



Water shortages open tech opportunities, says leading sustainable manager

By Atholl Simpson | 13:16:01 | 12 March 2010

The treatment of water supplies through new advances in technology offers a fertile market due to anticipated world water shortages, according to fund manager Dieter Küffer from Sustainable Asset Management (SAM).

The Zurich-based fund manager runs the firm's €1.2 billion Sustainable Water Fund which performed well in the last year with returns of 46.5% - due in part to the fund's exposure to Asian stocks.

Küffer has dedicated the majority of his portfolio to the water treatment and technological sectors, believing that techniques such as UV light treatment of contaminated water are a market for the future.

'The technology is quite widespread but there are a lot of opportunities,' says Küffer. 'The UV rays are used to eliminate any bacteria in the water, making it safe and clean.'

'The technology has been proven to work and we expect the sector to grow by 10-15% per year. It is also very environmentally friendly.'

Another area he sees as a potentially profitable area is the 'desalination' process, taking sea water and making it safe to use and consume, which is gaining momentum in Asia.

Although the process uses a lot of energy, he believes there will be increasing demand for it as water supplies begin to dwindle.

His fund strategy focuses primarily on the suppliers of services and water technology rather than the utilities sector, as he thinks they are determined more by market trends rather than by regulatory policy. He does, however, devote 20% his portfolio to the utilities sector, with the Asian market offering the best prospects.

'I see good opportunities in China,' he says. 'There is political will power to increase the water prices and there is no opposition from the clients as water charges amounts to less than 1% of their disposable income.'

'Even with Asia in the portfolio it is not a high volatility fund, the risk profile is very similar to others.'

Within the developed countries, his fund is investing mainly in the water treatment infrastructure as many of their water supplies are in need of repair due to tired and old water pipes and a high waste ratio due to leaks.

Since the fund's launch in 2001, it has returned 38.3% while the MSCI World index has fallen by 0.7% in the same time period, according to Lipper.

Küffer thinks the fund has a total capacity of €2.5billion.

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