

## A deep pool of resources for 2011

Water and waste water businesses have typically been seen as stable, defensive investments which provide a predictable yield over a long term horizon. However, investing in water stocks can be a challenge for investors who want real exposure to the underlying fundamentals driving the growth of the water industry and who also want some geographic diversification. For example, there are very few public companies which generate 50% or more of their revenue from water and wastewater, and water is typically a local business. In addition, water utilities are not generally capable of delivering enhanced returns. This means that investment in the typical water stock either leaves investors with a low risk/return profile and a limited actual water exposure or a stock with a higher exposure to water but concentrated geographic risk.

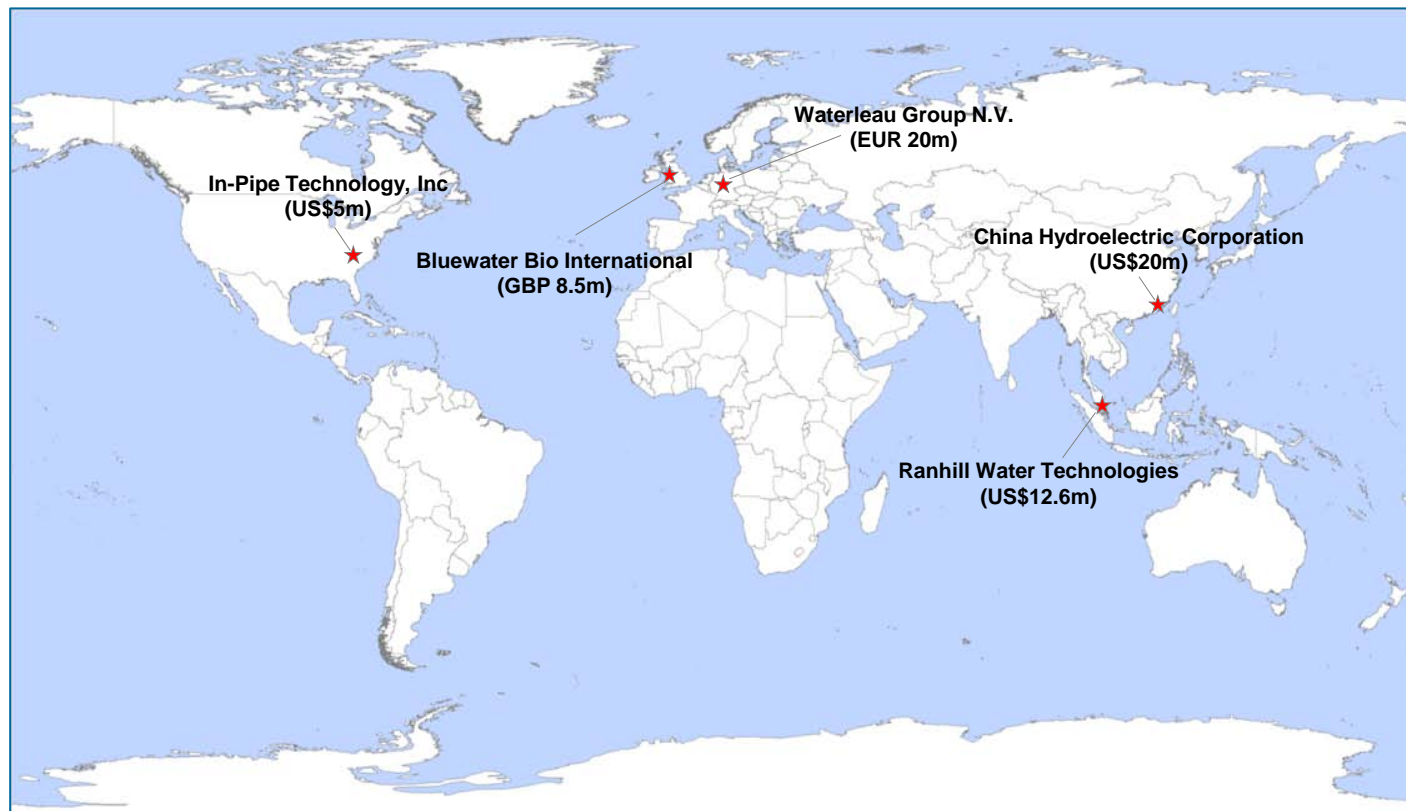
In 2010, Aqua Resources Fund Limited's ("Aqua") Investment Manager's team continued to build and solidify its global portfolio of pure play water stocks, with investments which cover the UK, Continental Europe, China, Thailand, South Korea, India, North and South Africa, the Middle East, the US and Mexico.

These investments, spread as they are across different industry segments, provide a wide range of diversified exposure to the global water value chain by targeting a range of industrial markets (municipal, food & beverage, pharmaceuticals, power, oil & gas), a wide variety of treatment types (aerobic or anaerobic bio-treatment, filtration, zero-liquid discharge), and different types of service provision (water metering, pipe maintenance).

This diversification, in terms of country exposure and accessing different markets and industry segments, leaves the portfolio in a strongly defensive position and with several crucial differences to traditional water investments – limited local concentration, extensive pure play water exposure and the ability to target those markets where growth is highest in order to deliver a heightened return.

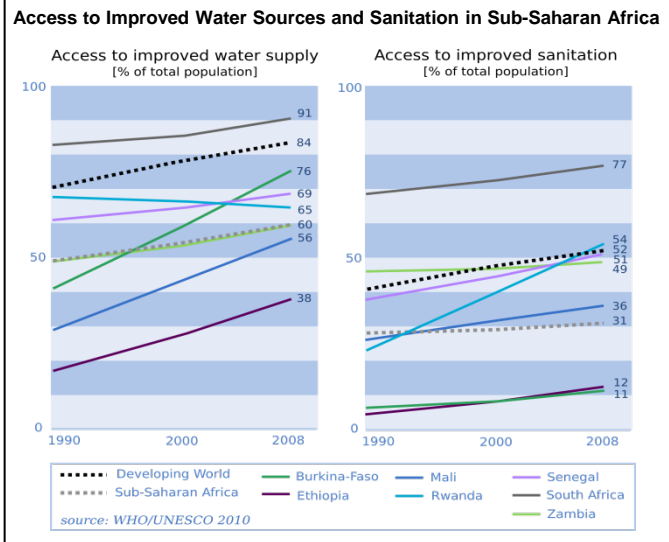
The focus for 2011 will be to assist Aqua's portfolio companies to continue their growth by accessing FourWinds Capital Management's global network to best target the most attractive markets.

### Global portfolio of Aqua's direct investments in water as at 31 December 2010



In particular in the next 12 months we expect to see very strong growth in Sub-Saharan Africa and the MENA region as governments accelerate their plans to improve, and in many cases create, robust water infrastructure. The impact of substandard and overloaded water and wastewater infrastructure combined with high population growth and urbanisation on living standards and public health ensures that governments across the region are more focused than ever on finding the best solutions and finding them quickly.

Whilst South Africa leads the pack in terms of water and wastewater infrastructure in sub-Saharan Africa (see chart below), its water infrastructure has been described as “dysfunctional” and the government has recently pledged to spend over £200 million on water services in 2011 alone.



Installed BBI's SMART (Shaft Mounted Advanced Reactor Technology) units in South Africa

One of Aqua's portfolio companies, Bluewater Bio International ("BBI"), already commands a strong position in South Africa having recently won the contract for a wastewater treatment plant upgrade outside of Johannesburg. BBI is well positioned to win further contracts across the region by capitalising on this success and the attractiveness of the efficiency increases and cost savings generated by its proprietary HYBACS system.

We expect that the next 12 months will see a renewed focus on water re-use as countries and industrials continue to count the cost of providing water as they waste resources through the discharge of treated effluent water. In Europe energy recovery looks set to continue to be a theme and, as the debate over global food stocks continues to heat up, we expect to see extensive time and effort being put into nutrient recovery and ways to utilise water and wastewater resources to maximise production.

Aqua and its portfolio companies enter the new year strongly positioned for and keenly focused on the challenges ahead.

<p><b>About FourWinds Capital Management (Aqua's investment manager)</b></p> <p>FourWinds is a specialist in global commodities and natural resources with products investing across energy, metals, agriculture, timber, water, waste, and alternative energy.</p> <p>FourWinds Capital Management (UK) Ltd. 105 Wigmore Street, London W1U 1QY United Kingdom Tel: + 44 20 7518 7970</p> <p>FourWinds Capital Management (HK) Ltd. Level 8, Two Exchange Square 8 Connaught Place, Central, Hong Kong Tel: + 852 2297 2475</p> <p>Website: <a href="http://www.FourWindsCM.com">www.FourWindsCM.com</a>      Email: <a href="mailto:info@fourwindscm.com">info@fourwindscm.com</a></p>	<p><b>Fundamentals of Aqua Resources Fund</b></p> <p>Listing date: 24<sup>th</sup> July 2008</p> <p>Ordinary shares outstanding: 72,464,340</p> <p>Latest audited NAV (31/12/2009): EUR 1.0219</p> <p>Latest unaudited NAV (30/09/2010): EUR 0.9010</p> <p>YoY audited NAV performance (2008 - 2009): + 6.9%</p> <p>Number of investments/continents: 5 / 3</p> <p>Total invested: EUR 58.2 million (88% of portfolio)</p> <p>Total committed: EUR 60.5 million (90% of portfolio)</p>
<p><b>About the Fund</b></p> <p>Aqua Resources Fund Limited is an LSE-listed investment fund (H2O) managed by FourWinds Capital Management, investing in the full value chain of global water. The strategy combines direct investments in projects, companies, and infrastructure across water-related business areas. <a href="http://www.AquaResourcesFund.com">www.AquaResourcesFund.com</a></p>	

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