



# ECPI GLOBAL BLUE GOLD EQUITY INDEX

The Index is designed to give investors equity exposure to publicly traded firms active in water-related industries (water treatment, infrastructure, and distribution). These companies are best placed to seize the opportunities presented by the challenge of declining water availability

DECEMBER 2011

## BACKGROUND: GROWING DEMAND AND SCARCITY OF WATER

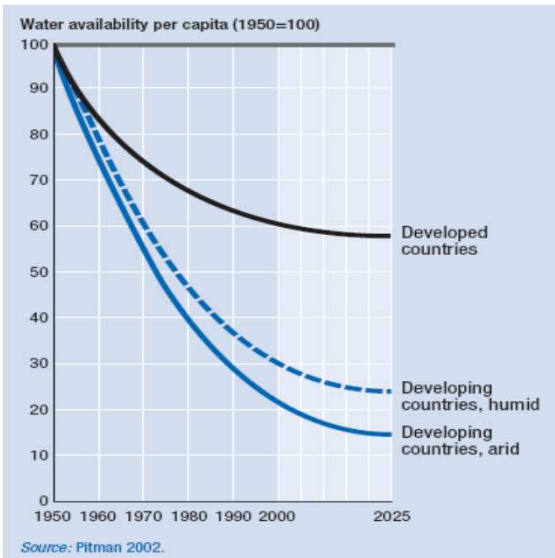
Water is one of our most critical resources. Its availability is an essential component of the functioning of ecosystems and socioeconomic development.

Measured per capita, though, water resources are in steady decline (see Figure 1).

Major influences on water availability are:

- Scarcity
- Population growth and urbanization
- Pollution
- Climate change

Figure 1: Water availability is in decline



### WATER SCARCITY

Although water covers 71% of the Earth's surface, only 2.5% of it is freshwater, with two-thirds of that locked up in polar ice caps and glaciers.[1] Moreover, freshwater is generally not a renewable resource since the time it takes to reproduce it surpasses a human lifespan.

Ground water, for instance, can have a residence time<sup>1</sup> of anywhere between 100 and 10,000 years.[2]

Population growth and urbanisation

Between 1950 and 2000, the world's human population increased by 150% to just over 6 billion. In that time, the proportion of the global population living in urban areas increased from 29% to 47%. In 2008, the world human population living in urban areas is estimated to have topped 50% for the first time in history. [3]

It will take an estimated 5,600 km<sup>3</sup> of additional water each year to supply the world population in 2050.[4]

Increasing urbanisation, meanwhile, heightens the need for water sanitation and alters surface run-off causing changes to the water balance.

### POLLUTION

Humans have long used the surrounding air, land and water as 'sinks' for the waste we generate. Such practices leave most waste inadequately treated, though, causing water pollution, a major public health challenge and a threat to ecosystems.

### CLIMATE CHANGE

The percentage of the world's land classified as "very dry" has doubled since the 1970s, due in part to climate change. What's more, glacial melting is one of the reasons why many of Asia's largest rivers are projected to recede in the coming decades, reducing long-term water availability for more than one-sixth of the world's population living at the rivers' basins.[5] The changing climate alters weather patterns such as temperatures or precipitation intensity and trends, adding further uncertainty to the security of water supply in the process.

## WATER RELATED INDUSTRIES

### WATER TREATMENT

Companies supplying technologies and/or products that improve the composition of water for a desired end-use such as human consumption (i.e. drinking water). The treatment processes can be physical -- filtration, for example, or desalination -- chemical or, in the case of disinfection, biological.

### WATER INFRASTRUCTURE

Companies that provide:

- Systems of pipes, pumps, valves, or filtration -- as well as buildings and structures to house that equipment -- used for the collection, treatment and distribution of drinking water
- Sewage collection and disposal
- Irrigation systems (i.e. irrigation canals)

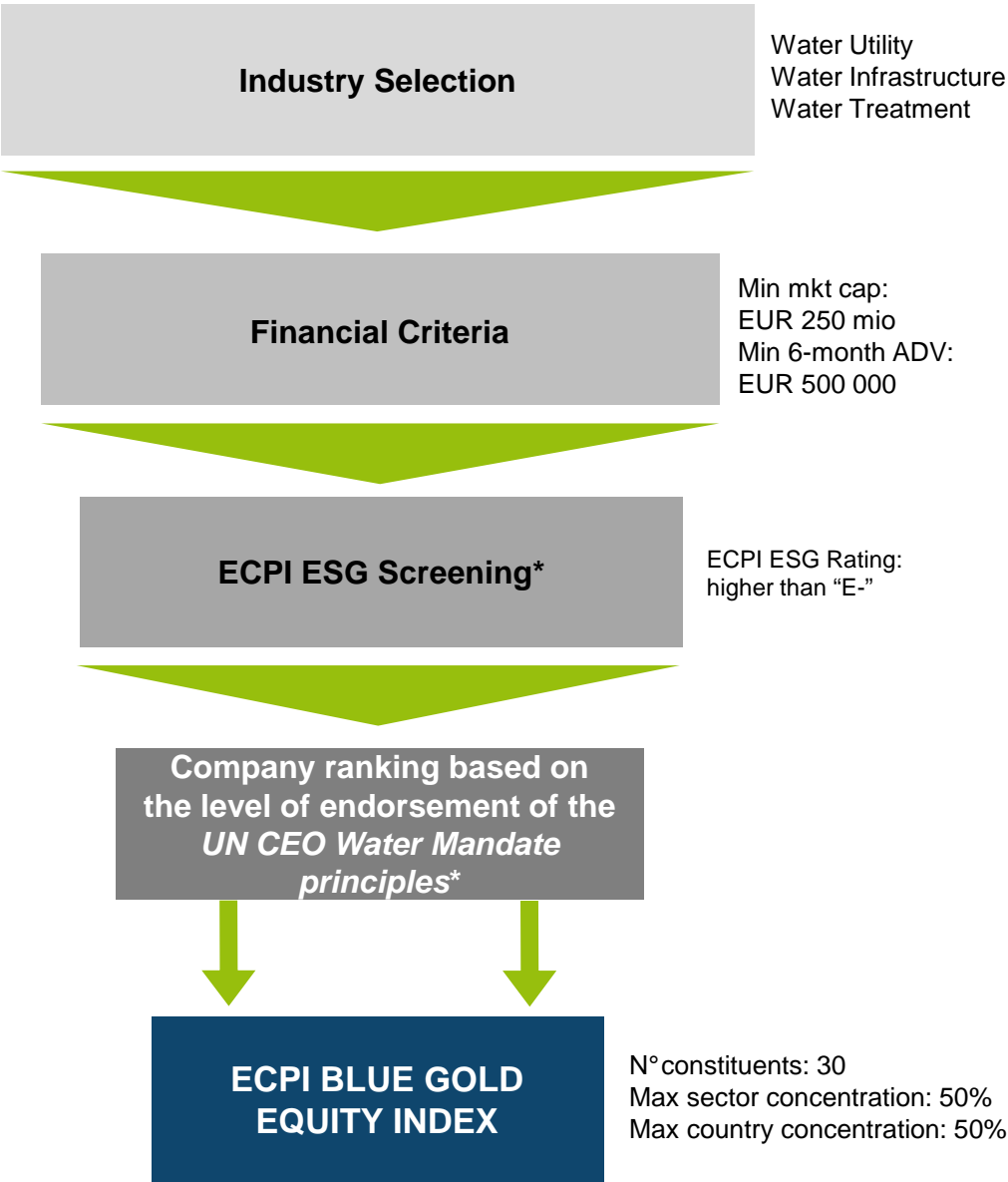
### WATER UTILITIES

Companies that provide water and/or wastewater services worldwide, from supply and distribution to water service management.

*1. Residence time expresses how fast something moves through a system in equilibrium. It is the average time a substance spends within a specified space, such as a groundwater reservoir.*

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# CONSTITUENTS SELECTION: ECPI-RATED EQUITY EXPOSURE TO WATER BUSINESSES



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## CONSTITUENTS SELECTION: MORE ON METHODOLOGY



- The ECPI ESG Rating Methodology is a rule-based, quality-certified process focusing on a company's:
  - Environmental performance: Environmental strategy and policy; Environmental management system and Products and Production process.
  - Social and Governance performance: Community relations; Employees and human capital; Markets and competitive practices and Governance and shareholders rights.
- ECPI ESG Rating is a synthetic measure of corporate Environmental, Social and Governance performance, based on a set of indicators defined by the ECPI ESG Rating Methodology.
- The ECPI Rating scale goes from F (Ineligible) to EEE, with EEE being the highest grade.

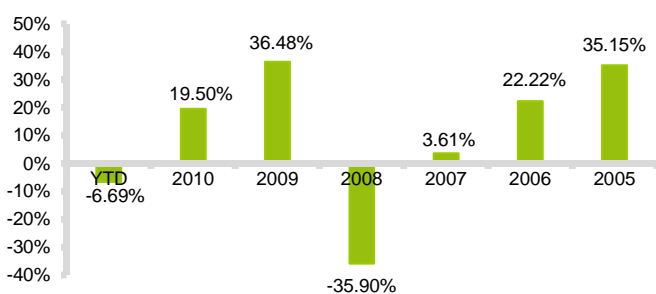


### The CEO Water Mandate:

- The United Nations' CEO Water Mandate grew out of a collaborative partnership within the United Nations Global Compact.
- The initiative seeks to build an international movement of companies committed to the development, implementation and disclosure of water sustainability policies and practices.
- It requires an endorsing company's Chief Executive Officer, or equivalent, to address the global water challenge through six focus areas: Direct operations; Supply chain and watershed management; Collective actions; Public policy; Community engagement; and Transparency.
- As a signatory to the United Nations' Principles for Responsible Investment, ECPI supports the development of ESG-related tools, metrics, and analyses to incorporate ESG issues into investment analysis and decision-making processes.

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Number of Constituents	<b>30</b>
Eligibility Monitoring	<b>Daily</b>
Constituent Weights	<b>Equal</b>
Index Rebalancing Frequency	<b>Annual</b>
Constituent min Market Cap	<b>250 mio EUR</b>
Min ADV (last 6 months)	<b>500 mio EUR</b>
Currency of Calculation	<b>EURO</b>
Average Market Cap (EUR bio)	<b>9.69</b>
Largest Market Cap (EUR bio)	<b>169.00</b>
Smallest Market Cap (EUR bio)	<b>0.56</b>
Highest Index Value (since 2003)	<b>2740.74</b>
Lowest Value (since 2003)	<b>887.82</b>



Average Since 2003	Annualized Volatility
	<b>17.52%</b>

### Fundamental Analysis

P/E Trailing	P/E Projected	P/B	P/S	P/CF	Dividend Yield
15.79	14.76	2.06	0.85	8.13	2.28

#### Country

FRANCE	9.50%
GERMANY	4.01%
JAPAN	6.10%
SPAIN	6.80%
SWITZERLAND	3.93%
UNITED STATES	45.82%
UNITED KINGDOM	12.66%
SWEDEN	4.24%
FINLAND	3.84%

#### Sector

Chemicals - Diversified	3.84%
Water	28.61%
Industrial Gases	3.08%
Filtration/Separations Products	8.06%
Chemicals - Specialty	6.17%
Building & Construction - Miscel.	6.94%
Diversified Manufacturing Operations	9.43%
Machinery - General Industrial	3.62%
Machinery - Pumps	3.72%
Building - Heavy Construction	6.80%
Building & Construction Products	3.93%
Water Treatment Systems	10.25%
Instruments - Scientific	3.18%
Electronic Measuring Instruments	2.37%



### Index Summary

Asset Class	Equity	Bond	Alternative
Investment Objective	Beta	Alpha	Income
Constituents	Large Caps	Medium Caps	Small Caps
Screening	Positive	Negative	Both
Bias	Geographical	Industry	Quantitative

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## DEFINITIONS

**P/E trailing:** Current price/index earnings. Index earnings are calculated by summing up the trailing 12 months EPS before XO items of the member companies multiplied by the shares in the index and divided by the index divisor. US and Canada: calculated using trailing 12 month diluted EPS from continuous operations of each member.

**P/E projected:** Current price/index projected earnings. Index projected earnings are calculated by summing all members' best EPS in FY1 multiplied by shares in the index and divided by the index divisor.

**P/B:** Current price/index weighted book value. Index weighted book value is calculated by summing up current book value per share of the member companies, multiplied by the shares in the index and divided by the index divisor.

**P/S:** Current price/index sales. Index sales are calculated by summing up all trailing 12 month sales per share, multiplied by shares in the index and divided by the index divisor.

**P/CF:** Current price/index cash flow. Index cash flow is calculated by summing up the trailing 12 month cash flow per share of the member companies, multiplied by the shares in the index and divided by the index divisor.

**Dividend Yield:** Index dividend/current price. Index dividend is calculated by taking the sum of all members' last 12 month dividends, multiplied by shares in the index and divided by the index divisor. Market convention dividends use gross dividends except for Australia, New Zealand, and the United Kingdom, which use net.

Fundamental Data Source: Bloomberg

## REFERENCES

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- [5] Morrison J. *et al.* 2009. 'Water Scarcity & Climate Change: Growing Risks for Businesses & Investors'. A Ceres Report.

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