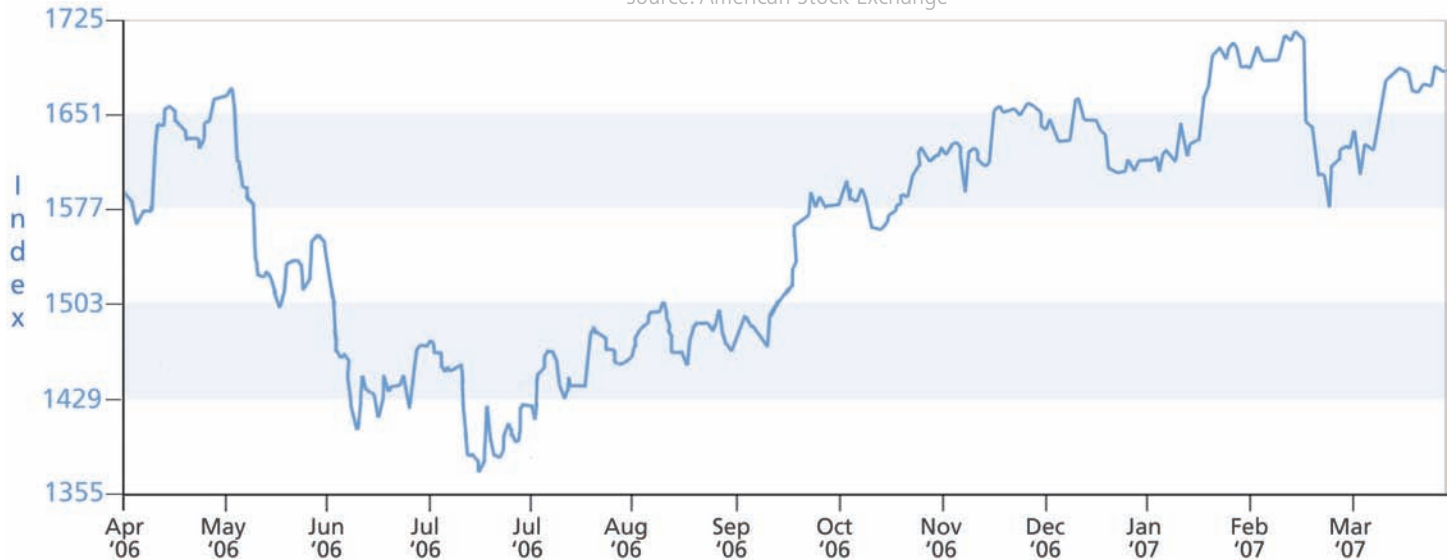


Palisades Water Index

Ticker symbol
AMEX: ZWI

12 Months Index Value

source: American Stock Exchange



Summary

The Palisades Water Index (ZWI) gained 2.05% in the period January 1 to March 31, 2007. In a difficult environment for equities toward the end of the quarter, the gain compares favorably to the S&P 500 which rose slightly at 0.18% and the Nasdaq which posted a 1.92% increase for the quarter. While the industrial components of the Index generally responded to the perception of a weakening U.S. economy, water as a favorably positioned asset class continues to gain momentum. Increasing emphasis on the sector and the exposure to relative strength in foreign markets bodes well for continued favorable comparisons with the broader market averages.

Comments

Positive performance was centered on the Treatment and Resource Management sectors while weakness in the Infrastructure

Trailing Returns

	YTD	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years
ZWI	2.05%	-0.18%	2.05%	11.99%	4.39%	62.99%	95.10%
S&P 500	0.18%	-1.21%	0.18%	6.36%	9.73%	26.16%	23.83%
Nasdaq	1.92%	-0.09%	1.92%	9.00%	5.21%	23.44%	33.40%

March 2006 Best and Worst Component Performance

Top 5 Companies			Bottom 5 Companies		
Symbol	% Change		Symbol	% Change	
Calgon Carbon	CCC	+34.03%	Gorman-Rupp	GRC	-20.38%
Synagro Technologies	SYGR	+28.96%	Insituform Technology	INSU	-19.61%
Itron Inc	ITRI	+25.46%	Ameron	AMN	-13.76%
Nalco Holding	NLC	+16.81%	Franklin Electric	FELE	-9.52%
Flowserve	FLS	+13.31%	Watts Water	WTS	-7.49%

Top Ten Components

as of March 31, 2006

Company Name	Symbol	% Weighting
Tetra Tech	TTEK	3.93%
Valmont Industries	VMI	3.85%
Lindsay Manufacturing	LNN	3.59%
Veolia Environment	VE	3.58%
Itron	ITRI	3.55%
URS Corp	URS	3.52%
Badger Meter	BMI	3.42%
Gorman-Rupp	GRC	3.26%
Roper Industries	ROP	2.94%
PW Eagle	PWEI	2.93%

sector was apparent. Of the top five best performers for the quarter (see chart), Synagro and Itron are included in the Resource Management sector and Calgon Carbon and Nalco are Treatment companies. With respect to the bottom five performers, Gorman-Rupp, Insituform, Franklin Electric and Watts Water are components of the Infrastructure sector.

Synagro Technologies was acquired by an affiliate of The Carlyle Group and highlights the positive fundamentals associated with the wastewater biosolids management business. This subsector will continue to be emphasized in the Index weightings. Nalco's stock rose nearly 17% in Q1 2007 after reporting strong earnings comparisons for the year. The strength served as an opportunity

emerging geographies such as Brazil, Russia, India and China, it is expected that organic growth with moderate in 2007. Both situations point to the continued involvement of private equity in the water business.

Itron continues its return to historical growth patterns after secular weakness in the second half of 2006. It advanced 25% for the quarter. The acquisition of Actaris expands its global leadership, particularly in Europe, with respect to water metering activities. The application of information technology in measuring

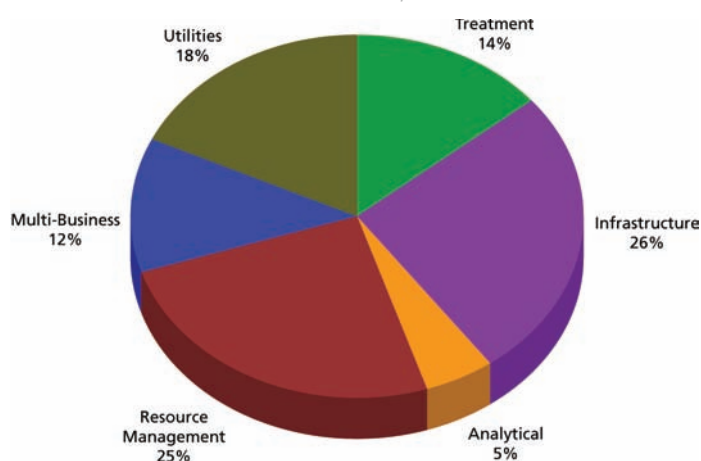
for the company's primary shareholders (Blackstone Group, et al) to exit their stake derived from their 2003 acquisition of Nalco and subsequent IPO. While the doubling in earnings points to strong growth in

and managing water consumption is one of the central themes in the Resource Management sector. Calgon Carbon, the best quarterly performer at 34%, exemplifies the positive fundamentals of the Treatment sector.

Much of the component weakness in Q1 2007 was contained in the Infrastructure sector. This reflects a moderation of the above average performance recorded in prior quarters but also anticipates the difficulty associated with funding water infrastructure improvements and uncertainty as to the extent of the decline in the U.S. housing market. While the negative bias may continue to exert short term pressure on this sector of the Index vis-à-vis the other sectors, it is believed that substantial leverage is inherent going forward.

Sector Weights

as of March 31, 2007



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