

FACT SHEET & COMMENTARY

Quarter Ending December 31, 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 strategy 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.

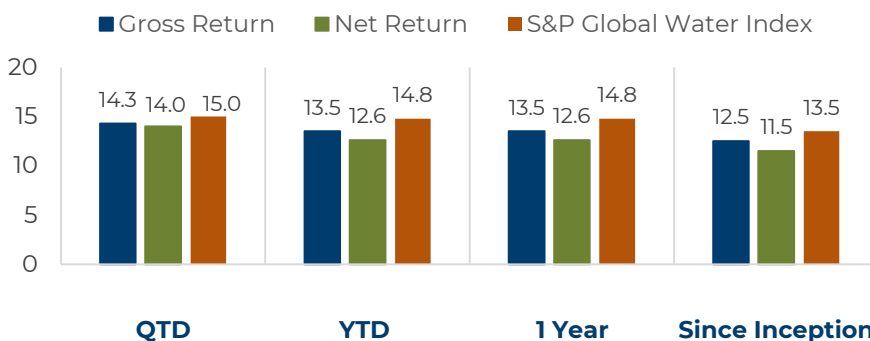
Time-tested experience in Water and Impact investing

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 strategy 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	30.8	North America	71.3
Industry Machinery	20.1	United Kingdom	12.2
Environ. & Facilities Serv.	9.9	Europe ex-UK	10.6
Construction & Engineering	6.8	Latin America	3.4
Building Products	6.5	Japan	1.6
Life Sciences Tools & Services	5.6	Asia Pac ex-Japan	0.9
Trading Co & Distributors	5.6		
Multi-Utilities	4.2		
Elect. Equip. & Instruments	4.0		
Specialty Chemicals	4.0		

COMPOSITE PERFORMANCE (%)¹



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.	10.0
American Water Works Co. Inc.	7.9
Essential Utilities Inc.	7.1
Severn Trent Plc.	6.9
Tetra Tech Inc.	4.3
Veolia Environnement	4.2
Ecolab Inc.	4.0
Core & Main Inc., Class A	3.9
United Utilities Group Plc.	3.6
Stantec Inc.	3.5

STRATEGY ALIGNS WITH THE FOLLOWING UN SUSTAINABLE DEVELOPMENT GOALS

Primary:



Secondary:



CONTACT INFORMATION

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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.**

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MARKET REVIEW

Following a weak start to the quarter as interest rates hit a cycle high of nearly 5%, equity markets soared in November and December to close out a strong year. The intra-quarter rebound was driven by a combination of factors the markets viewed positively, including declining inflation, employment moving into balance, stable economic growth supported by resilient consumer spending and elevated construction activity, and better-than-expected corporate earnings. Central banks added to the positive sentiment by generally holding current rates and offering dovish commentary that provided line of sight to rate cuts as the next course of action. Investors cheered on these updates by pushing equity markets higher and bond yields lower as consensus coalesced around the belief that a soft landing is achievable. Global developed markets (as measured by the MSCI World Index (net)) rose 11.42% on a total return basis.

Water investments (as measured by the S&P Global Water Index (net)) increased 14.98% in the fourth quarter, supported by favorable fundamentals and improved investor sentiment. Both the water equipment and technology and infrastructure subsectors contributed positively during the period.

Water equipment and technology companies led performance during quarter. International industrials, particularly in Europe, shined after lagging for most of 2023, as activity stabilized, albeit at weak levels. Companies exposed to the municipal end-market, including engineering and consulting firms, distributors, and equipment manufacturers, also performed well due to the rising level of infrastructure investment and adoption of technology, including advanced metering infrastructure, contaminant testing and treatment, and services incorporating artificial intelligence. Companies involved in the residential and non-residential sectors capped off a strong year, boosted by the decline in interest rates late in the quarter.

The water infrastructure subsector contributed positively in the period. International utilities in Brazil and the United Kingdom led the group, as both benefited from improving regulatory backdrops, while water utilities in Asia remained weak due to continued economic woes. U.S. utilities generated positive performance, as lower interest rates combined with resilient growth driven by robust investment backlogs and attractive valuations pushed the group higher after a mostly challenging year.

We remain confident in the outlook for the water sector. Underlying fundamentals and secular tailwinds remain strong as investment accelerates for water infrastructure, equipment, and technology, supporting attractive earnings growth for companies driving improvements in water supply, quality, and efficiency.

PORTFOLIO REVIEW

The Duff & Phelps Global Water composite delivered positive results but marginally lagged the S&P Global Water Index in the fourth quarter. Composite performance was driven by favorable fundamentals underpinning strong earnings and improved investor sentiment boosting valuations. Relative underperformance was driven by underweight positions in international water utilities and industrials, as well as an overweight position in the life-sciences subsector.

At the security level, the largest positive contributors to relative performance were Core & Main Inc. and Supreme Industries Ltd. Core & Main closed out a stellar year with strong performance during the quarter, capturing elevated construction activity given its favorable positioning as a market-leading distributor in the municipal, non-residential, and residential end-markets. During the quarter, the company initiated an attractive long-term outlook that featured 6%-12% sales growth and continued margin expansion and also posted a resilient 2024 outlook despite economic uncertainty. The company is also benefiting from legacy private equity ownership exiting its position, improving the stock's liquidity and enabling Core & Main to highlight its return-of-capital capabilities by participating in share buybacks. Supreme Industries is a plastic piping company based in India that has benefited from local water infrastructure development. The underweight position contributed positive relative attribution as the stock cooled off in the fourth quarter, in part due to its elevated valuation, after significant outperformance in the first nine months of the year.

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 Danaher Corp. and Veralto Corp. Danaher is a global life-sciences company that recently spun out its leading water treatment, filtration, and testing business. Danaher was under pressure early in the quarter as weakness in the life-sciences end-market persisted and the company's bioprocessing segment remained weak due to a significant slowdown in China's pharmaceutical and biotech industry. Veralto, which was spun out of Danaher in early October, is a leading water analytics and treatment company. After initial strong performance as a stand-alone company, shareholder turnover weighed on equity performance. Veralto remains a compelling long-term investment due to its leading position in water quality and strong management team.

OUTLOOK

In our view, the 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. Due to robust government and corporate support, 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. Additionally, the reshaping of supply chains and water-quality regulation are driving water investment across many industries.

As we look forward to 2024, we see several near-term catalysts for water investment, including strong infrastructure spending in developed markets, water quality regulation (PFAS in the U.S.), government infrastructure spending (IIJA), and continued focus on resiliency spending from corporates and governments globally. Water companies, including E&Cs, utilities, and equipment and technology providers will benefit as projects move forward. On the regulatory front, the EPA is expected to finalize PFAS regulation in March 2024, which will catalyze significant investment in testing, treatment, and remediation equipment and technology. Additionally, 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. In addition, barring a deep recession, we believe lower inflation (and in turn interest rates) globally will be supportive for several water end-markets including residential construction and broader industrial production, which are likely to strengthen year-over-year.

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 improve water scarcity and quality related risks. We focus on high-quality, pure-play companies that are poised to benefit from structural support for water solutions.

As mentioned above, we remain constructive on the outlook for the water sector as fundamentals in most end-markets remain healthy and secular growth outlooks are intact. We believe equity returns will be less driven by multiple expansion relative to 2023 and we are highly focused on companies with strong earnings growth and balance sheet capacity for accretive M&A and/or return of capital to shareholders. With that in mind, we continue to favor companies with exposure to municipal and industrial end-markets with leading market share in subsectors outgrowing the broader water market. Additionally, we believe water infrastructure companies are well-positioned given resilient business models and strong growth outlooks. These companies also stand to benefit from reduced inflation, and in turn, lower interest rates.

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.

The S&P Global Water Index is a product of S&P Dow Jones Indices LLC and/or its affiliates and has been licensed for use by Duff & Phelps Investment Management Co. Copyright © 2024 S&P Dow Jones Indices LLC, a division of S&P Global, Inc., and/or its affiliates. All rights reserved. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. For more information on any of S&P Dow Jones Indices LLC's indices please visit www.spdji.com. S&P® is a registered trademark of S&P Global and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC. Neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors shall have any liability for any errors, omissions, or interruptions of any index or the data included therein.

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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.