



Water- and oceans-related investment opportunities span from infrastructure investment to waste collection and freshwater treatment, water utilities, plastic recycling and alternatives. (UBS)

Seas of untapped potential

09 April 2024, 4:38 pm CEST, written by UBS Editorial Team

Water's role as a basic necessity is of little debate. And Earth is rich in water—71% of Earth's surface is covered in water, mostly in oceans which provide protein for 3 billion people globally and support over 30M jobs (OECD). Yet, only 3% of all the water available is freshwater, necessary to humans for agriculture and for industrial processes like mining or cooling.

Despite freshwater being both critical and scarce, most industrialized countries built their water mains and supply infrastructure in the early part of the 20th century, and have not invested extensively in upgrading them since. The average lifespan of water pipes is 50–100 years, depending on what they're made of and how much pressure they handle. Such aged infrastructure means that, on average, utilities lose 10% to 30% of water from leakage in developed markets and up to 40% in emerging markets (OECD).

This is not just a problem for freshwater, but also sewage leakage, e.g., sanitary sewer overflow (SSO). The Environmental Protection Agency estimates at least 23,000– 75,000 SSOs occur per year in the US alone. A larger global population increases not only the overall consumption and demand for water but also food demand, and food production is heavily dependent on water, with agriculture accounting for 69% of global freshwater demand (FAO).

For oceans, problems arise from overfishing (80% of global fish stocks are either fully or over-exploited) or pollution from untreated waste water or virgin plastic pollution (some 8 – 10 million tonnes of plastic are estimated to enter oceans every year).

Water- and oceans-related investment opportunities span from infrastructure investment to waste collection and freshwater treatment, water utilities, plastic recycling and alternatives. See our longer-term investment themes *Water scarcity*, *Blue Economy*, and *Circular Economy* for additional detail.

More tactically, in the near term our global sector strategists have become more positive on the industrials sector, a significant part of the theme's opportunity set, and the theme has a small- to mid-cap tilt.

Investor takeaways

- Water is critical to global ambitions: from feeding a growing population through agriculture or fishing, to making advances in computing, AI, or mining to name a few. Yet, global freshwater infrastructure is in dire need, making freshwater scarcer, and oceans are increasingly polluted and overfished.
- We believe that companies that can provide solutions to the above challenges will benefit over the longer term, as outlined in our longer-term investment themes on *Water Scarcity*, *Blue Economy* and *Circular Economy*.
- Over the tactical horizon, our global strategists are positive on small- and mid-cap companies as well as industrials, both of which include companies that overlap with these themes. ESG engagement strategies with a focus on the themes as well as smaller companies can provide additional opportunities for impact while positioning tactically.

Main contributors: Amantia Muhedini, Sustainable and Impact Investing Strategist; Michelle Laliberte, CFA, Thematic Investing Strategist

For more, see [Perspectives: Investing in water, cement and cocoa price surge](#), 5 April, 2024.

Important information

As a firm providing wealth management services to clients, UBS Financial Services, Inc is registered with the U.S. Securities and Exchange Commission (SEC) as an investment adviser and a broker-dealer, offering both investment advisory and brokerage services. Advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate contracts. It is important that you carefully read the agreements and disclosures UBS provides to you about the products or services offered. For more information, please visit our website at www.ubs.com/workingwithus.

© UBS 2023. All rights reserved. UBS Financial Services Inc. is a subsidiary of UBS AG. Member FINRA/SIPC.

There are two sources of UBS research. Reports from the first source, UBS CIO Global Wealth Management, are designed for individual investors and are produced by UBS Global Wealth Management (which includes UBS Financial Services Inc. and UBS International Inc.). The second research source is UBS Group Research, whose primary business focus is institutional investors. The two sources operate independently and may therefore have different recommendations. The various research content provided does not take into account the unique investment objectives, financial situation or particular needs of any specific individual investor. If you have any questions, please consult your Financial Advisor. UBS Financial Services Inc. is a subsidiary of UBS AG and an affiliate of UBS International Inc.