

## Regulatory Story

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**Company** [Aqua Resources Fund Limited](#)  
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### **Aqua Resources Fund Limited - Interim Management Statement**

Aqua Resources Fund Limited ("Aqua" or the "Company"), the closed-ended investment company managed by FourWinds Capital Management ("FWCM") and established to invest in global water opportunities, today issues its Interim Management Statement for the period from 30 June 2010 to 27 October 2010 (the "Period").

### **Financial Position and Performance**

	30 September 2010 (EUR)	30 June 2010 (EUR) (previously reported)	% change
Net Asset Value ("NAV") per Ordinary Share	0.9010	0.9791	-8.0%
Closing middle market share price (London Stock Exchange)	0.6650	0.5875	+13.2%

On 27 October 2010, Aqua's share price closed at EUR 0.67. The Company has invested approximately 86 % of its assets. The balance is held in cash, with no gearing.

### **Material Events during the Period**

During the Period, the Company increased its investment in two of its existing portfolio companies.

First, on 9 August 2010, Aqua announced that it had subscribed for £2.0 million (€2.4 million) of secured loan notes due 2012 ("Loan Notes") in existing portfolio company, Bluewater Bio International ("BBI"), together with warrants to subscribe for up to 5,714,285 ordinary shares in the capital of BBI (approximately 2% of the fully diluted share capital of BBI). This investment was made alongside Ecofin Water & Power Opportunities Plc which has also subscribed for £2.0 million Loan Notes on the same terms as Aqua.

Secondly, on 10 August 2010, Aqua announced that its wholly owned subsidiary, Aqua Resources (In-Pipe) Holdings Limited ("ARIHL"), had agreed to exercise its right to acquire a further 8% of the fully diluted share capital of In-Pipe Technology Company, Inc ("In-Pipe"). Aqua announced its initial investment in In-Pipe in August 2009. The transaction was structured in two tranches. In the first tranche, completed on 6 August 2009, ARIHL invested US\$3.0 million (€0.9 million) in exchange for approximately 14% of the fully diluted share capital of In-Pipe. It was also granted a warrant to acquire additional shares representing up to a further 2% of the fully diluted share capital of In-Pipe (at 6 August 2009). This warrant was never exercised and has now been cancelled and replaced by a new warrant described below. In the second tranche announced on 10 August 2010, ARIHL acquired a further 8% of the fully diluted share capital of In-Pipe (at 9 August 2010) for approximately US\$2.0 million (€0.51 million). As part of the second tranche, ARIHL was also issued a new warrant representing the right to purchase an additional 3% of the fully diluted share capital of In-Pipe (at 9 August 2010). Currently, ARIHL holds approximately 21% of the fully diluted share capital of In-Pipe and, if it exercises this new warrant, it will own approximately 24% (based on the fully diluted share capital at 9 August 2010).

### **Estimated NAV as at 30 September 2010**

As at 30 September 2010, Aqua's estimated unaudited NAV was EUR 0.9010 per Ordinary Share. During the Period, Aqua's estimated NAV was primarily impacted by two market elements - share price and currency:

- first, a decrease of approximately 22% in the share price of one of Aqua's portfolio companies, China Hydroelectric Corporation ("CHC"); and
- secondly, strong currency movements resulting in a decrease of the US dollar and the pound sterling against the Euro (which is the designated currency of Aqua's Ordinary Shares).

Neither of these elements is related to declines in the performance of any of our portfolio companies' businesses and we expect both of them to smooth overtime. Nonetheless, the result is an 8% drop in the estimated NAV per Ordinary Share from the previous quarter ended 30 June 2010.

#### *China Hydroelectric Corporation*

Aqua owns 1.98 million American Depositary Shares ("ADS") of CHC, which, on 11 August 2010, announced its unaudited consolidated earnings results for the second quarter of 2010 and for the six months ended 30 June 2010. Overall results for the second quarter of 2010 were strong compared to the second quarter of 2009, with a significant increase in the main operating data as follows:

- A 33% increase of the installed capacity to reach an aggregate installed capacity of 430.5 MW;
- A 74% increase in revenue to US\$22.5 million, due to better rainfalls and stronger contribution from newly acquired and completed projects;
- A 67% increase in adjusted EBITDA to US\$16.9 million; and
- GAAP net income of US\$0.11 per ADS.

Likewise, the first half of 2010 compared favourably to the first half of 2009.

Despite these strong results, and what Aqua considers to be a robust outlook for CHC, CHC's share price closed at US\$5.785 per ADS on 30 September 2010, a decrease of approximately 22% compared to 30 June 2010, negatively impacting Aqua's NAV for the quarter ended 30 September 2010.

However, average daily trading volume has increased 17% for the 3 months ending 30 September 2010 compared to the 3 months ended 30 June 2010.

Since 30 September 2010, the average daily trading volume to 22 October has increased by a further 119% on the back of CHC's recently announced framework agreement with China Guangdong Nuclear Energy Development Company to jointly develop and construct CHC's 1,000 MW Wuyue Pumped Storage Project<sup>1</sup>.

#### *Foreign exchange movements*

During the period from 30 June 2010 to 30 September 2010, currencies experienced strong movements, which have impacted upon Aqua's financial performance over the Period. In particular the US dollar decreased by approximately 8.6% versus the Euro<sup>2</sup>, and the pound sterling decreased by approximately 5.6% versus the Euro<sup>3</sup>, negatively impacting Aqua's estimated NAV for the quarter ended 30 September 2010.

### **Investment Update**

Aqua has built a strong and diversified water portfolio by way of investments involving the supply, use and treatment of what is an increasingly scarce, absolutely essential, resource. It continues to actively manage its portfolio of investee companies, which now account for 86% of its assets.

Aqua has built its portfolio through providing growth capital to operators of projects in water and waste water as well as hydroelectricity, and to equipment and innovation providers whose products and services seek to ensure that the broader water industry increases its efficiency and provides end-users, whether individuals or industrials, with cleaner and better quality water without dramatic increases in cost. By investing across this water value chain, Aqua has been able to diversify the risk across a very broad range of industries and geographies whilst maintaining a fundamental link to the core driver behind its investments.

As at 27 October 2010, the Company held investments in a total of five companies with operations in the United Kingdom, Continental Europe, China, Thailand, South Korea, Malaysia, North Africa, South Africa and the Middle East, as well as in the United States and Mexico, providing an attractive underlying geographic diversification.

<sup>1</sup>Source: Average daily volumes from Reuters

<sup>2</sup>Source: Reuters.

<sup>3</sup>Source: Reuters.

### **Further enquiries**

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### **Important Information**

This Interim Management Statement has been produced solely to provide additional information to shareholders of the Company to meet the relevant requirements of the U.K. Listing Authority's Disclosure and Transparency Rules. It should not be relied upon by any other party for any other purpose. The information in this statement has not been audited.

The information related to the Company included in this statement is provided for information purposes only and does not constitute an invitation or offer to subscribe for or purchase shares in the Company. This material is not intended to provide a sufficient basis on which to make an investment decision. All investments are subject to risk. An investment in the Company should be regarded as long term in nature and is suitable only for sophisticated investors, investment professionals, high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts, in each case, who can bear the economic risk of a substantial or entire loss of their investment. Prospective investors are advised to seek expert legal, financial, tax and other professional advice before making any investment decisions.

The Company is a Guernsey domiciled Authorised Closed-ended investment scheme pursuant to section 8 of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended and rule 6.02 of the Authorised closed-ended Investment Schemes Rules 2008.

### **Fundamentals**

Listing date: 24 July 2008

Ordinary shares outstanding: 72,464,340

Latest audited NAV (31 December 2009): EUR 1.0219  
Latest adjusted NAV (30 September 2010): EUR 0.9010  
Number of investments/continents: 5/3  
Total invested and committed: EUR 55.8 million (86% of portfolio)

### **Investment Objective**

The Company's investment objective is to provide long term capital appreciation through exposure to a diversified portfolio of water-related investments.

The Company will invest principally in businesses that are involved in i) Water Treatment and Recycling (i.e. waste-water and recycling, water treatment and purification), ii) Water Infrastructure ( i.e. water distribution) or iii) Water Application and Conversion (water- to- energy and desalination) with the objective of capturing the growth opportunities emerging from the attractive long-term tailwinds driving the water industry.

End.

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