

FACT SHEET & COMMENTARY

Quarter Ending June 30, 2024

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.

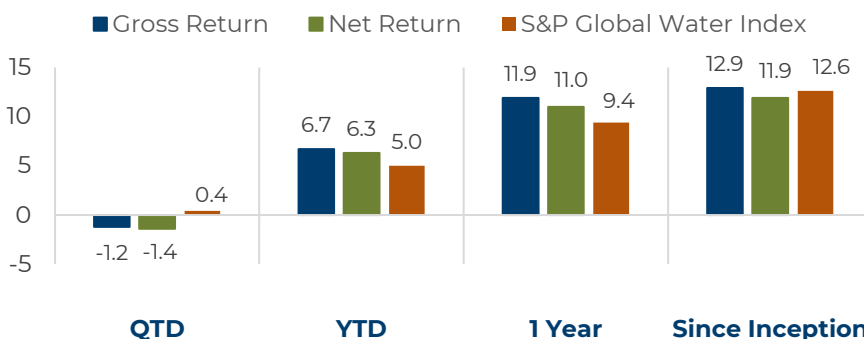
Time-tested experience in Water and Impact investing

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
U.S. Resi & Non Resi	19.0	North America	73.2
Muni	16.2	Europe ex-UK	10.0
Engineering & Construction	12.1	United Kingdom	10.5
U.S. Utilities	10.5	Latin America	3.2
U.K. Utilities	8.1	Japan	2.0
U.S. Industrial	8.0	Asia Pac ex-Japan	1.1
International Utilities	6.9		
Europe Industrials	6.2		
Life Sciences	4.9		
Environmental	3.4		

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 (Net)

TOP TEN HOLDINGS

Company	Portfolio (%) ²
Xylem Inc	9.8
American Water Works Co Inc	5.6
Severn Trent Plc	5.3
Essential Utilities Inc	5.3
EcoLab Inc	5.1
Tetra Tech Inc	4.8
Pentair Plc	4.4
Core & Main Inc – Class A	4.3
Stantec Inc	3.4
CIA Saneamento Basico DE-ADR	3.2

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

The second quarter of 2024 brought more gains across global stock markets as economic momentum and optimism for artificial intelligence (AI) continued. Equity performance started the quarter negatively as investors digested the higher-for-longer interest rate environment and monetary policy from global central banks remained restrictive, but these worries dissipated, and soft-landing hopes were revived as the period progressed. The quarter was also marked by increased political uncertainty causing volatility in European markets. The outcome of the European parliamentary election caused President Emmanuel Macron to announce a snap election in France. U.K. Prime Minister Rishi Sunak called a surprise election for July, raising the possibility for a change in leadership. Global developed markets (as measured by the MSCI World Index (net)) rose 2.6% on a total return basis.

Water investments (as measured by the S&P Global Water Index (net)) increased 0.4% in the second quarter, lagging broader equity markets. The modest increase quarter over quarter was driven by positive performance from both water equipment and services companies and water infrastructure companies.

Water equipment and services companies' positive performance was largely driven by firms with exposure to the municipal end-market, where demand remains strong, as well as strong performance from filtration, treatment, and testing companies as water quality was in focus during the quarter due to the EPA's formal regulation of PFAS in the United States. This performance was offset by a reversal of very strong first quarter performance by water companies with exposure to residential and non-residential end-markets, as higher interest rates weakened the outlook for activity and demand in those markets, specifically in the U.S.

Water infrastructure companies were positive in the quarter as strength in U.S. and Chinese water utilities offset weakness in U.K. and South American utilities. Softer macroeconomic data in the U.S. (defensive equity positioning) and an overall bid for utilities as a derivative of AI growth drove strong relative performance for a handful of U.S.-listed water utilities. Regulatory uncertainty continued to be a headwind for listed U.K. water utilities during the quarter, though we expect some clarity in early July, which could be a positive catalyst for the group.

While the water sector has lagged broader equity market returns in 2024, we remain confident in the outlook for the 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 returned -1.22% gross of fees (-1.43% net) in the second quarter, slightly trailing the S&P Global Water Index. Composite performance was positively impacted by stock selection in agriculture, filtration, treatment, and test end-markets, which was offset by negative selection in pumps, pipes, and valves along with utilities. Sector allocation in engineering and construction was also positive.

At the security level, the largest positive contributors to relative performance were an overweight position in Halma PLC (HLMA LN) and an underweight position in Advanced Drainage Systems (WMS). 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, outperformed during the quarter on the back of stronger fiscal year 2023 results released in June. Halma reported better-than-expected revenue and cash flow growth in the period, driven by strong performance in its safety and environmental & analysis business segments. The company's water analysis and treatment business in the U.K. and photonics business, which is benefiting from robust data center demand, exhibited strong growth. Advanced Drainage Systems is a leading manufacturer of innovative water management solutions in the stormwater and wastewater industries. WMS equity performance was under pressure during the quarter as the outlook for non-residential and residential end-markets softened, largely due to the higher-for-longer interest rate backdrop, which has weakened permitting and construction starts. We believe the long-term outlook for the company is strong as they are well-positioned to benefit from growing stormwater infrastructure spending and the conversion of concrete pipe to their specialty HDPE product offerings.

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 an overweight position in IDEX Corp (IDEX) and an underweight position in ACWA Power Co. IDEX is a diversified industrial company manufacturing highly engineered products for end-markets including water, energy, medical, and life sciences. IDEX reported solid first quarter results, but soft second quarter guidance and limited positive commentary for key end markets in the company's health, science, and technology segment overshadowed those results. The subdued demand environment in several of IDEX's end-markets resulted in less optimism that an inflection in the earnings trajectory will take place in 2024, which pressured equity performance. IDEX's water business performed well with strong activity supported by infrastructure funding initiatives within the sector. We continue to have a favorable view of IDEX over the medium term as management has historically taken advantage of volatility to grow market share and deploy capital in an accretive manner. ACWA Power Co. is a Saudi Arabia-based power and water utility that largely develops power generation and seawater desalination projects. ACWA investors supported the company's medium-term growth strategy, which outlined a robust backlog of projects that are expected to drive mid-teens AUM growth through 2030.

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, 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. Additionally, the reshaping of supply chains and water-quality regulation are driving water investment across many industries.

Entering 2024, we identified several near-term catalysts that were expected to drive water-related investments and in turn support water company fundamentals. As we moved through the first half of the year, many of these catalysts played out as we expected, while a few have been more challenged. From a positive catalyst standpoint, strong water infrastructure spending in developed markets, water quality regulation spurring investment, and corporate resiliency initiatives all remain intact. During the quarter, municipal and utility capex continued at a strong pace, supporting water companies exposed to those end-markets. Additionally, we continue to see robust adoption of advanced metering technology, which is driving extremely strong results for those companies developing and deploying AMI equipment and services. On the regulatory front, the EPA finalized the National Primary Drinking Water Regulation (NPDWR) for PFAS during the quarter. The final regulation established enforceable maximum contaminant levels for six PFAS compounds in drinking water. We continue to believe investment in PFAS testing, treatment, and remediation will be a growth driver for several companies in the water sector over the next decade and beyond. We continue to see corporations, specifically in the microelectronics sector, supporting significant investment in water technologies. Strong data center and semiconductor development activity, supported by artificial intelligence advancements, is creating opportunities for water companies that provide advanced water treatment and water efficiency programs. Growth tied to AI is expected to support earnings growth for a subset of companies in the water equipment and technology subsector in the years ahead.

Our expectation for a modest rebound in residential and non-residential construction activity has not come to fruition to date. Higher interest rates negatively impacted development and the water companies exposed to the end-markets as the outlook softened in the second quarter. We continue to believe that as monetary policy becomes less restrictive in many key markets, demand will inflect positively for companies with exposure in these construction markets.

Utilities rebounded slightly in the second quarter, largely driven by a slight bid for defensive positioning in the market as well as AI-related tailwinds. We remain constructive on the outlook for utilities as robust capex programs are expected to drive relatively strong rate base and earnings growth. Additionally, better valuation starting points relative to history support a constructive total return outlook.

The strategy strives to be at the forefront of secular trends in the water sector, 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 address 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.

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OUTLOOK CONT.

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 driven by earnings growth and we are highly focused on companies with strong fundamental tailwinds 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.

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



David Grumhaus, Jr.
Chief Investment Officer
Senior Portfolio Manager



Nick Holmes, CFA
Portfolio Manager
and Senior Analyst

Important Disclosure Information

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

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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 (%)				
2023	13.51	12.55	14.82	n.a.	n.a.	≤5	n.a.	629.3	12.3
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, 2023. 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 S&P Global Water 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 withholding tax rates used in the calculation of the Benchmark are those applied to dividends received by non-resident investors; the withholding tax rates used in the calculation of the Composite are those applied to dividends received by account domicile. From June 30, 2023 to May 31, 2024 date the Composite Benchmark was disclosed as the MSCI AC World Index (net). The benchmark disclosure should have referenced the S&P Global Water Index.
- 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 1/12th of the highest separate account investment management fee in effect of 0.85% from the monthly gross composite return. 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.

Past performance is not indicative of future results.