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Clean water fund draws investors

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The UK defence group BAE Systems and the Swedish national pension fund AP1 have invested in a new \$300m water fund that will focus on industrial water projects in Europe and Asia.

Demand for clean water from industrial users is increasing rapidly, particularly in [emerging markets](#). But institutional investors have been slow to become involved even though the industrial water treatment industry is estimated to be worth around \$53bn globally, according to Global Water Intelligence, an Oxford based consultancy. Water treatment projects are usually considered too small for mainstream infrastructure funds but Resonance Asset Management, a London based boutique, has launched a \$300m industrial water infrastructure fund that has attracted interest from six institutional investors spread across the US, UK and Nordic regions.

Nick Wood, the founder and chief executive of Resonance, said that growing [water scarcity](#) and increasingly strict government regulation of discharged water was driving up demand for water treatment services.

“Industrial businesses are becoming increasingly concerned that they cannot obtain enough water to operate their facilities reliably in certain regions,” said Mr Wood who previously worked at Man Group, the UK-listed hedge fund manager.

The new water fund has already invested in a coal-to-chemical waste water reuse plant in China and plans to make equity investments in a portfolio of 10 to 15 projects of between \$10 and \$50m in Europe, Asia, Australia and New Zealand. The fund is expected to deliver annual returns in the mid-teens.

“Waste water infrastructure projects are an underinvested area that have the potential to deliver nice returns. The fund also helps us address water scarcity as an important environmental sustainability issue,” said Mikael Angberg, chief investment officer of AP1.

Resonance has already raised a £100m fund to invest in nine UK wind farms. Three of the six of the institutions that have invested in the new water fund were also investors in the wind farm fund.

Fundraising by Resonance has been supported by Fidante Partners Europe, a subsidiary of Challenger, the A\$57.4bn Australian listed investment manager. Fidante partners with boutique managers and provides distribution and other services to help them grow their businesses.