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Tortoise Launches Water ETF As Infrastructure Comes In Focus

Tortoise Index Solutions has launched an exchange-traded fund focused on water. The Tortoise Water Fund ([TBLU](#)) provides exposure to companies engaged in water infrastructure, such as those providing public water distribution as well as water management firms, including companies involved in water efficiency. The ETF weights its components to provide more exposure to those companies which derive significant gross revenues from these companies. The ETF's expense ratio is 40 basis points.*

The firm is launching this ETF now given more investor awareness around water-related issues such as the drought in California and the lead-poisoned water in Flint, Mich., **Jeremy Goff**, director, told *FA*. He added the new administration's focus on infrastructure will also benefit water-related companies. "I think the media has really covered what's going on in the United States with regard to deteriorating infrastructure," he said. "Water infrastructure in the United States is in a state of deterioration and what's happened in Flint just spells that out for you. A lot of the water infrastructure across the United States is pre-1900s. Our view is folks want to participate in this market but they don't know how."

Tortoise differentiates its offering from other water ETFs in that it's focused on more pure-play water companies. "The index is based on proprietary research," Goff said. "When we look at what companies should go into the index, we really focus down into cash flows and what sort of cash is being generated from their activities in water. What this index is designed to do is really go in on the companies who are driving the majority of their cash flows or a significant portion of their cash flows from activities in water—building out water infrastructure, water efficiency, new technologies that are going to focus on purification and treatment."

The fund has a solid strategy but it's entering a crowded space, **Dave Nadig**, CEO of **ETF.com**, told *FA*. He noted there are already five water ETFs with well over \$1.25bn in assets across them. The largest in the space is the Guggenheim S&P Global Water ETF ([CGW](#)) which has close to \$500m in assets and has a 10-year track record. "It's clearly a theme that's resonating," Nadig said.

Tortoise's ETF shouldn't be ruled out, however. "They're coming in at 40 bps which is a steal compared to CGW's 64 bps," he said. "Twenty-four basis points is a big gap. They're also skinning the water cat a little differently using more than just headline classification to select and weight stocks. Theoretically, this gives TBLU a nicely concentrated pure play advantage."

*Basis points: Basis points are a unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form.

The fund's investment objective, risks, charges and expenses must be considered carefully before investing. The summary and statutory prospectus contains this and other important information about the fund and may be obtained by calling 844-TR-INDEX (844-874-6339) or visiting www.tortoiseindexsolutions.com. Read it carefully before investing.

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