



INVESTMENT U RESEARCH REPORT

Investing In Water Stocks: Four Ways To Profit From The Age Of Water

How To Pick The Best Stocks In One of Fastest-Growing Sectors

An *Investment U* White Paper by the *Investment U* Research Team

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Dear Reader,

Mexico City is sinking. The rate varies, but overall it's falling about a foot a year. In the lower-class neighborhood of Molinos – on the southeastern outskirts of the capital – front steps are being swallowed by the ground, main doorways are half submerged.

Why? Mexico City is built on top of an underground lake – an aquifer, like a water balloon – and each year the city is drawing out more water than can be replaced. As the balloon deflates, the ground falls.

Mexico isn't alone. Right now, over 80 countries are facing critical water shortages.

That problem just looks to get worse. The International Food Policy Research Institute thinks we'll add 2 billion people by 2020. Meanwhile, freshwater aquifers are shrinking around the world – Mexico City being a particularly dramatic example, but not the only one.

New Delhi, India, is on pace to run out of groundwater by 2015.

Two-thirds of China faces water shortages – today. Beijing uses 30 cubic kilometers of water more than it replenishes with rainwater each year.

At the moment, 40% of the world's population doesn't have access to clean water. Adding a couple billion mouths isn't going to help that shortage.

The price may be rising, but no one complains when buying the stuff, even though it costs twice as much as gasoline (a price we'll gladly gripe about). And that's why the current and worsening shortage is leading to an exploding bull market in the world's most precious commodity.

The report uncovers how some investors are taking advantage of this situation and *investing in water stocks*... but first, let's look at some of the factors that are at work helping to raise the price of water.

Investing In Water... and Taking Advantage Of The Supply Gap

According to *Fortune*, "Water is one of the great business opportunities. It promises to be for the 21st century what oil was for the 20th."

And it's easy to see why investors are dubbing water one of the most profitable plays out there.

Demand already outstrips supply by a wide margin – and the gap is getting bigger.

You can profit from this demand imbalance using the ‘Law of Scarce Resource Price Pressure’ – while simultaneously helping the world deal with and solve one of its largest dilemmas.

And because nothing can ever replace water, this “new oil” may turn out to be more lucrative than the regular black stuff. One thing’s for sure: you don’t want to miss out on the coming water boom.

First, let’s take a closer look at the problem.

A Massive Water Shortage, and a Looming Bottleneck

Check out these striking examples of water shortages and supply squeeze:

- Mt. Kilimanjaro has lost 75% of its ice cap – which feeds snowmelt to Lake Victoria and the Nile. Kilimanjaro will likely be bald by 2020.
- The Dead Sea has lost 66 feet in the last 100 years. It’s losing around 3 more feet every year.
- HALF of the world’s rivers and lakes are so polluted; the water isn’t safe to drink without treatment.
- Lake Chad in Africa is 5% as big as it was 35 years ago.
- 449 Chinese cities suffer water shortages. According to Summit Global Management, 75% of Chinese drinking water is unsuitable for consumption and 80% of her rivers don’t support fish.
- Water-borne diseases are the worst health hazard in the world. Every eight seconds, a child dies because of tainted water.
- American states are waging legal battles over water rights to rivers like the Colorado. Iraq, Syria, and Turkey are verbally sparring over water rights. In Africa, there is lots of saber-rattling regarding water from the Niger, Nile, and Volta rivers.
- According to the Population Institute, “Globally, the demand for fresh water exceeds the supply by 17% already.”

Not only are we losing water, but we’re set to lose it faster in the coming years.

Global Warming is fast becoming fact: according to the National Academy of Sciences, the earth is the hottest it’s been for at least 400 years. The world’s temperature has risen 1 degree Fahrenheit in the last century, and is on pace to rise 3-10 degrees in the next 100 years, according to the IPCC.

How does that affect water?

- Glaciers disappear, reducing snowmelt feeding rivers and aquifers.
- Ice sheets and glaciers melt, losing fresh water into the salt-water oceans of the world.
- Ocean levels rise from all the melting, tainting some underground water sources with unusable seawater. (The British Antarctic Society says melting just the West Antarctic Ice Sheet would raise seawater 16 feet.)
- The U.N. concluded just slightly warmer seas could intensify hurricanes 50% - with unpredictable ecological results.
- Aquifers and lakes dry up, as evaporation accelerates and weather patterns change.

The truth is, we’re not completely sure what will happen as Global Warming progresses, but our best guesses all point to a negative impact on the world’s fresh water supply. The most we can hope for is a

reshuffling of our supply, while the worst case scenario is a significant decrease in our water resources.

Of course, even if we didn't lose a single drop, we'd still be running out of water.

People, People, Everywhere...

We've already mentioned that the population of the earth is growing at an exponential clip – 1.5% to 2%. What we haven't mentioned yet is our water use is growing even faster – 2.5% to 3%.

The average person goes through 232 gallons of water a day, when you include household use, crops, bathing, and ol' fashioned water for drinking. That number is creeping up each year.

At the same time, much of the world's population is gravitating toward coastlines – which is bad news for our water resources. According to USA Today, "Half of all coastal regions, where one billion people live, have degraded through overdevelopment or pollution."

In other words, we're overpopulating the coasts, straining and breaking our sanitation systems, polluting our fresh water.

But there are solutions to all of these problems – and if you are involved in the solutions, you are going to make a killing by [investing in water](#), if you start right away.

4 Ways to Profit By Investing In the World's Water Issues

One: Filtration

This is a growth industry in the water sector – and we're not talking about your Brita filter here. We're talking about technology that can act as the Brita for an entire city, or even a state.

Some examples of filtration systems that are becoming more and more popular are:

- Backflow preventers – which stop contaminated water from flowing back down pipes and polluting the potable source water.
- Membrane treatment to filter out contaminants (more on this later).
- Pumps and filters to treat commercial and domestic water (just like our ten story Brita).
- Ultraviolet disinfection to treat drinking water and cleanse wastewater.

Cleaning up water is a necessary part of the solution. The problem is, filtration technology is already mature. The big leaps have already been made, which means the big money isn't floating around this sector.

Two: Consumption

We need to cut down water consumption – and on that end, you can investigate various technologies that promise to regulate water pressure and flow.

Specifically, try to find the companies that are doing the best job reducing the amount of water needed to produce a certain amount of pressure. From fire hoses to showerheads, the applications here are innumerable, and as the cost of water goes up, they'll become more and more economical and attractive.

Again, there is a drawback: consumers never are big fans of conservation efforts until there is no choice

– and businesses have already made whatever upgrades they can live with. We may come to a breaking point in the future, but we aren't there yet and we don't know when we will be.

Three: Desalinization

This is a less spectacular, but very solid long-term water investment. As we've already seen, today we are short on water and the problem is just going to get worse.

However, only 2% of the world's water is fresh – the rest is salt water. The best solution is to convert some of the other 98% to usable fresh water. That could potentially solve all of our supply problems. With the availability of water dwindling, more and more places are turning to converted salt water to solve their crunches. Today, there are 7,500 desalinization plants running, although the majority of them are in the wealthier oil states in the water-starved Middle East.

At the moment, desalinization plants are very expensive. The cost continues to come down as we make progress using membrane treatment to eliminate the salt, but we haven't yet reached a point where desalinization is an economical source of fresh water.

In the long view, desalinization is a solid [water investment](#), but it probably won't make significant gains for some time.

Four: Water Rights and Infrastructure

Right now, this is the best way to profit from investing in water.

After all, if the price of water is going up, what companies stand to make money immediately? Those who own water, of course – or the rights to water still in the ground.

Many companies hold huge tracts of land with plenty of untapped underground water. In some cases, the water hadn't been necessary before – but it is now. In other cases, the aquifers and underground rivers were too deep to bother with – again, before we started facing serious supply shorting.

Now we need access to all the freshwater we can get our hands on, and those companies that own water rights stand to make a killing.

Some companies bought their land for as little as \$35 an acre. In the American Southwest – the driest part of America, but also an area with considerable wealth – the price of water-bearing land has jumped from \$1000 an acre to \$7,500 an acre.

But that's just for dirt – with water trapped inside. Find a company that owns the land AND the technology to deliver the water inside, and the numbers get even better. The price of the finished product is selling at \$45,000 per acre-foot.

And that price is rising...

Casinos and golf courses in Nevada are viciously competing for the right to buy water. Cities like Phoenix and Tucson are desperately trying to keep up with a booming population in the middle of the desert.

If you want an immediate return, look for companies that plan to sell the land and the rights therein for one big payday. If you'd rather sit and watch an investment grow, find owners who want to extract the water and sell it themselves – and the biggest winners, companies that own the tools and the technology to do so without having to turn to outside resources.

Of course, do your homework; not every company involved in [the water industry](#) is going to produce triple-digit returns. But many will, and the sector as a whole should do very well for the foreseeable future.

Good Investing,

The Investment U Team

P.S. By the way, one small company in Nevada has been buying up land and water rights in Nevada, Texas, Colorado and Arizona since 1994. It now owns 1.3 million acres... and is about to cash in, selling a portion of its rights for 1,285 times the original purchase price. The deal could triple the company's cash reserves overnight, and another four deals are underway. To get the details, [read the full report](#).

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