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### ....not a drop to drink

The truth about water shortage isn't that we either have it or we don't. It's not an either/or proposition. In fact, it is much more complex than that.

One of the greatest challenges the globe faces today is both the scarcity of and access to one of its most valuable commodities. Finding the humane response to water deficiency requires enormously diverse and innovative thinking.

Deliberative educational and social-governing institutions deliver startling news as we enter into the third decade of this millennium: half the world's population will be living in areas of water scarcity or water-stressed conditions during the next 10 years. If you think you are immune from these data, think again. Western states of the US; regions of Africa and South America; vast expanses in Asia all face severe water shortages at present.

*Water stress* simply means that either the demand for water exceeds its availability or poor water quality restricts its use. Where stress occurs, the deterioration of the human condition follows. It is not simply a matter of population growth, but factors, natural and man-made, that take a toll on precious natural resources.

However, the world's population is expanding at a pace too immense to keep pace with available water supplies. As the rate of population growth increases, there are more instances of human migration roaming into areas where water supply is more abundant. The fact is, we are using and abusing H<sub>2</sub>O at a pace greater than any time in mankind's history.

Climate cycle changes are also altering rainfall patterns, the amount of rain, and intensity of precipitation. In some areas, the issue is not *lack* of rainfall. It might be *too much* which damages infrastructure or quality of life.

Shortages might be influenced by man-made habits: pollution, waste, imperfect distribution. But, above all, it is how we think about water which most influences the quality of and access to this precious resource. Throughout the developed and developing nations, finding a unifying strategy that addresses the needs of people to have pure water must become a transcendent issue for our times.

### Markets

It is not well understood where first to attack the problem. Wall Street, for example, typically jumps from one "hot idea" to another. Volatility in this sector is often linked to seasonality or news cycles in advance of, or just after, major weather or human calamities. It just seems as if the Street's fanaticism about *idea generation* and *profit constrictions* leaves no room for wide-ranging long-term solution making.

Tapping the actual problem, and investing successfully in it, is another thing altogether. **ArlingtonEconometrics**, my proprietary database, has spent over a decade compiling water stock issues from a myriad of geographies, capitalizations, and social spectrums culminating with my *Water Stock Concept* allocation that has lucratively advanced the proposition of building capital gains while doing good for the globe's inhabitants. So far, so good. Many publicly traded "water funds" have not been able to deliver consistent performance because their processes are incomplete or dilapidated. **Water is not just a commodity, but a public trust and must not be managed for a select few or a specific profit motive, but as a human right for everyone.**

It makes no difference whether you are a mature company or a start-up, investors are looking for expert time and money management and comprehensive, no-holds-barred positive outcomes for the future. In addition, it is useful to create a longer-term, sleep-at-night approach to investing in this sector to avoid the kind of emotional convulsions that typically govern speculative or trading mindsets.

The problem is so diverse because estimates and regional diversity vary so dramatically. As noted above, the issue in some areas is not lack of availability but, rather, lack of proper distribution, whereas elsewhere the challenges are reversed. There is no such thing as an all-inclusive one-size-fits-all solution to investing in or solving the impending water crisis. The reality is that the answers must encompass a variety of topics, including desalinization, testing, pumping, irrigation and agriculture, siphoning and purification, engineering, and infrastructure, to name a few. If one aggregates all these goods and services, one approaches hundreds of billions of dollars in potential investment windfall.

Perhaps the technology for one region doesn't fit into another? That's all part of recognizing that this is a burgeoning topic with more than one resolution. While the overall theme may be broad, the goal is to be target-specific and methodologically consistent in one's approach to allocating resources, public and private, to this endeavor. The allure of being "vogue", being affiliated with "hot button topics", must be tempered by common sense, patience, earnings-based returns on investment, and a solid moral compass.

The challenge for human beings to address these social issues is both a political and economic test. There obviously is an awareness in the media that crises abound, but is there a will to do something about it? Everything we conceive regarding an impending water crisis must be supported by a consistent philosophy. It is a defining moment. At this point in history there must be a declarative humanitarian tenet that no one should be hungry or thirsty. Which industries, charities, agencies, institutions will step up to help first?

Think of it another way.....what do you currently pay for a gallon of gasoline (fuel)? Multiply that number by tenfold to consider the consequences of *not* having potable water....

### **Conclusion**

If you were called upon to challenge yourself to identify the greatest potential crisis to the planet, would you have selected something related to water? Would it shame you to think that as long as the issue doesn't directly affect *your* spigot that the likely answer might have been "probably not"?

There is a wonderfully powerful confluence within the financial markets right now, one in which a multiplicity of opportunities in socially responsible investments offer the savvy investor a chance to multiply his wealth while providing the framework for a new network of problem-solving for several decades to come. Consider how the tapestry of healthcare, infrastructure, food and water, ecology, animal conservancy, and renewable energy is woven by our conscience and sense of self. The bottom line is that no matter how the issue directly affects you, there are motivating financial, political, and moral challenges that are bigger than just one individual.

Paying attention to a predicament is the first step in addressing it. I am pleased that we can appreciate the comforts we already have while also bringing forward a conversation that evokes fear, compassion, and ingenuity on a macro scale.

No one disputes that you can't legislate morality or social consciousness. Nor can you *absolutely* incentivize capital expenditures through fiscal or monetary policy to address the pressing needs of our day. Most likely, these will be results that derive from human nature and basic laws of *survival of the species/(planet)*. Unless these disasters actually wash up on your doorstep, it seems very few pay attention. Let us hope that it never comes to such a breaking point.

Look around you. Do you know the most effective way to coalesce the plight of others with your desire to create capital gains and portfolio aggrandizement? Spend 24 hours "walking in someone else's shoes" .....someone less fortunate, someone impoverished, hungry, or in failing health. Investing in those things that improve our societal landscape might not be the "trader's way" to make money. But it does represent the forward thinker's approach to building wealth.

### **Suggested balanced account asset allocation, Q1, 2019**

**Equity: 48%**  
**Fixed Income: 40%**  
**Cash: 12%**

Arlington Econometrics is a quantitative market tool. Utilizing proprietary algorithmic equations, AE offers solutions for market-timing, asset allocation, and macro economic analysis. Using historical time-series measurements, Arlington Econometrics optimizes the analytical process and forecasting coefficients to make economic forecasting more objective.

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