

**Stress in the Water Chain;
Opportunities for
Sustainable Investing**

2008 TEXPERS Conference

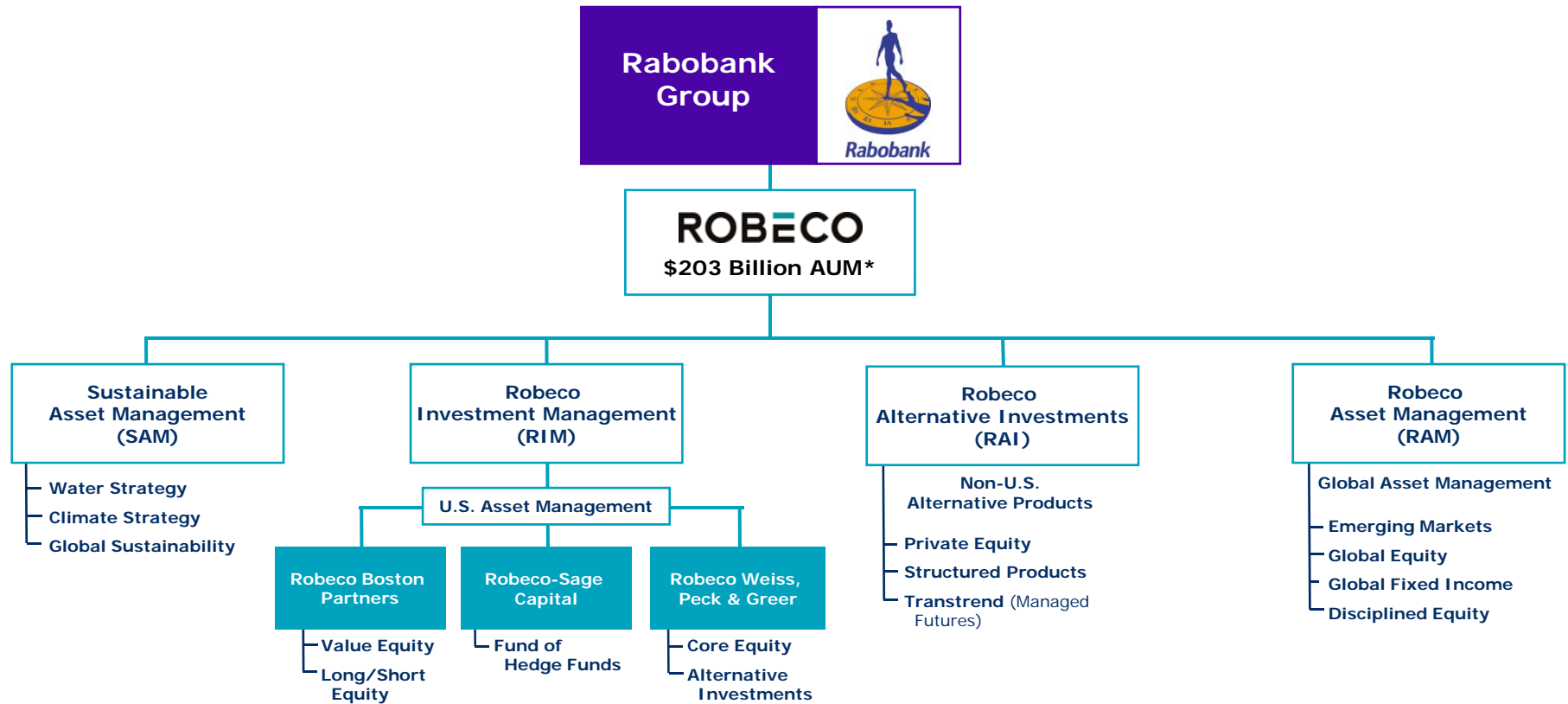
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SAM is a member of the Robeco Group

Robeco

Organizational Structure

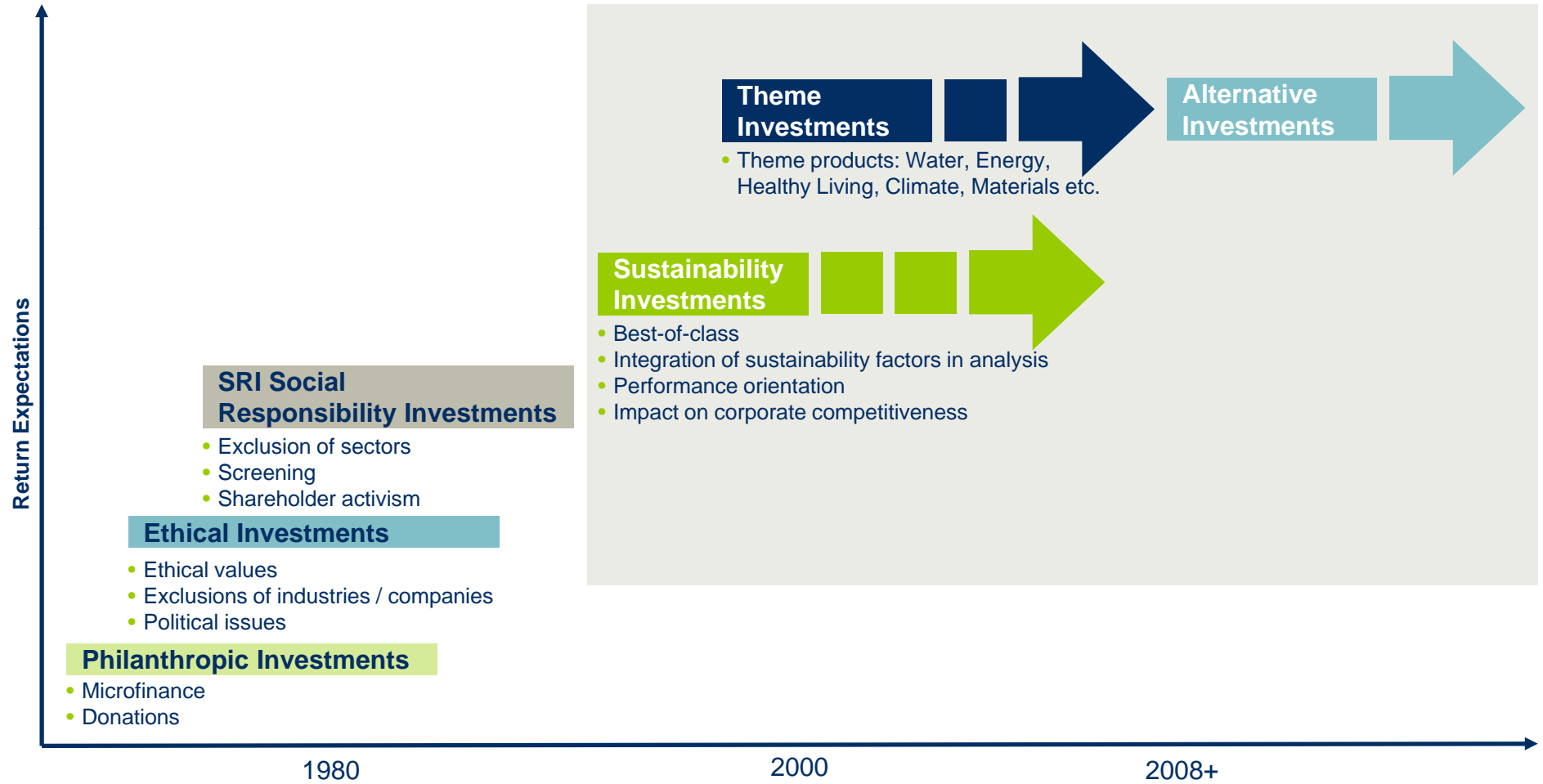


* As of June 30, 2008

RAM investment services may be offered in the U.S. through Robeco Institutional Asset Management, U.S., SAM investment services may be offered in the U.S. by Sustainable Asset Management USA, Inc., each an SEC Registered Investment Adviser registered under the Investment Advisers Act of 1940. RAM, RAI and SAM products may be offered in the U.S. through Robeco Securities, LLC, member FINRA, SIPC.

The organizational chart above is simplified and designed to illustrate the corporate relationship between Transtrend and Robeco Investment Management with their ultimate parent company, Rabobank. The actual corporate structure of Rabobank and its various subsidiaries is more complex. A complete organizational chart is available upon request.

Evolution of Sustainability Investing



Corporate Sustainability and Sustainability Investing

Definitions

Sustainability investing ...

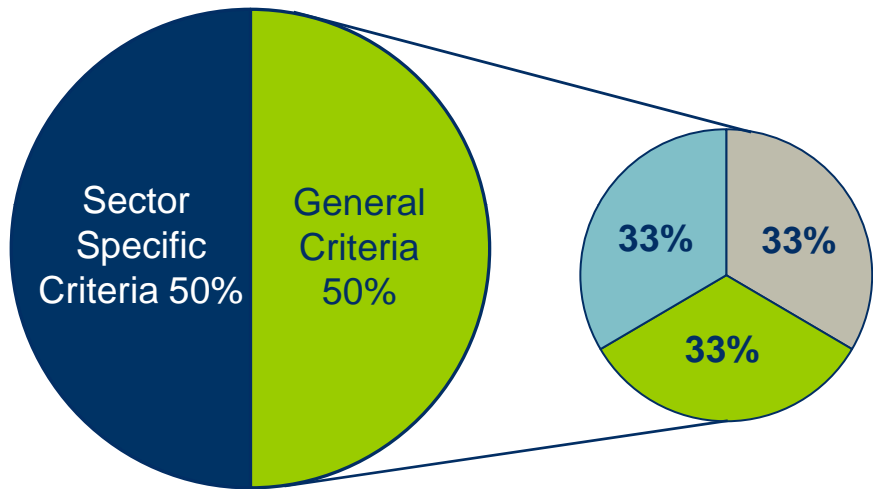
... is a long-term investment approach that integrates economic, environmental, and social considerations in the selection and retention of investments.

Corporate sustainability ...

... is a business approach to create long-term shareholder value by seizing the opportunities and managing the risks that stem from sustainability trends and challenges.

Sustainability Analysis - Criteria

Over 130 cross- and industry-specific criteria and dimension weights



Economic Dimension

- Corporate governance
- Codes of conduct & corruption
- Risk & crisis management

Social Dimension

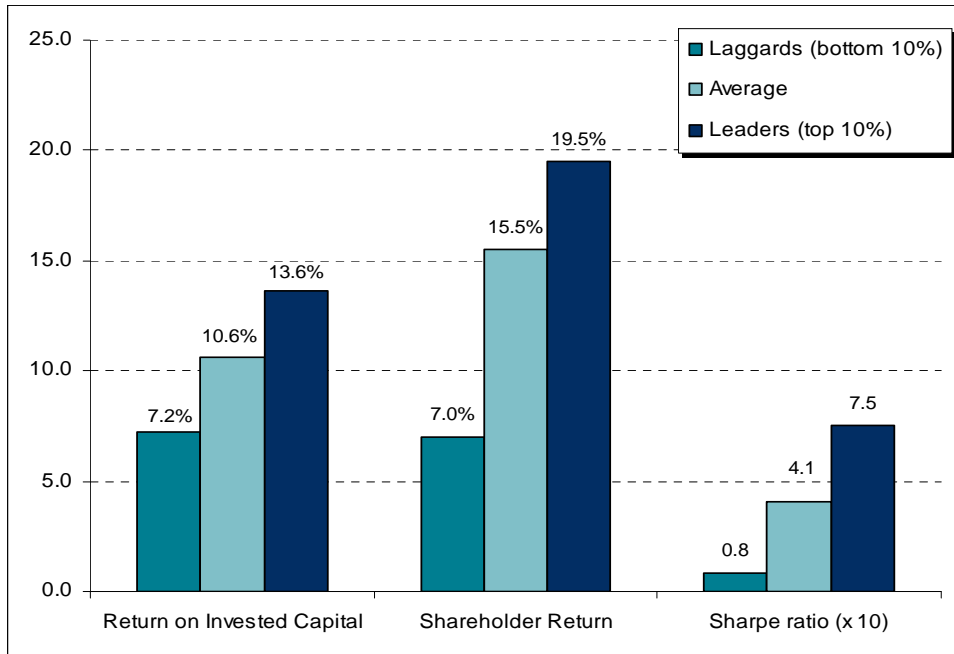
- Labor practice indicators
- Human capital management
- Talent attraction & retention
- Corporate citizenship & philanthropy
- Social reporting

Environmental Dimension

- Eco-efficiency
- Environmental Policy & Management
- Environmental reporting

Evidence of Sustainability driving Stock Returns

Selected results from in-house studies



Description

- Scope: DJSI Participants, ex. financials
- Time frame: 2002-2006 (5 years)
- Geography: Global, ex. Japan
- Sustainability metric: Total score
- Number of companies: 1342 (pooled set-up)
- Statistical method: one sample t-test

- Sustainability trends impact firm fundamentals (e.g. return on invested capital)
 - Markets are getting increasingly efficient at pricing-in sustainability considerations
 - Markets punish sustainability worse-performers heavily
 - Markets only reward sustainability best-performers
- ➔ Sustainability research delivers added-value to investors

Global Trends give Rise to Opportunities

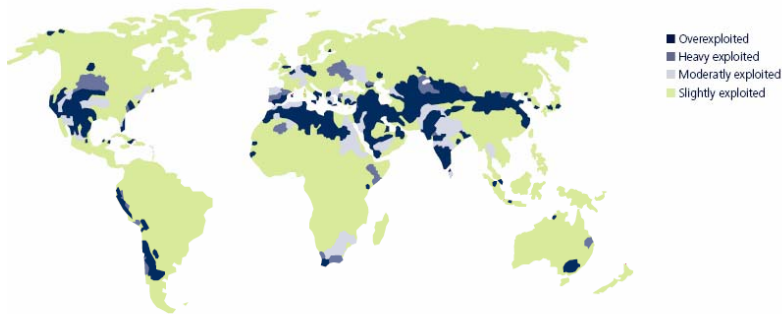


Investment Rationale Underlying the SAM Water Strategy

- High projected population growth
- Average pro capita water consumption has doubled during the last decades
- Supply of water remains constant
- Unesco predicts a dramatic fall in water resources by 2025 and beyond
- Investments along the entire value chain of the water industry

Macro Trends are Shaping the Sector

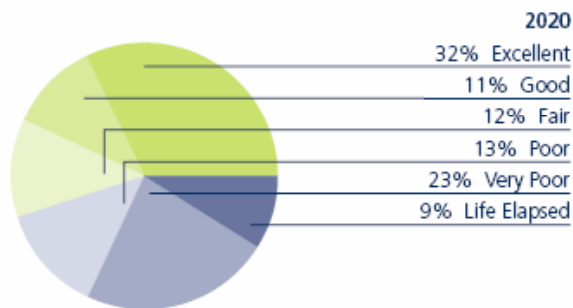
Demographic Changes



Source: UNDP, Human Development Report 2006

- Urbanization
- Growing world population
- Economic development
- ➔ Strong growth in water extraction, re-use, desalination, water purification technologies and efficient irrigation

Ageing Infrastructure



Source: US EPA, Clean Water and Drinking Water Infrastructure Gap Analysis Report, 2002

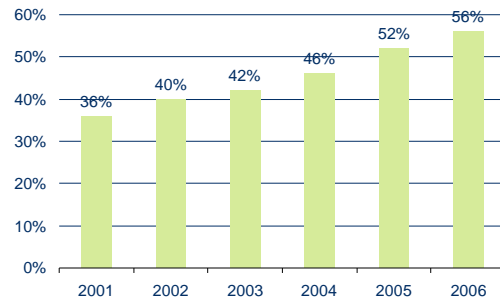
- Management of infrastructure
- Scarce financial resources
- Urbanization
- ➔ High investments in infrastructure and innovative renovation solutions, management and engineering services

Macro Trends are Shaping the Sector

Global trends are shaping the industry and are opening up new market needs

Water Quality & Health

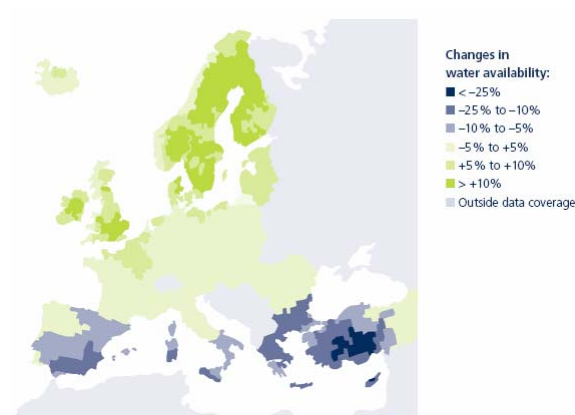
Treatment Rate of Urban Sewage in China



Source: Chinese Academy of Science, 2007

- By-products of industrial processes
- Designed chemicals
- Pollution caused by leaks and household waste
- ➔ Strong demand for enhanced treatment and modern analysis- and controlling equipment

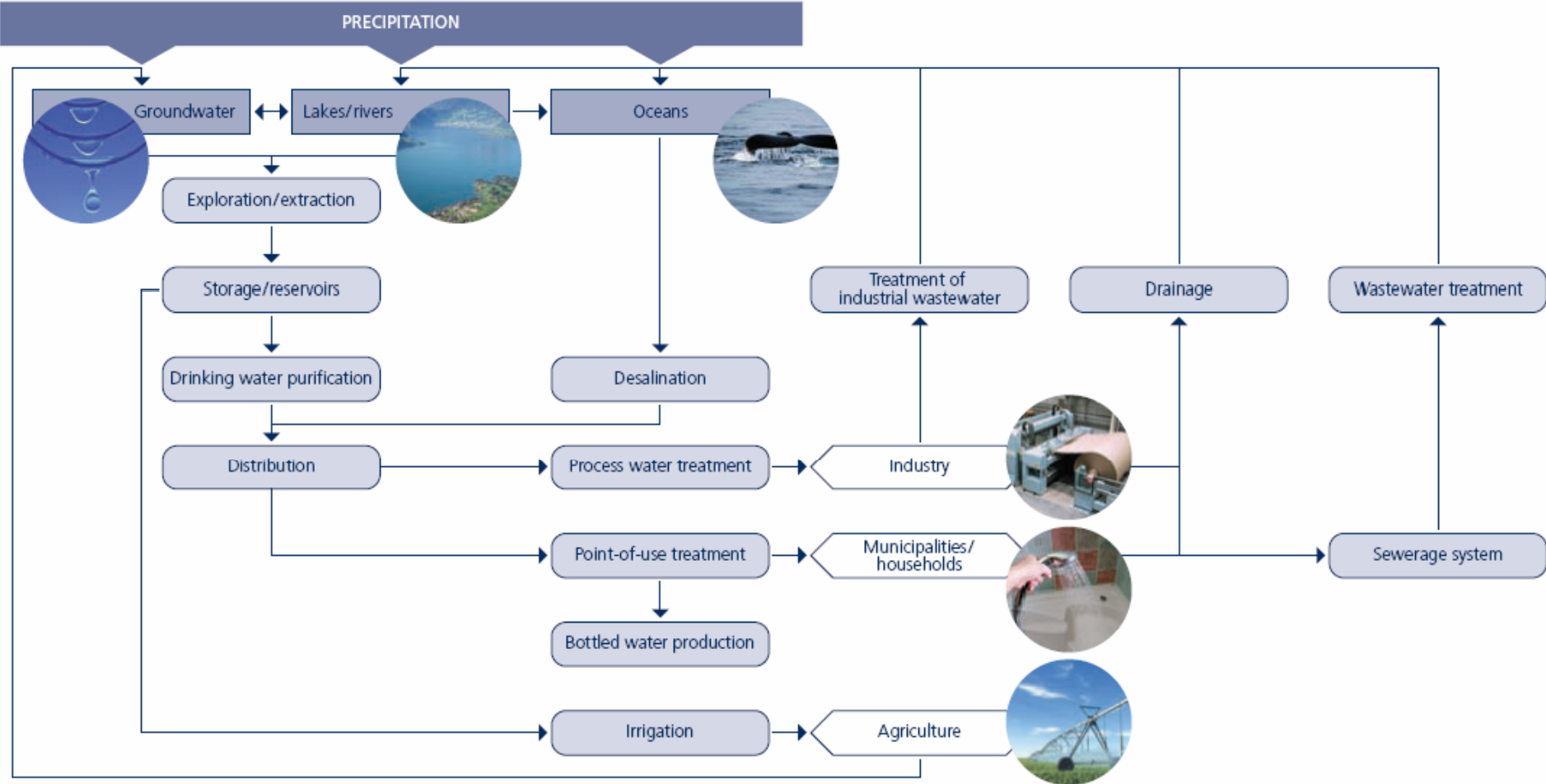
Climate Change



Source: The European environment – State and outlook 2005.

- Rising temperatures
- Variability of rainfall and
- Water availability
- Intensity of severe weather events
- ➔ Strong demand for improved resource management, prevention, and mitigation measures

The Water Value Chain



Investment Clusters

Based on the analysis of facts and trends, four investment clusters emerge.

Distribution and Management

- Utilities
- Pipes and Pumps
- Resource Management, Engineering

Advanced Treatment

- Drinking Water Purification
- Wastewater Treatment
- Analytics and Monitoring

Water and Nutrition

- Organic Food
- Irrigation
- Bottled Water

Demand-side Management

- Efficient House Installations
- Chemicals and Additives
- Metering

Presenter's Biographies

Tim Kruis, CEFA

Principal

Mr. Kruis joined Robeco as a senior investment specialist. He then joined the U.S. investment team as a U.S. product manager. Mr. Kruis works closely with the firm's sales, consultant relations, relationship management and marketing teams in introducing Robeco's global expertise to the U.S. market. Mr. Kruis has a background in equity research and corporate finance. Mr. Kruis began his investment career with the Amsterdamsch Effecten Kantoor as a sell side equity analyst and then moved to Kempen & Co., a Dutch based merchant bank, in a similar role. Mr. Kruis holds a Master's degree in business economics from Rotterdam University and CEFA designation (Dutch equivalent of the CFA) since 2002. He has over eight years of investment experience.

Sandy L. Sinor

Senior Vice President

Ms. Sinor is a Senior Vice President for Taft Hartley and Public Fund clients in the Western United States. She joined the firm from Oppenheimer Investment Management, where she was a Vice President. Prior to that, she was a Senior Vice President at Lynch, Jones, & Ryan. She began her career with Chase Securities, where she was a Vice President in the firm's Capital Markets and Fixed Income group. She holds a B.B.A. degree in management from the University of Texas, an M.B.A. degree from Amber University and NASD licenses 6, 7, and 63. Ms Sinor has over sixteen years of industry experience.

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