



Understanding infrastructure

Investment pipeline: overlooked opportunities in water infrastructure

Capital at risk. This blog piece does not constitute investment advice. Past performance is not a reliable indicator of future returns.

1. What's driving water investment today?

Water is the most fundamental resource for life and economic activity. Its ubiquity in developed markets means we often take it for granted. However, increasingly the systems by which people around the world access water are under strain.

Urbanisation and industrial expansion are driving demand for clean water and sanitation, particularly in emerging economies. In developed markets, ageing infrastructure is either crumbling after years of use, or struggling to keep pace with today's needs. Added to this, climate change is amplifying droughts and floods, placing additional stress on water infrastructure.

Regulation adds another layer of urgency. Governments are tightening standards to address contaminants such as the so-called "forever chemicals" per- and polyfluoroalkyl substances (PFAS). These pose long-term health and environmental risks, with the result that the U.S. Environmental Protection Agency recently finalised the first-ever national drinking water standards for PFAS¹. These set enforceable limits and require utilities to adopt advanced treatment technologies such as granular activated carbon and reverse osmosis². Compliance with these rules will require significant investment in monitoring and purification systems. At the same time, corporate governance requirements are pushing companies to reduce water footprints and improve efficiency. These forces are converging to create a structural need for capital deployment across water infrastructure, treatment, and efficiency solutions².

2. The opportunity

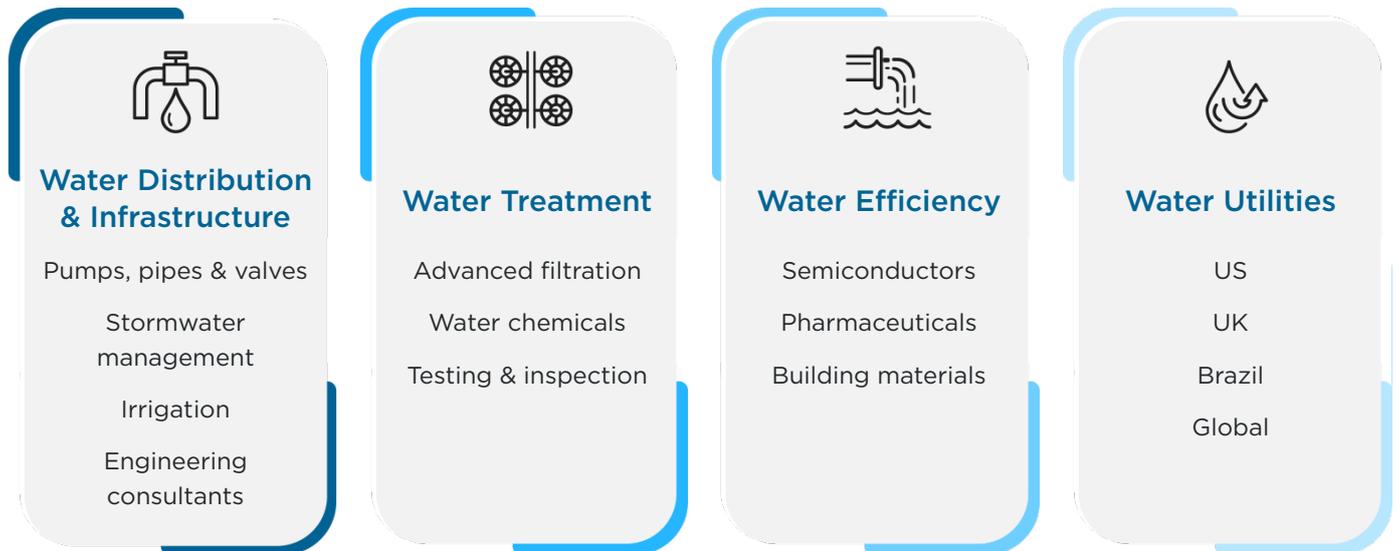
Globally, agriculture accounts for around 70% of all freshwater use, followed by industry at c.20% and domestic/municipal use at c.10%³. The extent to which economic growth is reliant on the supply and use of clean water means that investment opportunities span multiple sectors, each offering distinct financial characteristics and risk-return profiles. This universe can be thought of in four separate groups.

¹ US Environmental Protection Agency. "Final PFAS National Primary Drinking Water Regulation." ([epa.gov](https://www.epa.gov))

² Ibid.

³ UNESCO World Water Development Report. ([unesco.org](https://www.unesco.org))

2. The opportunity (continued)



Utilities form the stable backbone of water infrastructure investing. These companies provide essential services under regulated frameworks, making their revenues economically defensive and typically a source of stable dividends. However, the need to invest in new and better infrastructure, as well as recognition from regulators that investors will need to earn a return for doing so, is opening up the prospect of meaningful capital growth.

Infrastructure companies form the backbone of water access and resilience. These are the companies which supply the components and design specifications to move water from one place to another, such as manufacturers of pipes and valves, irrigation specialists or engineering consultants.

Treatment and purification firms are specialists in filtration, chemical treatment, and desalination. These companies are critical for meeting regulatory standards. They often sit within Industrial or Materials sectors, harnessing recurring revenues from municipal and industrial contracts.

Lastly, there are companies which specialise in improving the efficiency of water usage across industries. These may not have water as the central focus of their business, but offer solutions to their customers that reduce water use or the need for treatment. Examples include bioprocessing companies in Health Care or semiconductor manufacturing experts in IT. As water stress intensifies globally, demand for scalable, cost-effective technologies is accelerating, positioning these innovators at the forefront of sustainable water management.

Together, these categories represent a diverse pool of opportunities, from steady income generators to growth-driven innovators.

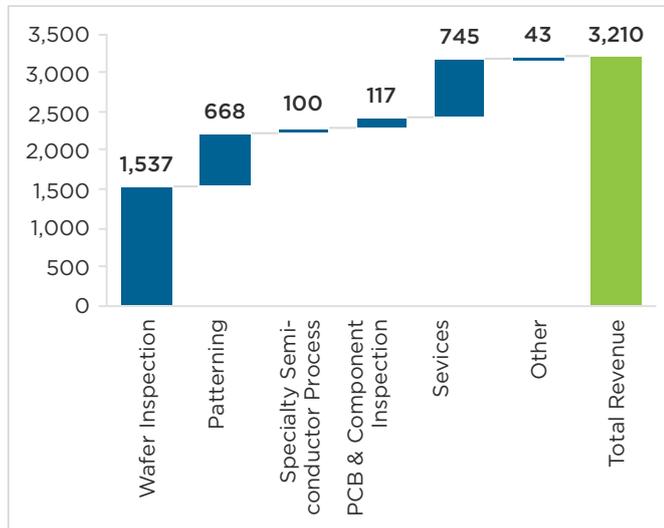
3. Stock examples

The specific securities identified and described are for informational purposes only and do not represent recommendations.

The widespread use of water means that investment opportunities arising from its provision are often overlooked. For example, the recent boom in spending for data centres and artificial intelligence has prompted widespread discussions around semiconductor demand and energy consumption. And while water is mentioned in the context of cooling, it is done so both less often and typically without accounting for the essential role of water in manufacturing.

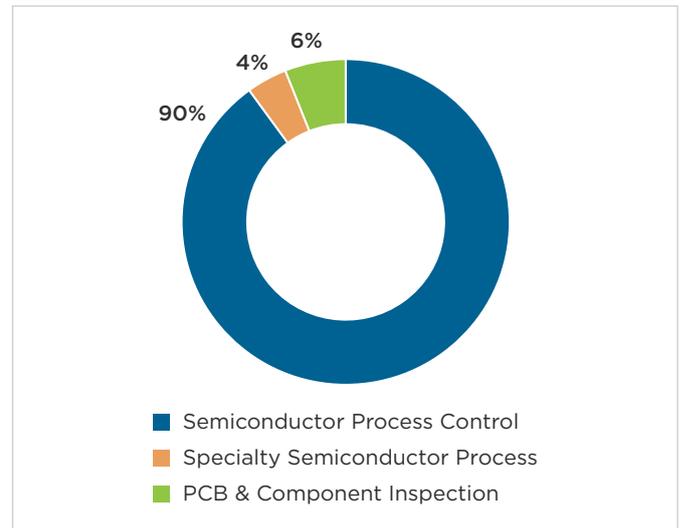
KLA Corporation is a company which specialises in semiconductor process control, supplying tools and software which enable companies to boost the amount of yield in production. Chip fabrication requires ultra-pure water in high volumes, with the result that optimising efficiency of production corresponds directly to better use of water⁴. KLA is an established leader in its specialist field, providing high value-add services and forming deep partnerships with its clients. As a result, it has a track record of strong margins and above industry growth.

KLA quarterly revenue by major product categories
USD mn



Q1 fiscal 2026 (quarter ended 30/09/2025)

KLA revenue by end market
Percent



Q1 fiscal 2026 (quarter ended 30/09/2025)

At the other end of the spectrum, **Xylem** is a water technology company that produces equipment and services for water and wastewater applications. Its core business segments include Water Infrastructure, Applied Water, and Measurement & Control Solutions. These offerings span smart pumps, treatment systems, and digital solutions that help companies across sectors manage their water resource more efficiently⁵. With a focus on innovation and sustainability, Xylem is well-positioned to benefit from increasing investments in water infrastructure and the growing demand for smart water technologies.

4 KLA Corporation Sustainability and Product Reports.

5 Xylem Company Reports and Investor Presentations.

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