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## A Commodity More Precious Than Oil and Gold

*Today's comment is by long-time member of our Council of Experts, Robert Vrijhof. He is President of the asset management firm Weber, Hartmann, Vrijhof & Partners (WHVP) in Zurich. He's also a member of The Sovereign Society's Council of Experts and a longtime speaker at Sovereign Society events.*

Dear A-Letter Reader,

When you live in an industrialized country like the U.S., Canada or Switzerland, you usually don't think about running out of water.

You go about your life, taking regular showers and baths, using your washing machines and dishwashers, flushing toilets and drinking the recommended six to eight glasses of water a day. You never think about water being a luxury - it's become a "must-have."

But the truth is that water is a rare resource in many parts of the world.

Experts at UNESCO (United Nations Educational, Scientific and Cultural Organization) are saying the need for water will double by the year 2050. Water will therefore get even more precious in the years to come.

## Water Stats Make a Splash on World Economy

The statistics surrounding water are a bit frightening - if you consider that every living being on earth needs water to sustain itself. For example:

- Although our world is covered by a lot of water, approx 70%, only 3% of this is fresh water.
- 50 of the largest cities in China have a serious problem getting fresh water to their citizens.
- Mexico City brings fresh water into town from a distance of over 100 miles.
- Roughly one sixth of the world's population (or 1.1 billion people) do not have access to safe water, according to Water Aid.

## Water - the Often Overlooked Commodity

Water is one of the big investment themes all our experts at my company, WHVP, have been watching.

Worldwide, the water industry has an estimated turnover of approximately US\$340 - 370 billion each year. All our investment experts expect a significant increase in these numbers in the near future.

As the demand for water picks up over the next few years (as emerging markets develop), and supply remains constant, water could face severe shortages. When that happens, water will become the new "hot" commodity for investors - similar to how oil or gold is now.

In certain emerging markets, the local authorities must build the infrastructure to ensure their people eventually have fresh water. Certain parts of the world like Africa, Asia and India to name a few, will have to invest gigantic sums of money so they can provide fresh water to their people.

## You're Not Off the Hook if You Live in the U.S. or Europe

You might think that the U.S. and Europe have an ample supply of water. That's true for the time being, you should be aware that the systems that are being used are very old.

Last year, the WWF (Worldwide Fund for Nature) reported that London wastes 300 Olympic swimming pools' worth of water every single day, just from leaks from ageing water mains.

This means developed nations will need to make large investments in the future to restructure these old water infrastructures.

In the U.S., I predict you will see significant new regulations coming in before 2011 regarding water. Right now, these regulations include the Surface Water Treatment Rule, Disinfection Byproduct Rule and Ground Water Disinfection Rule to name just a few.

This will lead to more pressure on the water industry and lead to higher investments and eventually prices - which will in turn lead to profits for you, if you start investing in water right now.

If you're looking for ways to invest in the coming shortages, look at water distribution, water technology, water filtration and water infrastructure companies.

Let me tell you that there are many interesting water stocks out there, with favorable P/E ratios in my opinion.

However, if you need more convincing, I can tell you that the water stocks we're following have outperformed the MSCI world index by approximately 15% since August of 2006.

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