

Rivers, Water, and Climate

Every spring, sitting at my desk, I find my mind wandering to one of my favorite activities, fly fishing. An activity I passionately disliked as a child. It demanded an inordinate amount of patience, quiet observation, and subtlety, traits I did not possess in any measure. To my father's dismay, I much preferred the loud "splunk" created by a large rock thrown into the calm pools to the quiet swirl created by a fish's tail in the backwater. Destined to repeat the mistakes of my own parents, my youthful experience did not deter my interest in fly fishing with my own children. Last spring, I took my daughter, Kat, fishing on the Beaverkill River in the New York Catskills. (If you are wondering why so many New York rivers end with the ominous suffix, "kill" is the Dutch word for river.)

The Beaverkill is widely considered the birthplace of American fly fishing. By the early 1900's, it became arguably the most famous trout stream in America. I have fished the river since I was a child. Last spring, watching my daughter's line tangle on the river's brush, I reflected on this full-circle moment. Initially, it seemed as simple as sharing an interest in fishing down to my own children. But over time, I realized it's not about fishing at all. It's about passing on a way of paying attention, patience and respect for the river.

The Beaverkill runs through what was once Lenapehòking, the Lenape people's homeland. Their knowledge of places like this is not something you learn or experience once. It is something you live into and carry forward. And standing on the riverbank among the riparian forest of Eastern Hemlock with Kat, I began to intuit that we are not just sharing a moment. We are adding to a chain. A chain that is now being fundamentally altered by climate change.

The Beaverkill River, like many waterways, has been affected by climate change. The summer temperatures and lower water flow have destabilized trout populations, altered hatch timelines, and weakened riverbanks. It is very possible that Kat and her siblings will not be able to share this experience with their children.

Our global economy is not directly driven by these types of shared experiences, but it does tell us something about the changing environment. In this case, it tells us about the hydrological cycle, which does have a profound economic impact. The water cycle is being drastically altered by climate change, leading to unpredictable rainfall, less snowpack, severe floods, and more intense droughts. All of which makes it harder to capture and use fresh water. Water scarcity is exacerbated by aging, leaking infrastructure, resulting in significant water loss. All while, the demand for fresh water has increased materially, driven by industrial and agricultural uses. In January 2026, a UN Report found that the world had entered a state of "global water bankruptcy," a critical condition in which human water demand had outpaced natural replenishment.¹

While protecting these delicate ecosystems is extraordinarily complex and important, as investors, we focus on the economic impacts. Aging infrastructure, population growth, and climate variability are placing sustained pressure on water supply, quality, and distribution. The economic effects are already being felt. A drought in South Texas last year led the rating agency Moody's to downgrade

¹<https://news.un.org/en/story/2026/01/1166800#:~:text=According%20to%20a%20report%20released%20by%20UN,the%20system%20to%20its%20initial%20conditions%20infeasible>

Corpus Christi's \$2 billion municipal debt.² The city's debt remains on review for a second downgrade with the "successful execution of these water projects a primary focus for Moody's."³ This April, Barclays put out a report identifying water stress as "emerging as a material and underappreciated credit risk for US municipal issuers." Lower credit ratings lead to higher borrowing costs, creating a strong economic incentive for municipalities to spend to preserve their existing water sources.

Closing Thoughts

A couple of weeks ago, I interviewed former Republican presidential nominee, Governor, and Senator Mitt Romney. We talked about the role of values in leadership, his father, character, and the American dream.⁴ We also discussed the human mind's temptation to rationalize self-interest. He spoke about the necessity of "an obedience to truth," to hold one's values above self-interest. It was a conversation rooted in American politics and politicians, but the central tension between self-interest and values is more acutely tested – if that's possible – in the capital markets.

At Redwood Grove, we try to build an investment process that reflects that same obedience to truth. In practice, that means going where the evidence leads, rather than where consensus, headlines, or short-term incentives would lead us. We are willing to look different from the market because we believe differentiated returns require differentiated thinking, grounded in facts, discipline, and a long-term view. Our focus on climate is not an exercise in values detached from investing; it is an effort to understand an economic reality we believe is still mispriced by the market. In that sense, our investment style is both analytical and principled: patient enough to withstand volatility, rigorous enough to change our minds when the facts change, and conviction-driven enough to act when truth and price diverge.

Thank you for your continued trust in our team and process. As always please reach out with any questions or thoughts.

With gratitude,



² https://fixedincome.fidelity.com/ftgw/fi/FINewsArticle?id=202512121400SM_____BNDBUYER_0000019b-13c0-d4d1-af9f-77d790890001_110.1

³ <https://www.corpuschristitx.gov/news/posts/news-release-41626-city-of-corpus-christi-receives-update-on-moody-s-financial-outlook/>

⁴ The recording will be released soon on www.trlibrary.com/podcast/good-citizen

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