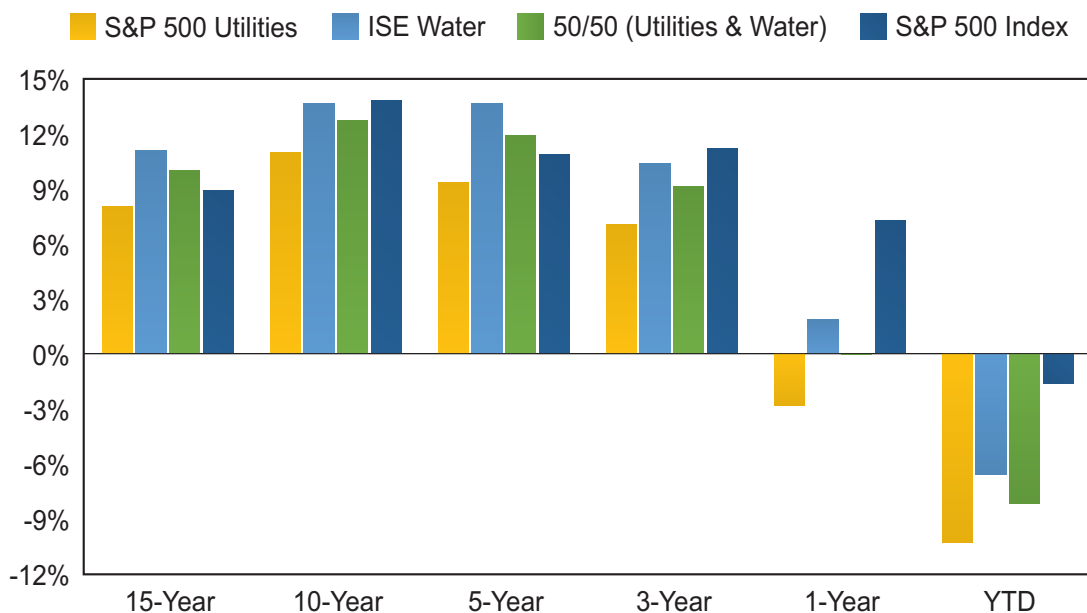


# A Case For Investing In Two Basic Necessities

## Electricity and Water Indices vs. the Broader Stock Market

(YTD, 1-Year and Average Annualized Total Returns thru 7/7/20)



Source: Bloomberg. The 50/50 split was rebalanced daily to calculate the blended return.

**Past performance is no guarantee of future results.**

## View from the Observation Deck

1. Today's blog post is an FYI to individuals who invest in electric utility stocks, especially those who buy them with the intent of holding them over a long-time horizon. We believe that water utility and infrastructure stocks could be a complement to electric utility stocks.
2. Historically speaking, investors have been drawn to electric utility stocks because their dividend yields can at times be attractive relative to other income-oriented securities, as has been the case over the past 10-12 years, in our opinion.
3. What most investors may not know is that electricity and water are intertwined in complex ways via infrastructure, according to the University of Wisconsin College of Engineering. It notes that there can be no water from a tap without electricity, and there is no electricity from a switch without water.
4. The National Environmental Education Foundation reports that 77% of the demand for fresh water in the U.S. comes from irrigation and electric power plant cooling, followed by municipal and industrial usage at 20%.
5. As indicated in the chart, the ISE Water Index outperformed the S&P 500 Utilities Index in all six of the time periods. Keep in mind that this is just one snapshot in time.
6. The 50/50 (Utility/Water) blend total returns outperformed the S&P 500 Index in the 5- and 15-Year periods in the chart. The 50/50 blend only lagged the S&P 500 Index by 1.12 percentage points for the 10-Year period ended 7/7/20.
7. Our takeaway from the chart is that both utility and water stocks have lagged the broader market year-to-date as investors have opted for sectors like Technology that have benefitted from the shelter-in-place strategy during the COVID-19 pandemic. Based on the historical total returns in the chart, we believe the current climate for utilities may potentially be worth consideration.

*This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Utilities Index is a capitalization-weighted index comprised of S&P 500 constituents representing the utilities sector. The ISE Water Index includes companies engaged in water distribution, water filtration, flow technology and other water solutions. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance.*

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