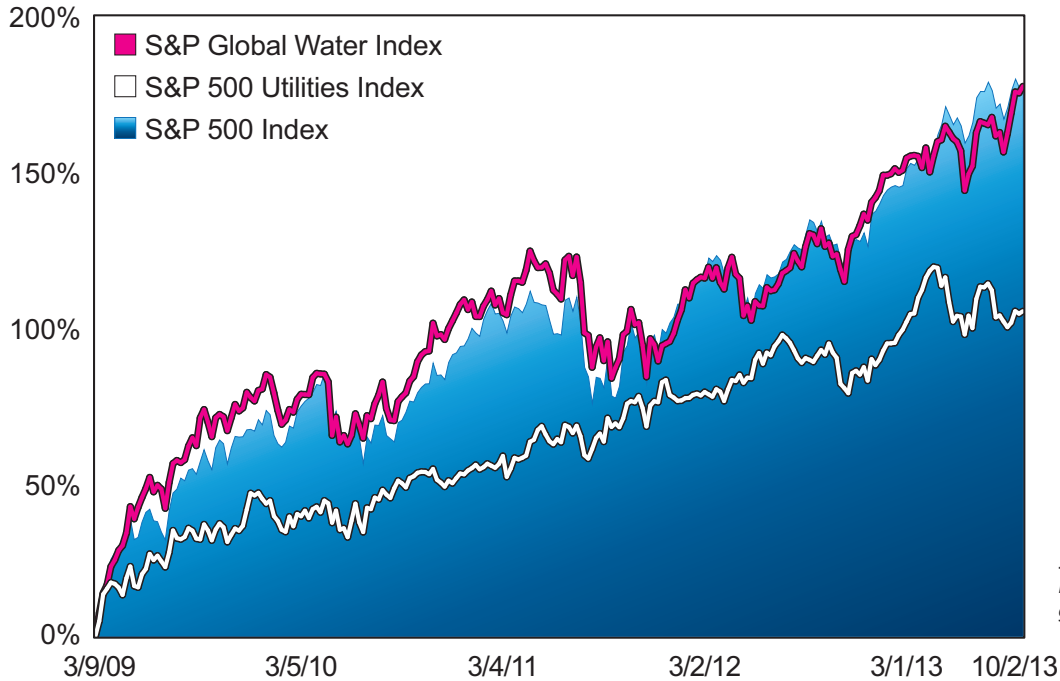


# The Glass Looks More Than Half Full For Water & Infrastructure Stocks

**S&P Global Water Index vs. S&P 500 Utilities Index vs. S&P 500 Index (% Change in Weekly Total Returns)**



Source: Bloomberg.  
Past performance is no guarantee of future results.

## View from the Observation Deck

1. From 3/9/09 (end of bear market) through 10/2/13, the S&P Global Water Index posted a cumulative total return of 177%, compared to 176% and 104%, respectively, for the S&P 500 Index and S&P 500 Utilities Index.
2. The S&P 500 is a classic example of a core holding, in our opinion. The constituents in the index are considered to be leading companies in leading industries, according to S&P Dow Jones Indices.
3. While the index seeks to reflect the broad U.S. economy, many of these companies are multinationals. Forty-six percent of total sales for the companies in the index came from outside the U.S. in 2012, according to S&P Dow Jones Indices.
4. Dividend-paying stocks could also qualify as a core holding. On average, dividends have accounted for approximately 43% of the S&P 500's 9.84% average annual return from 1926 through 2012, according to Ibbotson Associates/Morningstar.
5. One of the most sought after sectors for dividend-paying stocks through the years has been electric utilities. We believe investors should consider water utilities and related infrastructure stocks moving forward.
6. Infrastructure companies are a key component looking ahead. In 2013, America's drinking water infrastructure received an overall grade of D from the American Society of Civil Engineers.
7. The American Water Works Association concluded that the U.S. will need to invest nearly \$1 trillion over the next 25 years to simply replace faulty water pipes. Failure to do so could lead to service disruptions and more costly repairs.
8. On a global perspective, water infrastructure spending needs could approach \$11.7 trillion between 2013 and 2030, according to Janney Montgomery Scott LLC.
9. In the near-term, the 2014 estimated earnings growth rate for the S&P Global Water Index is 15.48%, compared to 10.88% and 4.42% for the S&P 500 Index and S&P 500 Utilities Index, according to Bloomberg.

*This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance, while the S&P 500 Utilities Sector is a capitalization-weighted index comprised of S&P 500 constituents representing the utilities sector. The S&P Global Water Index provides exposure to 50 companies involved in businesses pertaining to Water Utilities & Infrastructure and Water Equipment & Materials.*