency and quality.
- 2 The strategy aims to emphasize sustainable business practices through active inclusion of ESG evaluation in the investment process.
- 3 Long-term secular drivers provide a potential opportunity for strong financial returns.
- 4 The strategy will only invest in companies helping to enhance water supply, water efficiency or water quality

### Recognized sustainability

The US vehicle of the Allianz Global Water strategy has obtained a 5 globes Morningstar Sustainability Rating\*, and ranks in the top 1% of the Natural Resources category.

\* A ranking, a rating or an award provides no indicator of future performance and is not constant over time. Sustainability Rating from Morningstar as of 05/31/2018. The rating or ranking of a US vehicle will not necessarily be reflected in another vehicle.

**Value. Shared.**

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Allianz Global Water strategy's philosophy closely aligns with the selected United Nation's SDGs and the underlying targets at both the theme and the stock level. We believe this alignment will enable investors to gain a focused and clearly targeted exposure to the development and implementation of solutions for the environment and society.

The strategy's focus on companies operating in the space of water supply, quality and efficiency, directs each invested dollar toward financing products and services aimed at generating a positive contribution to global sustainable development. Such allocation has the potential to reduce the cost of capital for the invested companies, enhance business growth and subsequently direct the economy to a more sustainable future.

**Positive environmental effect**

The world's natural resources are increasingly exploited by human activity and pollution. Coupled with climate change and extreme weather patterns, the fresh water supply is at risk. Today, more than 2.8 billion people globally face water scarcity at least one month out of a year and 37 countries, spanning every continent, include regions of high water stress.<sup>1</sup>

Solutions addressing water efficiency and quality for consumer, industrial and agricultural users can help improve the distribution of water, reduce demand pressures and alleviate the growing burden on the environment.

**Potential advantages of publicly listed companies**

- Wide customer base and **global** footprint
- Broad distribution reach to make a **positive impact** on the environment and society
- Access to large allocations for internal research and development
- Ability to scale **new technology** into mainstream solutions
- Better access to cheap capital

**Positive societal effect**

More than 1.8 billion people lack access to fresh water globally and over 2.6 billion lack access to sanitation. In emerging markets, 400 billion hours per year are spent gathering water in low-income countries and over 800 children die each day because of poor sanitation and hygiene.<sup>2</sup>

Investing in water-supply solutions, such as wastewater discharge and treatment or clean water distribution, enables people across the globe access to the necessary services.

**Engaging with company management**

Delivering the message of the shareholder base to management is an integral part of the strategy's investment philosophy. Through direct dialogue, the investment team actively promotes improved transparency and more effective communication with respect to companies' positive contribution to sustainable development.

| UN SDGs |                                       | Selected targets associated with SDGs  | Water supply | Water efficiency | Water quality |
|---------|---------------------------------------|--|--------------|------------------|---------------|
| 96%     | Clean water & sanitation              | Access to water  | ★            |                  |               |
|         |                                       | Sanitation & hygiene   | ★            | ★                | ★             |
|         |                                       | Water quality  | ★            |                  | ★             |
|         |                                       | Water use efficiency   | ★            | ★                |               |
|         |                                       | Integrated water resource management at all levels   | ★            | ★                | ★             |
| 95%     | Industry, innovation & infrastructure | Sustainable, increased resource use efficiency in the Industry   |              | ★                | ★             |
|         |                                       | Quality, sustainable, resilient infrastructure   | ★            |                  |               |
|         |                                       | Improved infrastructure in emerging countries  | ★            | ★                | ★             |
| 76%     | Responsible consumption & production  | Sustainable management and efficient use of natural resources  |              | ★                |               |
|         |                                       | Management of chemicals and waste along life cycle   |              | ★                | ★             |
|         |                                       | Reduce waste generation through prevention, reduction, recycling and reuse                             | ★            | ★                | ★             |
| 93%     | Sustainable cities and communities    | Reduce environmental impact of cities, including air quality, and municipal and other waste management | ★            | ★                | ★             |

During any given stage of the investment process the selection criteria may vary from those shown above. The diagrams and statements above reflect the typical investment process applied to this strategy. At any given time other criteria may affect the investment process.

1. Percentages indicate the holdings weighted exposure to each SDG of a representative account of the Allianz Global Water strategy. Holdings as of March 31, 2018.

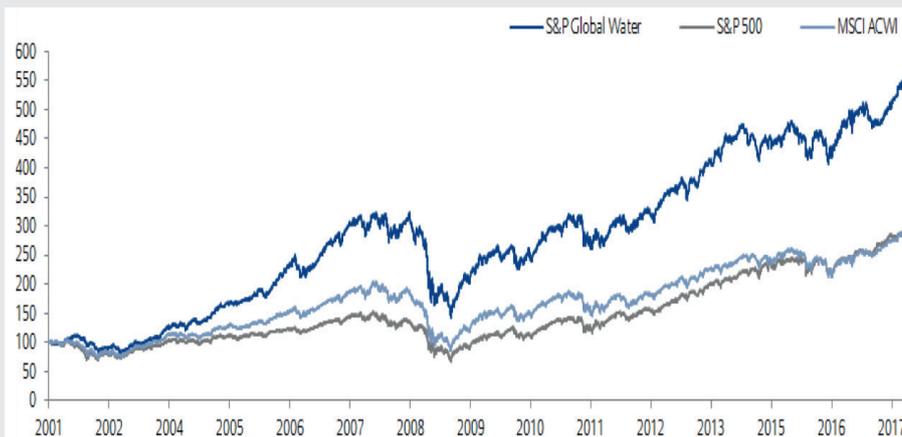
### Attractive investment opportunity

There are estimates that \$22 trillion will likely be needed just in water infrastructure investments by 2030.<sup>3</sup> Water-technology requirements add to these needs; utilities alone are expected to spend more than \$20 billion on smart-water technology over the next 10 years.<sup>4</sup> Changing global demographics such as population growth and rising living standards are driving demand up further, and climate change and urbanization are placing more and more pressure on existing supply.

### Growth

Water scarcity and quality issues should continue to require high levels of investment, making the theme a timely investment with the potential to generate alpha

### Water investments have historically provided strong financial returns



Past performance is no guarantee of future results. The graph is illustrative in nature and is not a recommendation of a specific strategy. The **Standard & Poor's Global Water Index** is comprised of 50 of the largest publicly traded companies in water-related businesses that meet specific invest ability requirements. The Index is designed to provide liquid exposure to the leading publicly-listed companies in the global water industry, from both developed and emerging markets. The MSCI ACWI is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. It is not possible to invest directly in an index.

### Allianz Global Investors is a Principle for Responsible Investment (PRI) signatory

Since 2007, Allianz Global Investors has been signatory of the Principles for Responsible Investment.

The United Nations-supported PRI Initiative is a global network of investors that work together to publically demonstrate a commitment to responsible investing. Of the 1,400 signatories, 900 are asset managers.

Find out more at [www.allianzgi.com](http://www.allianzgi.com)

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1. <http://www.wri.org/blog/2013/12/world%E2%80%99s-36-most-water-stressed-countries>
2. <https://www.one.org/international/issues/water-and-sanitation/placeholder>
3. Source: Booz Allen Hamilton, Strategy & Business, no. 46, 2007 (from Booz Allen Hamilton, Global Infrastructure Partners, World Energy Outlook, OECD, Boeing, Drewry Shipping Consultants, U.S. Department of Transportation).
4. <https://uconline.com/2017/08/smart-water-technology/>

**Investing involves risk.** The value of an investment and the income from it may fall as well as rise and investors might not get back the full amount invested. Past performance is not a reliable indicator of future results. If the currency in which the past performance is displayed differs from the currency of the country in which the investor resides, then the investor should be aware that due to the exchange rate fluctuations the performance shown may be higher or lower if converted into the investor's local currency. The views and opinions expressed herein, which are subject to change without notice, are those of the issuer companies at the time of publication. The data used is derived from various sources, and assumed to be correct and reliable, but it has not been independently verified; its accuracy or completeness is not guaranteed and no liability is assumed for any direct or consequential losses arising from its use, unless caused by gross negligence or wilful misconduct. The conditions of any underlying offer or contract that may have been, or will be, made or concluded, shall prevail. This is a marketing communication issued by Allianz Global Investors GmbH, [www.allianzgi.com](http://www.allianzgi.com), an investment company with limited liability, incorporated in Germany, with its registered office at Bockenheimer Landstrasse 42-44, 60323 Frankfurt/M, registered with the local court Frankfurt/M under HRB 9340, authorised by Bundesanstalt für Finanzdienstleistungsaufsicht ([www.bafin.de](http://www.bafin.de)). Allianz Global Investors GmbH has established branches in the United Kingdom, France, Italy, Spain, Luxembourg, Belgium and the Netherlands. Contact details and information on the local regulation are available here ([www.allianzgi.com/Info](http://www.allianzgi.com/Info)). For Investors in Switzerland: This is a marketing communication issued by Allianz Global Investors (Schweiz) AG, a 100% subsidiary of Allianz Global Investors GmbH, licensed by FINMA ([www.finma.ch](http://www.finma.ch)) for distribution and by OAKBV (Oberaufsichtskommission berufliche Vorsorge) for asset management related to occupational pensions. The duplication, publication, or transmission of the contents, irrespective of the form, is not permitted; except for the case of explicit permission by Allianz Global Investors GmbH.

Source: Allianz Global Investors, July 2018