

FACT SHEET & COMMENTARY

Quarter Ending September 30, 2023

KEY FEATURES

Pure-play water exposure

Targets pure-play water companies, committed to addressing water scarcity, increasing water quality, and enhancing water efficiency. Investors may benefit fully from the secular growth trend that the water theme represents globally.

A resilient secular growth story

The Fund focuses on what the manager considers high-quality water stocks backed by strong structural drivers, seeking to deliver stability in difficult market environments while generating attractive long-term growth and returns.

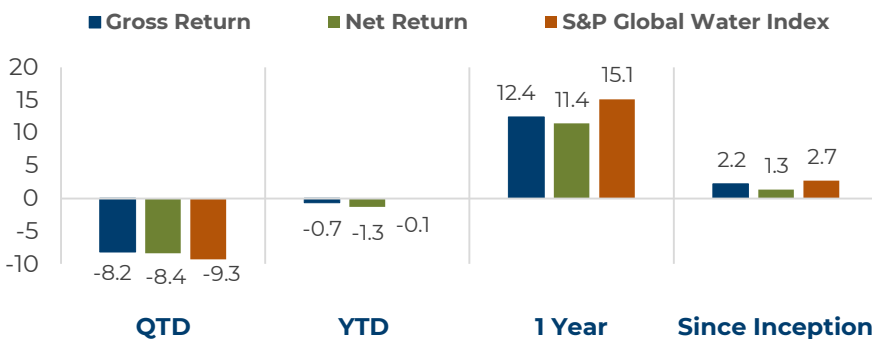
Time-tested experience in Water and Impact investing

The Duff & Phelps team has decades of experience in listed real assets and water-related investment expertise, engaging in a recurring dialogue with global water leaders. The Fund is aligned to four of the 17 United Nations Sustainable Development Goals (SDG), with a focus on Goal 6, Clean Water and Sanitation.

PORTFOLIO STRUCTURE

Sector (top 10)	Portfolio (%) ²	Regions	Portfolio (%) ²
Water Utilities	29.3	North America	71.8
Industry Machinery	18.8	Europe ex-UK	11.9
Life Sciences Tools & Serv.	9.5	United Kingdom	11.1
Construction & Engineering	7.6	Latin America	2.6
Environ. & Facilities Serv.	7.5	Japan	1.5
Building Products	6.2	Asia Pac ex-Japan	1.2
Multi-Utilities	5.8		
Trading Co. & Distributors	4.6		
Elect. Equip. & Instruments	3.6		
Specialty Chemicals	3.6		

COMPOSITE PERFORMANCE (%)¹



¹Composite inception date is August 31, 2022. Composite returns are expressed in U.S. dollars and include the reinvestment of dividends and other earnings. Periods over one year are annualized. Indices are not available for direct investment and index returns do not reflect the deduction of any fees. Gross composite returns are net of trading costs but do not reflect the deduction of investment advisory fees, custodial charges, or other expenses. Net composite returns are calculated by subtracting the highest separate account investment management fee (including performance fees, if applicable) in effect for the period. Past performance is not indicative of future results. Please see the GIPS Composite Report on the final page for more information.

²Portfolio information is based on a representative institutional account excluding cash. Holdings are subject to change. **Please see important disclosure information.**

PORTFOLIO STRATEGY

Holdings	Typically 30-40 securities
Single Security	Maximum 10% of portfolio at market value
Country Allocation	North America 45-75% Europe 20-45% Rest of World 0-25%
Benchmark	S&P Global Water Index

TOP TEN HOLDINGS

Company	Portfolio (%) ²
Xylem Inc.	8.5
American Water Works Co. Inc.	7.7
Danaher Corp.	7.4
Essential Utilities Inc.	7.1
Severn Trent Plc	6.5
Veolia Environnement	5.8
Tetra Tech Inc.	4.7
Ecolab Inc.	3.6
Stantec Inc.	3.6
United Utilities Group Plc	3.3

STRATEGY ALIGNS WITH THE FOLLOWING UN SUSTAINABLE DEVELOPMENT GOALS

Primary:



Secondary:



CONTACT INFORMATION

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MARKET REVIEW

Equity markets pulled back in the third quarter, as investors faced headwinds from the sharp rise in interest rates to new multi-decade highs. During the quarter, both the U.S. and European central banks indicated their plans to keep rates higher for longer to combat the risk of persistent inflation. Higher rates, along with the steep increase in oil prices, reignited concerns about the health of the consumer and the possibility of a recession. Economic data from China remained weak during the quarter, with soft consumer activity and the real estate sector once again showing signs of stress. Global developed markets (as measured by the MSCI World Index (net)) fell 3.46% on a total return basis.

Water investments (as measured by the S&P Global Water Index (net)) declined 9.32% in the third quarter. Despite constructive fundamentals and resilient earnings growth, tighter financial conditions weighed on the sector's earnings multiple. Both the water equipment and technology and infrastructure subsectors contracted during the period.

Water equipment and technology companies were generally weak in the quarter. Commercial and residential-exposed water companies continued their strong year-to-date performance in July on resilient economic activity and continued hopes of a bottom in construction activity, but the group softened in September as financial conditions tightened. Engineering and consulting firms proved relatively resilient, supported by strong earnings and favorable growth outlooks tied to increased infrastructure investment. Companies with elevated cyclical exposures, notably European industrials and agricultural equipment and technology providers, underperformed during the period.

The water infrastructure subsector contributed negatively during the quarter, as investors turned away from defensive sectors such as utilities, consumer staples, and real estate. Water utilities traded lower during the period in the face of rising interest rates, despite constructive earnings and visible long-term prospects. Water utilities in emerging markets outperformed, while utilities in developed markets, mainly the U.S. and U.K., were weak. We continue to hold a favorable view of water infrastructure companies over the medium term, as they stand to benefit from increased infrastructure spending both in the U.S. and internationally.

We remain confident in the outlook for the water sector, as the secular tailwinds driving investment for water infrastructure, equipment, and technology remain firmly in place. Those tailwinds are expected to result in resilient earnings growth for companies supporting improvements in water supply, quality, and efficiency across the globe.

PORTFOLIO REVIEW

The Duff & Phelps Global Water composite delivered negative results but outperformed the S&P Global Water Index in the third quarter. Composite performance was negatively impacted by multiple contractions as elevated economic risks and market volatility more than offset tailwinds from constructive fundamentals, strong earnings results, and resilient growth outlooks. Relative outperformance was driven by an overweight position in the life-sciences subsector and positive security selection in the industrials subsector.

At the security level, the largest positive contributors to relative performance were Danaher and Arcadis NV. Danaher is a global life-sciences company with a best-in-class water business focused on filtration, treatment, and testing. After a challenging start to 2023 due to weak life-sciences markets and negative guidance revisions, Danaher rebounded during the quarter. Visibility improved for stabilization in the life-sciences segment during the quarter, resulting in a more favorable outlook as destocking headwinds abate. The company also stands to benefit from spinning off its water business, as both the stand-alone life-sciences company and spinoff (Veralto) are well-positioned for the future in their respective end-markets. Arcadis is a leading global consulting and engineering firm that focuses on water, environment, infrastructure, and buildings. During the quarter, the company reported favorable earnings, with strong growth supported by tailwinds from global infrastructure programs, environmental and sustainability initiatives, and advanced manufacturing. Arcadis is also benefiting from strategic repositioning that strengthened its exposure to North America and high-growth markets such as life sciences and semiconductors. In addition, the company has enhanced its digital capabilities.

It should not be assumed that securities identified were or will be profitable. The top ten holdings list represents the largest percentage holdings at quarter end of a representative institutional account excluding cash and does not represent all of the securities held in client portfolios. The securities identified may no longer be held in client portfolios and the holdings of any particular client portfolio may vary. The list is provided for illustrative purposes and should not be considered a recommendation to purchase or sell a particular security. A complete list of holdings and transactions for the previous twelve months is available upon request.

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PORTFOLIO REVIEW CONT.

The largest detractors from relative performance were Halma PLC and Pentair PLC. Halma, a high-quality growth compounder focused on niche businesses supported by secular trends including the growth of sustainability initiatives (e.g., water), safety, and life sciences, underperformed during the period as higher rates drove its earnings multiple lower. The company reiterated its long-term growth outlook in the quarter, targeting its long-held +10% growth CAGR with attractive return on invested capital. An underweight position in Pentair, a pure-play water company that offers a range of water solutions for residential, commercial, industrial, and agriculture applications, contributed negatively to relative performance. Pentair's relative outperformance was driven by optimism that its residential exposure is bottoming, better-than-expected performance in its industrial business, and strong execution in improving margins toward its long-term goal. However, the risk remains that a declining consumer may drive prolonged weakness in residential, resulting in lower growth and a slowdown in margin expansion.

OUTLOOK

Secular growth trends in the water sector remain in place, as communities across the world invest in solutions to combat water scarcity and water quality challenges. We continue to see robust support for investment in water infrastructure and equipment and technology to provide a more sustainable water future. Additionally, the reshaping of supply chains and water-quality regulation are supporting water investment across many industries, including microelectronics, food and beverage, and pharmaceuticals.

We believe investment in the water sector is set to inflect positively over the next several years. This step-change in investment is expected to benefit companies that are building and rehabilitating infrastructure and those companies that are developing and deploying technology in the water sector. Several tailwinds are in place to support investment, including government infrastructure programs, regulation, and corporate initiatives. While deployment of capital from the Infrastructure Investment and Jobs Act (IIJA) has been slow to date, there is evidence that funds are now being released to drive investment in U.S. water infrastructure projects. Funding from the IIJA is a multi-year tailwind for the sector as funding is expected to peak in 2026–2027. Water companies, including E&Cs, utilities, and equipment and technology providers will benefit as projects move forward, beginning in 2024. On the regulatory front, the EPA is expected to finalize PFAS regulation in early 2024, which will catalyze significant investment in treatment and remediation equipment and technology. The Environmental Business Journal estimates that PFAS represent an addressable market of \$250 billion or more. Corporations are increasingly investing in water technologies as they reshore supply chains, improve operational resiliency, and capitalize on megatrends tied to growth in semiconductors, electrification, and health care, all of which require substantial water supply, advanced water treatment, and water efficiency programs, such as implementing water reuse capabilities. These initiatives are expected to support significant earnings growth for companies in the water infrastructure and technology subsectors in the years ahead.

The strategy continues to be at the forefront of these trends, investing in solutions-oriented companies that improve water supply, quality, and efficiency. We believe that these companies are well-positioned for long-term resilient growth as investment rises to create a more sustainable water future. We focus on high-quality, pure-play companies that are poised to benefit from structural support for water solutions.

We remain constructive on the outlook for the water sector heading into 2024. Fundamentals in most end-markets continue to be strong and secular growth outlooks are intact. We continue to focus on companies operating in healthy end-markets with visible growth and durable cash flows in an uneven economic environment. Additionally, we believe water infrastructure companies are well-positioned given resilient business models, strong growth outlooks, and now compelling valuations. Within the water equipment and technology subsector, we continue to favor companies operating in the municipal end-market, which has a solid funding backdrop with elevated repair and replacement activity, and those exposed to infrastructure programs and mega-projects. We hold a cautious outlook on residential and non-residential construction activity as higher rates and tighter lending standards may slow activity into 2024.

Economic growth and equity markets remain uncertain as a result of restrictive monetary policy, tightening credit, and weakening leading indicators. Despite these short-term headwinds, our conviction remains high that secular tailwinds in the water sector will drive attractive, durable earnings growth over the long term.

As always, thank you for your continued support of our team and investment strategy.

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Important Disclosure Information

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

Returns are calculated in U.S. dollars and include the reinvestment of dividends and other earnings. This material has been prepared using sources of information generally believed to be reliable; however, its accuracy is not guaranteed. Opinions represented are subject to change and should not be considered investment advice or an offer of securities. Forward-looking statements are necessarily speculative in nature. It can be expected that some or all of the assumptions or beliefs underlying the forward-looking statements will not materialize or will vary significantly from actual results or outcomes. Indices are not available for direct investment and index returns do not reflect the deduction of any fees.

The securities identified were selected from all of the holdings of a representative institutional account for the period based on relative contribution to the account's return versus the Benchmark. An average holding weight was computed based on daily ending market values. The securities identified do not represent all of the securities purchased, sold or recommended for advisory clients and the securities identified may no longer be held in client accounts. The methodology used to calculate the contribution to return or a list showing every holding's contribution to the account's return for the period is available upon request. Results exclude the effect of trading costs, fees and intraday trading prices.

The Benchmark is the S&P Global Water Composite Index (net), a float-adjusted market capitalization index measuring the performance of 50 of the largest companies in water-related businesses throughout the world, including both developed and emerging market countries.

The MSCI AC World Index (net) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of global developed and emerging markets.

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GIPS COMPOSITE REPORT

Year-end (12/31)	Annual Performance			3-Year Annualized Standard Deviation		Number of Accounts	Asset-Weighted Dispersion (%)	Composite Assets (US \$mm)	Firm Total Assets (US \$bn)
	Composite Gross (%)	Composite Net (%)	Benchmark Return (%)	Composite (%)	Benchmark (%)				
2022 ¹	3.03	2.74	3.08	n.a.	n.a.	≤5	n.a.	679.7	12.0

¹Partial year return. Composite inception date is August 31, 2022.

Duff & Phelps Investment Management Co. claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Duff & Phelps Investment Management Co. has been independently verified for the periods January 1, 1993 through December 31, 2022. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

- 1. Organization** – Duff & Phelps Investment Management Co. (“Duff & Phelps” or the “firm”) is a registered investment adviser and a wholly owned subsidiary of Virtus Investment Partners. Duff & Phelps manages assets on behalf of institutional and retail separate accounts and open-end and closed-end funds. Registration of an investment adviser does not imply any level of skill or training.
- 2. Composite Description** – The Global Water Composite includes fully discretionary accounts that focus their investments in global equity securities of companies that provide solutions to the supply, quality, and efficiency of water resources and are aligned to select sustainability goals. Material risks, in addition to market risk or potential strategy underperformance, include sector concentration risks and risk factors specific to global developed and emerging market securities. The inception date of the Composite is August 31, 2022 and the Composite was created on August 31, 2022. The Composite contains 5 or fewer portfolios.
- 3. Benchmark** – The Composite Benchmark is the MSCI AC World Index (net), a free float-adjusted market capitalization-weighted index that measures equity performance of developed and emerging markets. The withholding tax rates used in the calculation of the Composite are those applied to the underlying funds based on fund domicile; the withholding tax rates used in the calculation of the Benchmark are the maximum withholding rates applicable to non-resident institutional investors.
- 4. Calculations** – Returns are total, time-weighted rates of return expressed in U.S. dollars and include accrued income. The Composite and Benchmark results reflect the reinvestment of dividends and other earnings. Composite dispersion is not presented for periods with 5 or fewer portfolios. The 3-year annualized ex-post standard deviation measures the variability of gross Composite returns and the Benchmark returns over the preceding 36-month time period and is not presented for performance periods of less than 36 months.
- 5. Performance and Fee Information** – Investment performance returns are presented on both a gross of fee and net of fee basis. Gross composite returns are calculated net of trading costs, but do not reflect any deduction for investment advisory fees, custodial charges or other costs that a client might incur in connection with the management of an account. The firm's fee schedule for management of institutional separate Global Water accounts is: 0.85% on assets up to \$25 million, 0.80% on the next \$25 million, and 0.70% on amounts in excess of \$50 million. Returns realized by clients will be reduced by these costs. Actual investment advisory fees incurred by clients may vary. Initial minimum account size for institutional accounts is \$25 million. Net composite returns are calculated by subtracting the highest separate account investment management fee (including performance fees, if applicable) in effect for the period. Index returns do not reflect the deduction of any fees.
- 6. Additional Information** – A list of all composite and pooled fund investment strategies offered by the firm, with a description of each strategy, is available upon request. The type of portfolios in which each strategy is available (segregated account, limited distribution pooled fund, or broad distribution pooled fund) is indicated in the description of each strategy. Duff & Phelps's policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request.